



BROMSGROVE DISTRICT COUNCIL

YOU ARE HEREBY SUMMONED to attend an EXTRAORDINARY MEETING of BROMSGROVE DISTRICT COUNCIL to be held in the Council Chamber at The Council House, Burcot Lane, Bromsgrove at 6.00 p.m. on Wednesday 22nd February 2012, when the business referred to below will be brought under consideration:-

1. **To receive apologies for absence**

2. **Declarations of Interest**

(Members are reminded that they need to keep their register of interest forms up to date)

3. **To confirm the accuracy of the minutes of the meeting of the Council held on 18th January 2012 (Pages 1 - 10)**

4. **Recommendations from the Cabinet (TO BE TABLED AT THE MEETING)**

To consider any recommendations from the special meeting of the Cabinet held on 22nd February 2012 on the following items *(the full Cabinet reports on the last two items are enclosed for information at the back of the Council agenda book)*

- Free Parking for Blue Badge Holders - Motion
- CCTV – Motion
- Medium Term Financial Plan 2012/13 – 2013/14 (The Budget)
- Treasury Management Strategy Statement and Investment Strategy 2012/13 – 2014/15

5. **To set the Council Tax for 2012/13 (THE PROPOSED STATUTORY RESOLUTIONS WILL BE TABLED AT THE MEETING)**

6. **Boundary Review Report on Proposed Council Size (Pages 11 - 20)**

To consider the report of the Head of Legal, Equalities and Democratic Services

- **Background information on recommendations from the Cabinet - Medium Term Financial Plan 2012/13 - 2014/15 (Pages 21 - 46)**
- **Background information on recommendations from the Cabinet - Treasury Management Strategy Statement & Investment Strategy 2012/13 - 2014/15 (Pages 47 - 76)**

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

TO ALL MEMBERS OF THE BROMSGROVE DISTRICT COUNCIL

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE COUNCIL

WEDNESDAY, 18TH JANUARY 2012 AT 6.00 P.M.

PRESENT: Councillors Mrs. J. M. L. A. Griffiths (Chairman), R. J. Laight (Vice-Chairman), C. J. Bloore, Mrs. J. M. Boswell, J. S. Brogan, Ms. M. T. Buxton, R. A. Clarke, S. R. Colella, Dr. B. T. Cooper, R. J. Deeming, Mrs. R. L. Dent, S. J. Dudley, K. A. Grant-Pearce, Miss P. A. Harrison, R. Hollingworth, Mrs. H. J. Jones, P. Lammas, B. Lewis F.CMI, L. C. R. Mallett, Mrs. C. M. McDonald, P. M. McDonald, E. J. Murray, J. A. Ruck, Mrs. E. M. Shannon, R. J. Shannon, S. P. Shannon, Mrs. M. A. Sherrey JP, C. B. Taylor, C. J. Tidmarsh, L. J. Turner (present during Minutes Nos. 84/11 to 91/11 only) and M. J. A. Webb

84/11 **PRAYER**

At the request of the Chairman, the Reverend Beverley Robertson opened the meeting with a prayer.

85/11 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Mrs. S. J. Baxter, Dr. D. W. P. Booth JP, J. R. Boulter, M. A. Bullivant, C. R. Scurrall, Mrs. C. J. Spencer, P. J. Whittaker and C. J. K. Wilson.

86/11 **DECLARATIONS OF INTEREST**

The following declarations of interest were made:

Item 11 Motion – Freedom of Information Requests

Councillor L. C. R. Mallet declared a personal interest as he knew at least one person who had been misinformed by the Council under the Freedom of Information Act.

Item 12 Motion – Free Parking for Blue Badge Holders

Councillors R. Hollingworth, C. J. Tidmarsh, Mrs. J. M. L. A. Griffiths, Mrs. R. L. Dent, R. J. Deeming, Mrs. H. J. Jones and C. B. Taylor each declared a personal interest as they had a close relative(s) who were blue badge holders.

87/11 **MINUTES**

The minutes of the meeting held on 16th November 2011 were submitted.

In response to comments made by Councillor P. M. McDonald with reference to Minute No.74/11, the Chairman indicated that she had spoken to the Leader and to himself who had both listened to the tape recordings of the relevant meeting of the Council and that she now wished to draw a line under the matter.

RESOLVED that minutes be approved as a correct record.

88/11 **ANNOUNCEMENTS FROM THE CHAIRMAN, THE CIVIC HEAD OR THE HEAD OF PAID SERVICE**

The Chairman referred to the following events on behalf of the Civic Head who was unable to attend the meeting:

- (a) Black Country Night on 20th January 2012
- (b) Holocaust Memorial Day on 27th January 2012

89/11 **ANNOUNCEMENTS FROM THE LEADER**

- (a) The Leader informed Members that the High Speed 2 rail link had been approved and that as a consequence there would be electrification of the line from Barnt Green to Bromsgrove. In addition, the funding for the new Bromsgrove railway station was about 95% certain.
- (b) The Leader stated that it had been brought to his notice that some members of the Labour Group had come to the Council expecting to work together which he had also expected to do. He was happy to work with the Labour Group to improve things for the people of Bromsgrove but not to promote the Labour Group. He also referred to some proposed training to help people work better together and would provide a further update on this in due course.
- (c) The Leader referred to Councillor P. J. Whittaker who had been found guilty of not providing a breath test. He had offered his resignation from the various committees but he had not offered to resign from the Council as he did not have to do so. The only time he could not stand as a councillor was if he had a custodial sentence. He had the Leader's support in continuing to serve as councillor. As Councillor Whittaker was currently on holiday the Leader would sort matters out with him upon his return.

90/11 **RECOMMENDATIONS FROM THE CABINET ON 7TH DECEMBER 2011 AND 4TH JANUARY 2012**

- (i) **CORPORATE DELEGATIONS IN RELATION TO CONSULTATIONS**

RESOLVED that the proposed changes to the Constitution with regard to Corporate Delegations in respect of consultations be approved; and accordingly the wording be amended to read as follows:

“1.1 Where the Council is asked to respond to a consultation on a matter for which the local authority has a responsibility or where it affects the District of Bromsgrove and where the time scales for responding permit then they shall be a matter for the full Council to consider.

1.2 In any event all consultations will pass automatically upon receipt to the Chief Executive's Department and will either be managed in accordance with 1.1 above or where 1.1 does not apply will be passed to the Leader of the Council for comment and the relevant Head of Service or Director to provide a response as appropriate.

For the purposes of this delegation a consultation shall not be regarded as affecting the District of Bromsgrove if it relates to a national issue and would have no more effect on the District of Bromsgrove than it would on any other area; or

If it relates to actions taken by or statements made by a body or individual connected with the District, but those actions or statements are not specifically related to the District of Bromsgrove.”

(ii) TREASURY MANAGEMENT

RESOLVED that as set out in Minute 21/11 of the meeting of the Audit Board held on 15th December 2011, the maximum level of investment to be held within a single organisation (bank or building society), as detailed in the report be set at £3 million, subject to market conditions.

(iii) HOMES INSULATION FUNDING

The recommendations from the Cabinet were moved by Councillor C. B. Taylor and seconded by Councillor R. Hollingworth.

Councillor L. C. R. Mallett moved an amendment, seconded by Councillor P. M. McDonald that with regard to the use of funding remaining at 1st April 2012, priority should be given to extending the insulation offer to people on benefits or with disabilities (the Cabinet had agreed that it be extended to any District resident irrespective of age or status).

The Monitoring Officer advised that the above amendment related to a decision which had been taken by the Cabinet but that the Leader was happy for officers to be tasked to explore and negotiate with the County Council as to whether the above matter could be addressed. On this basis it was

RESOLVED that that the funding of £40,000 from Worcestershire County Council be incorporated into this Council's "Energy Efficiency Grants Home Insulation Projects" budget and that the Capital Programme be amended accordingly.

(iv) **ANTI-BRIBERY POLICY AND OFFICERS' CODE OF CONDUCT**

During consideration of this item Councillor P. M. McDonald expressed the need for an open public register of officers' declared interests. The Monitoring Officer undertook to take on board his comments and to report back to him in due course.

RESOLVED:

- (a) that the Anti-Bribery Policy attached at appendix 1 to the report be approved, and
- (b) that that the Officers' Code of Conduct attached at appendix 2 to the report be approved and included in the Council's Constitution.

91/11 **MINUTES OF THE MEETINGS OF THE CABINET HELD ON 7TH DECEMBER 2011 AND 4TH JANUARY 2012**

The minutes of the meetings of the Cabinet held on 7th December 2011 and 4th January 2012 were received.

With reference to Minute No. 97/11 (Medium Term Financial Plan 2012/13 – 2014/15), the Leader referred to the Capital bid for toilets in Bromsgrove Cemetery which the Cabinet had resolved to take out of the budget process at this stage pending a further report. In order to progress matters quickly he now wished to propose to the Chamber that the necessary funds (£25,000) be released. The Monitoring Officer advised that whilst a report would normally be submitted to the Cabinet, if Members were comfortable with making a decision that evening they could so, as the Cabinet would have had to make a recommendation to the full Council.

The proposal was seconded by Councillor C. J. Bloore.

Councillor M. J. A. Webb as the relevant Portfolio Holder provided Members with further details of the proposal.

RESOLVED that £25,000 be released from balances to be added to the Capital Programme for 2011/12 to fund the cost of new toilets for Bromsgrove Cemetery.

92/11 **REPORT OF THE INDEPENDENT REMUNERATION PANEL FOR WORCESTERSHIRE DISTRICT COUNCILS ON MEMBERS' ALLOWANCES FOR 2012/13**

Members received a report of the Independent Remuneration Panel for Worcestershire District Councils setting out its recommendations to

Bromsgrove District Council arising from its review of Members' Allowances for 2012/13.

The Panel's report recommended that, in view of the continuing exceptional economic circumstances the Basic Allowance should remain unchanged at £3,676 and that Special Responsibility Allowances should also remain unchanged with the exception of reduced Allowances for the Leader of the Council and the Chairmen of the Planning and Licensing Committees for the reasons set out in the report.

The report emphasised that, had it not been for the economic situation, the Panel would have recommended that Basic Allowance be increased to £4,200. The report also illustrated, for information, the levels of Special Responsibility Allowances if these had been based on this higher level of Basic Allowance and the Panel's 'standard' multipliers that it considered were appropriate for the various positions.

At the request of Councillor P. M. McDonald, the Chairman agreed that the meeting be adjourned to allow Members to consider the document which had been tabled setting out the Leader's proposals on the matters.

The meeting stood adjourned from 6.45 p.m. to 6.55 p.m.

Having reconvened, it was moved by Councillor R. Hollingworth and seconded by Councillor Mrs. M. A. Sherrey:

1. That Basic Allowance be increased to £4,200.
2. That Special Responsibility Allowances be based on a Basic Allowance of £4,200 and current Bromsgrove District Council multipliers.
3. That the recommendations set out in (iii) to (v) of the Panel's report be approved.

Councillor Hollingworth stated that it would be for each individual councillor to decide if they wished to take increased allowances and that he would not take his increase.

An amendment was moved by Councillor P. M. McDonald and seconded by Councillor L. C. R. Mallett that the Basic Allowance be increased to £4,200 and that Special Responsibility Allowances be based on the multipliers recommended by the Panel including its recommended reductions for the Leader and the Chairmen of the Planning and Licensing Committees. Having been put to the vote the Chairman declared the amendment to be lost.

Prior to the motion (as proposed by Councillor R. Hollingworth) having been put to the vote, Councillor P. M. McDonald indicated that the Labour Group would abstain from the vote. Having been put to the vote, it was

RESOLVED:

- (a) that Basic Allowance be increased to £4,200;
- (b) that Special Responsibility Allowances be based on a Basic Allowance of £4,200 and current BDC multipliers, as shown below;

Position	Current Bromsgrove multipliers of Basic Allowance	SRA for 2012/13 using Basic Allowance of £4,200 and current Bromsgrove multipliers
Leader	3.0	12,600
Deputy Leader (<i>incl SRA as Portfolio Holder</i>)	2.0	8,400
Executive Members (Cabinet Portfolio Holders)	1.3	5,460
Chairman of Overview and Scrutiny Board	1.3	5,460
Chairman of Planning Committee	1.3	5,460
Chairman of Standards Committee	0.50	2,100
Chairman of Licensing Committee	1.3	5,460
Chairman of Audit Board	0.29	1,218
Chairmen of Overview and Scrutiny Task Groups – payment on completion of task	0.06	252
Members of Overview and Scrutiny Task Groups – payment on completion of task	0.03	126
Chairmen of Appointments Committee – per meeting	0.03	126
Chairman of Electoral Matters Committee – per meeting	0.03	126
Chairman of Appeals Committee – per meeting	0.03	126
Chairman of Standards Sub-Committee – per meeting	0.03	126
Leader of the Largest Opposition Political Party (elected at ballot box)	0.29	1,218

(c) that the recommendations set out in (iii) to (v) of the Panel's report be approved, namely:

- that travel allowances for 2012/13 continue to be paid in accordance with the HMRC rate (currently 45p per mile);
- that subsistence allowances for 2012/13 remain unchanged;
- that the Childcare and Dependent Carer's Allowance remain unchanged.

93/11 **QUESTIONS ON NOTICE**

There were no questions on notice.

94/11 **MOTION - CCTV**

Members considered the following motion submitted by Councillor P. M. McDonald.

"That this Council no longer monitors CCTV coverage outside of Bromsgrove and Redditch and gives due notice of this to those it may concern."

The motion was moved by Councillor P. M. McDonald and seconded by Councillor Mrs. C. M. McDonald.

An amendment was moved by Councillor R. Hollingworth and seconded by Councillor Mrs. M. A. Sherrey that the motion be referred to the Cabinet for consideration as part of the budget process so that relevant facts and figures could be reported and taken into account.

Having been put to the vote, the Chairman declared the amendment to be carried, whereupon it became the substantive motion.

An amendment to the substantive motion was moved by Councillor P. M. McDonald and seconded by Councillor C. J. Bloore that the matter be referred to the Overview and Scrutiny Board to scrutinise. Having been put to the vote, the Chairman declared the amendment to be lost.

The substantive motion (as moved by Councillor R. Hollingworth) was put to the vote by the Chairman and declared to be CARRIED.

95/11 **MOTION - FREEDOM OF INFORMATION REQUESTS**

Members considered the following motion submitted by Councillor E. J. Murray.

"In light of this Council having not given the correct response(s) to a request(s) under the Freedom of Information Act: that this Council has no confidence in the manner such requests are processed."

The motion was moved by Councillor E. J. Murray and seconded by Councillor P. M. McDonald.

Having been put to the vote, the Chairman declared the motion to be LOST.

96/11 **MOTION - FREE PARKING FOR BLUE BADGE HOLDERS**

Members considered the following motion submitted by Councillor L. C. R. Mallet.

“Noting the increasing pressure being placed upon disabled people as a result of cuts to benefits and services as well as the forthcoming rise in charges for blue badges, Council resolves to reintroduce free parking in Bromsgrove District Council car parks for blue badge holders with effect from April 2012.”

The motion was moved by Councillor L. C. R. Mallet and seconded by Councillor C. J. Bloore.

An amendment was moved by Councillor M. J. A. Webb and seconded by Councillor R. Hollingworth that the motion be referred to the Cabinet for consideration in the context of an officer report currently being prepared.

Having been put to the vote, the Chairman declared the amendment to be carried whereupon it became the substantive motion.

An amendment to the substantive motion was moved by Councillor L. C. R. Mallett and seconded by Councillor C. J. Bloore that the matter be referred to the Cabinet with the instruction that it identifies the funds within the budget process to provide free disabled parking.

Following further discussion, a procedural motion was moved by Councillor L. C. R. Mallet and seconded by Councillor C. J. Bloore that, as the Chamber was in mid-debate on a very important issue, the time limit for motions as set out in the Council Procedure Rules be extended by up to twenty minutes. The Chairman advised that she had already allowed an extra ten minutes. Having put the procedural motion to the vote, the Chairman declared it to be lost.

Following the right of reply by Councillor L. C. R. Mallet as the mover of the amendment to the substantive motion, on a requisition under Council Procedure Rule 17.5 the following details of voting on the amendment were recorded.

For the amendment: Councillors C. J. Bloore, Ms. M. T. Buxton, L. C. R. Mallett, Mrs. C. M. McDonald, P. M. McDonald, E. J. Murray, Mrs. E. M. Shannon, R. J. Shannon and S. P. Shannon (9);

Against the amendment: Councillors Mrs. J. M. Boswell, J. S. Brogan, R. A. Clarke, S. R. Colella, Dr. B. T. Cooper, R. J. Deeming, Mrs. R. L. Dent, S. J. Dudley, K. A. Grant-Pierce, Miss P. A. Harrison, R. Hollingworth, Mrs. H. J. Jones, R. J. Laight, P. Lammas, B. Lewis, J. A. Ruck, Mrs. M. A. Sherrey, C. B. Taylor, C. J. Tidmarsh and M. J. A. Webb (20);

Abstentions: 0

Accordingly, the Chairman declared the amendment to the substantive motion to be lost.

The substantive motion as moved by Councillor M. J. A. Webb, that the motion on notice submitted by Councillor L. C. R. Mallett be referred to the Cabinet for consideration in the context of an officer report currently being prepared, was put to the vote by the Chairman and declared to be CARRIED.

The meeting closed at 8.40 p.m.

Chairman

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BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Wards Affected	All
Ward Councillor Consulted	N/A
Non-Key Decision	

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BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

1. SUMMARY OF PROPOSALS

- 1.1 This report sets out proposals, which could alter the future size of the Council.

2. BACKGROUND

- 2.1 As members will be aware, the Leader has recently requested a review in respect of the Council size. The context is of a proposal that would favour single member wards.
- 2.2 When conducting a review of this nature, the Boundary Commission, will be concerned with determining the appropriate size for the Council i.e. the appropriate number of elected representatives.
- 2.3 In beginning to consider proposals for the size of the Council the Boundary Commission will refer to the Governance model already adopted by the authority and the way in which the decision making process is operated. This includes arrangements for the executive, overview and scrutiny, regulatory functions and any other electoral representations undertaken by elected members.
- 2.4 It is important to note at this stage that the Boundary Commission will only be concerned with the arrangements relating to Bromsgrove and that this process is in no way linked to any national presumptions.
- 2.5 In order to provide evidence on which to base the proposals for appropriate Council size, members will need to consider the current operating arrangements and the duties and time commitments currently expected of Councillors.
- 2.6 In providing this evidence it will be necessary for the Council to articulate the current operations and the likely affect that a reduction or increase in elected representative may have on the electorate and the Council as a whole.
- 2.7 In considering its appropriate Council size members must give consideration to the remits of the Portfolios Holders and the time commitment required to undertake these duties, it must then give consideration to the Cabinet size and the number of members that are required to effectively hold the Cabinet to account.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

- 2.8 As members are aware the Local Government Act 2000 provided the basis for the current Cabinet model of governance to which the Council operates. Members will also be aware that the size of the Cabinet has indeed fluctuated over the years and that it is currently operating with 6 portfolios.
- 2.9 Legislation dictates that the appropriate number is between 2 and 9.
- 2.10 Under section 21 of the Local Government Act 2000 authorities operating executive arrangements must appoint one or more overview and scrutiny committees, in Bromsgrove this is currently discharged through a single Overview and Scrutiny Board.

3. Overview and Scrutiny

- 3.1 In assessing future Overview and Scrutiny arrangements for the purposes of this report, careful regard should be given as to the number of members required to effectively carry out the functions of this Board.
- 3.2 Again the overview and scrutiny function has been discharged over the years in a number of ways and with a varying number of elected representatives.
- 3.3 It is fair to say that although the Board itself and associated task groups have delivered a number of very positive outcomes members have not always agreed on the governance arrangements.
- 3.4 Whilst nationally there are models demonstrating that Overview and Scrutiny can operate effectively with a Chairman from either the leading or the non leading political groups. Although Bromsgrove itself has operated effective Scrutiny in both of these scenarios, it is a point that continues to determine whether or not all members of the Council engage in this function.
- 3.5 For the purpose of the review it is important to remember that it is the number of Councillors that members will need to concern themselves with. The Council has already demonstrated that the governance and political balance within the Overview and Scrutiny function can operate effectively in a variety of ways in order to satisfy the requirements of the 2000 legislation and that although each group has a very strong view on who the chairman of this function should be it does not have a bearing on the overall Council size.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

- 3.6 The Council must also maintain a number of Regulatory Committees to deal with those matters that may not be dealt with by the Cabinet. Matters that may not be dealt with by the Cabinet include planning and licensing arrangements

4. Regulatory Functions

- 4.1 The Council has well established Committees and procedures for dealing with both planning and licensing issues. As members are aware, a large number of decisions taken at such Committees are done so by delegation carried out by officers, and in respect of those applications determined by the Committees themselves officers responsible for those areas have confirmed that, in both planning and licensing, they do not predict any increase in numbers over the years up to and including 2018.
- 4.2 At present the Planning and Licensing Committees consist of 13 members per Committee. There is a legal requirement for both Committees to be politically balanced (i.e. to reflect the overall political composition of the authority). Also, under the Council's Constitution, the Leader may not be a member of the Planning Committee or act as a substitute for a member of that Committee. Neither the Leader nor Deputy Leader may be a member of the Licensing Committee.
- 4.3 The Licensing Committee currently has 3 separate Sub-Committees: - The Licensing (Miscellaneous) Sub-Committees A and B (which sit in rotation) each comprising of 3 members drawn from the parent Licensing Committee (including the Chairman or Vice-Chairman), with a fourth substitute member on standby for each meeting. These are not required to be politically balanced but include, where possible, a member of the opposition. These Sub-Committees principally deal with private hire and hackney carriage drivers, operator and vehicle licensing and street trading consents. The third Licensing Sub-Committee comprises of 3 members drawn from the parent Committee and there is no requirement for it to be politically balanced. This Sub-Committee deals with applications and hearings arising from the Licensing Act 2003 and the Gambling Act 2005.
- 4.4 When considering the proposed Council size members need to have regard as to the above and to the table below depicting workable numbers for various regulatory functions.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

4.5 Table depicting workable numbers for regulatory functions:

Full Council	Cabinet	Planning	Licensing	O&S	Audit	LDFWP	Electoral Matters
39 (Current)	6 Q3	13 Q5	13 Q3	13 Q5	7 Q4	13 Q4	10 Q4
30	5 Q3	9 Q5	9 Q3	9 Q3	5 Q3	9 Q3	5 Q3
27	5 Q3	9 Q5	9 Q3	9 Q3	5 Q3	9 Q3	5 Q3
25	5 Q3	9 Q5	9 Q3	9 Q3	5 Q3	9 Q3	5 Q3
20	4 Q2	7 Q5	7 Q3	7 Q3	5 Q3	7 Q3	5 Q3

5. Electoral Arrangements – Housing and Electoral Growth

- 5.1 In considering the size of the Council it is necessary for the workload of members to be taken into account. In addition to community representation a number of members also have additional responsibilities such as, being members of the Cabinet, or, they will hold other positions of responsibility.
- 5.2 From a Governance perspective the Council has operated effectively with a variety of decision making structures over the years and the numbers of elected representative on each of its Boards and Committees has varied considerably.
- 5.3 In this respect members have indicated that they wish to make their own representations to the Boundary Commission in terms of the most appropriate Council size moving forward.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

- 5.4 Proposed growth in areas most likely to increase in electoral size between now and 2018 across the District is important and should be borne in mind by members when considering the proposed Council size. However, in this respect, it is not possible for officers to predict with any accuracy, which sites will be developed. This decision will always be within the remit of site owners and developers. Officers can however advise members of those sites that fall within the core strategy and which have a greater degree of likelihood in terms of development within the electoral window being assessed as part of this review.
- 5.5 In an attempt to support members in arriving at the most appropriate Council size, the following information contains sites that are most likely to be developed within that window. To assist members further in reaching an informed decision, officers have also included the likely size of the development so as to allow an assessment of the potential increase in electoral population.
- 5.6 Much of the information below is based on the views of individual developers and will always be subject to many external factors such as the planning process and the economic climate.
- 5.7 Table of proposed development from now until 2018

Electoral Area	Road Name/Development Name	Number of Planned Dwellings
Alvechurch	Land rear of 129 Birmingham Road	27 dwellings
	Former Alvechurch Middle School, Tanyard Lane	53 dwellings (currently under construction)
Catshill	Church Road	80 dwellings
Charford	Perryfields Road	See note below**
Hagley	Kidderminster & Stourbridge Road	140 dwellings, with at least a further 60 to be built post 2017
Hillside	Kendal End Road	88 dwellings
Norton	Norton Farm, Birmingham Road	275 dwellings, a further 43 to be completed after 2017
Tardebigge	St. Godwalds Road	212 dwellings
Whitford	Whitford Road	100 dwellings, with a further 400 to be built after 2017
	Perryfields Road	See note below**
Wythall South	Selsdon Close	76 dwellings
	Bleakhouse Farm, Station Road	150 dwellings

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

5.8 **For members information, the largest development site is the one proposed along Perryfields Road in Bromsgrove. The site capacity consists of approximately 1,450 dwellings, of which, 159 are under construction and approximately 360 more are expected to be completed by 2017. For ward purposes approximately 50% of these homes exist within the Whitford Ward and 50% within the Sidemore Ward.

5.9 Along with housing growth, regard also needs to be given to the proposed electorate and the number of people who will turn 18 from now until 2018. It should be noted that accuracy for small geographies cannot be guaranteed as these are projected figures provided by County and sourced from ONS information.¹

Year	Estimate	Year	Estimate
2011	1,200	2012	1,100
2013	1,100	2014	1,200
2015	1,100	2016	1,100
2017	1,100	2018	1,000

6. Electoral Arrangements – Electoral Statistics

6.1 To further support members in reaching their decision, officers have prepared the following tables. These give an overview in relation to electorate ratios and current ward based statistics together with some County comparisons.

6.2 Current Ward Councillor Ratio's

Ward Name	Number of Seats	2011 Electorate	Cllr Ratio
Alvechurch	3	5267	1755
Beacon	1	1747	1747
Catshill	2	3486	1743
Charford	2	4745	2372
Drakes Cross & Walkers Heath	2	3943	1971
Furlongs	2	3370	1685
Hagley	2	3787	1893
Hillside	2	3919	1959
Hollywood & Majors Green	2	3667	1833
Linthurst	1	1935	1935
Marlbrook	2	3411	1705
Norton	2	3864	1932

¹ Source – ONS mid-year estimates 2010 and ONS 2008-based population estimates. Please note that these figures are for members use only and should not be published into the public domain.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

Ward Name	Number of Seats	2011 Electorate	Cllr Ratio
Sidemoor	2	3860	1930
Stoke Heath	1	1951	1951
St Johns	2	3780	1890
Slideslow	2	3980	1990
Stoke Prior	1	1812	1812
Tardebigge	1	1884	1884
Uffdown	1	1884	1884
Waseley	2	3579	1789
Whitford	2	3905	1952
Woodvale	1	1828	1828
Wythall	1	1958	1958
Totals	39	73,562	N/A

Electorate 2011 = 73,562

- 6.3 Council Size Versus Councillor Ratio's – Councillor : Electorate Ratio's estimate Electorate at 2017 with additional new build in place of 1,645 properties (est. 3290 electors), plus an allowance for increase in over 18's (estimated average 1,112 per annum, less natural decrease for those leaving the area would be est. 2,000) giving a total estimated population in 2017 78,790

Councillor Number	Electorate 73,500 Ratio	Electorate 76,790 Ratio
39 (current)	1: 1885	1: 1969
38	1: 1934	1: 2020
37	1: 1986	1: 2075
36	1: 2041	1: 2133
35	1: 2500	1: 2194
34	1: 2161	1: 2258
33	1: 2227	1: 2326
32	1: 2296	1: 2399
31	1: 2370	1: 2477
30	1: 2450	1: 2560
29	1: 2534	1: 2647
28	1: 2625	1: 2742
27	1: 2722	1: 2844
26	1: 2826	1:2953
25	1: 2940	1: 3071
20	1: 3675	1:3839

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

6.4 Comparison to other County/District Areas

Worcestershire District Councils	Councillor Number	Electorate	Ratio
Malvern Hills	38	61,410	1 : 1616
Redditch	29	63,530	1 : 2190
Worcester City	35	75,622	1 : 2160
Wychavon	45	91,888	1 : 2042
Wyre Forest	42	78,143	1 : 1860

7. KEY ISSUES

- 7.1 **Financial Implications.** The number of directly elected representative will have an impact on the Councils budgets for member allowances and elections. It is not possible to predict at this stage how this is likely to impact but it is fair to say that were the Council to determine a larger Council size the costs would increase and were the Council to consider a smaller size that those costs would decrease.
- 7.2 **Legal Implications.** Section 8 of the Local Government and Public Involvement in Health Act 2007 enables the Boundary Commission to conduct a review of local authority area and recommend a boundary change to the Secretary of State. The Boundary Commission may conduct this review on its own initiative or at the request of the Secretary of State or a local authority – for the purposes of this report the request has been made by the local authority.
- 7.3 **Service / Operational Implications.** At this stage of the review there are no service / operational implications, however, once the council size has been determined a non political working party made up of officers, members and other appointed parties will need to be set up. This working party will of course deal with public consultation and feedback regularly on any operational and service issues that arise.
- 7.4 **Customer / Equalities and Diversity Implications.** At this stage of the review process there are no equality and diversity implications. However, consultation in particular through the Councils well established equality and diversity forum would be undertaken as part of the overall process when proposals for warding arrangements are submitted in the next stage of the review process.

BOUNDARY REVIEW MEMBERS REPORT ON PROPOSED COUNCIL SIZE

8. RISK MANAGEMENT

Risk Assessment	Risk Level	Risk Management
A reduction in the number of Councillors may result in the electorate not receiving the same level of member representation	Low	The Boundary Commission will apply strict criteria to ensure equality of representation, community identity and convenient and effective local government is maintained before making their recommendations.

9. RECOMMENDATIONS

- 9.1 Members note the contents of this report and agree the appropriate size of the Council for recommendation and consideration by the Boundary Commission.

10. KEY

- 10.1 Author of Report:-
Name: Claire Felton
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Tel: 01527 881429

CABINET

22nd FEBRUARY 2012

MEDIUM TERM FINANCIAL PLAN 2012/13 – 2014/15

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1. To provide information to enable Cabinet to recommend to Full Council the approval of the Medium Term Financial Plan to include the budget allocation for revenue and capital during the period 2012/13 – 2014/15.

2. RECOMMENDATIONS

- 2.1 It is recommended that Executive Cabinet recommend to Full Council :**

- 2.1.1 Approval of the high revenue bids as identified in Appendix A of:**

2012/13	£78k
2013/14	£43k
2014/15	£43k

- 2.1.2 Approval of the savings and additional income as identified in Appendix B of:**

2012/13	£814k
2013/14	£1.549m
2014/15	£2.282m

- 2.1.4 Approval of the high capital bids as detailed in Appendix C of:**

2012/13	£ 631k
2013/14	£ 3.526m
2014/15	£5.253m

- 2.1.3 Approval of the use of balances of £113k for 2012/13**

- 2.1.4 Approve the pay policy as attached at Appendix E**

3. KEY ISSUES

Financial Implications

- 3.1 The Council on 23rd February 2011 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2012/13 -2013/14. This report updates the plan by addressing identified pressures and savings together with updating the budget proposals to 2014/15.
- 3.2 As part of the budget planning officers have considered the services provided to the community and have put forward additional funding requests “bids” for both revenue and capital expenditure to ensure services can be improved across the District. These bids have been considered at Officer and Member level and have been assessed as being High, Medium or Low depending on an assessment of their priority. Within the summary statement at 4.4 only those rated as “High” have been included for funding within the medium term financial plan. These bids are detailed at Appendix A (revenue) and C (capital). The schedule also includes the bids that have been classed as Medium or Low for Members information.
- 3.3 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2011/12 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition income shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. These pressures include:
- Shortfall in car parking income £65k
 - Reduction in HUB funding £21k
 - Shortfall in Land Charge income £17k
- 3.4 To offset the additional costs savings have been proposed by Corporate Management Team who have sought to identify areas which could demonstrate:
- Additional income generation
 - Reduction to costs with no impact on service delivery
 - Alternative methods of service delivery / more efficient working practices / shared / collaborative working to realise savings
 - Reduction in cost of services which do not directly impact on the Councils priorities
- 3.5 The savings/ additional income details are shown in Appendix B.

- 3.6 The Council has faced a reduction in Grant Settlement from the Government of over £1.3m over a 2 year period. 2012/13 is the final year of the Comprehensive Spending Review and includes a cut of over £500k to be met from savings with the organisation.
- 3.7 It is anticipated that further cuts in Grant Settlement will be introduced for future years and officers have recommended a further 5% reduction in 2013/14 and 2014/15.
- 3.8 The current summary position includes:
- The impact of a reduction in the 2012/13 pay award to 0% - this would result in a zero pay award across the Council staff. The award has been estimated at 1% for 2013/14 and 2014/15.
 - The Revenue bids proposed as “High” by Corporate Management Team and discussed at previous Member meetings.
 - The Capital bids proposed as “High” by Corporate Management Team and discussed at previous Member meetings. The impact of these proposals would ensure that the Councils services are delivered in a quality and effective way to our customers. A number of the Capital proposals are funded by Grant or reserve currently available. The remaining projects will be funded by Capital Receipts which would result in the Council entering into borrowing arrangements in 2012/13.
 - All savings realised from the shared services implemented between Bromsgrove and Redditch and those resulting from other joint working arrangements.
 - To maintain the ICT reserve of £100k for future years to ensure facilities are available to deliver improvements in technology during transformation.
 - To establish a replacement programme for waste management plant & equipment of £30k pa
 - A reduction to the Council Tax in 2012/13 to 0%. The difference of the original assumption of 2.5% increase to be offset by Government Grant for 2012/13. In addition the grant for 2011/12 is included for 2012/13. Officer estimated increases of 2.5% have been used for 2013/14 & 2014/15.
 - A surplus of £106k from the Collection Fund for 2011/12 which can offset the revenue budgets for 2012/13.
 - Inflation at 2.5% for general services and 5% for utility costs
 - Investment interest has been estimated at 1%-1.75%
 - Pension costs have been included based on the revised actuary rate of 20.2%

BROMSGROVE DISTRICT COUNCIL

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- 3.9 The revised summary position is shown below. This includes the proposed high pressures only for both revenue and capital.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Base cost of General Fund Services	12,475	12,821	13,017
Pressures – High bids & unavoidable, income shortfalls	340	268	306
Borrowing to fund capital programme	9	204	744
Shared Service Savings (approved)	-414	-514	-514
Savings (quick wins, additional income, shared services, transformation)	-814	-1,549	-2,282
Investment Income	-75	-67	-58
Recharge to capital programme	-100	-100	-100
Net operating expenditure	11,421	11,063	11,113
New Homes Bonus	-366	-366	-366
Area Based Grant	-113	-113	-113
Surplus from Collection Fund	-106		
Government Grant	-3,656	-3,315	-3,158
Assumed Council Tax @ 0% (offset by 2.5% Gov Grant) 2011/12 & 2012/13, 2.5% 2013/14 & 2014/15)	-7,067	-7,269	-7,476
Funding from balances	-113		
Overall Shortfall	0	0	0

- 3.10 The details at Appendix B show a significant saving to be realised by 2014/15 in relation to transformation and alternative ways of providing our services. A number of services are currently reviewing their service provision in line with systems thinking with the aim to deliver the savings in the future.

- 3.11 The total Capital Programme to include projects approved in February 2011 and new bids is included at Appendix C.

3.12 Investment Interest

An element within the overall medium term financial plan is Investment Interest. Members will be aware that due to the current financial climate a decision has been taken to hold investments in very low risk organisations which offer a lower rate of return than those institutions

which may be considered as slightly higher risk. The projections contained within this report include investment increases of 1% to 1.75% by 2014/15.

The quarterly finance report will report the position on the investments generated by the Council and detail any changes as a result of changes to the base rate.

3.13 Balances

- 3.13.1 The current projected level of balances at 31.03.12 is £2.2m, assuming all costs approved are spent and the projected underspend of £697k for 2011/12 is realised. The proposed use of balances to fund the shortfall in 2012/13 of £323k would reduce the level to £2.1m. The current prudent level of balances for the Council is £850k.
- 3.13.2 The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year.
- 3.13.3 In February 2003 CIPFA published a guidance document on Local Authority Reserves and Balances. The guidance does not prescribe the minimum level of balances to be held but recommends that consideration is given to the strategic, operational and financial risks facing the authority. During the consultation on this document it was suggested that the recommended minimum should be 5% of net expenditure and this has been followed by a number of authorities.
- 3.13.4 5% for Bromsgrove District Council would mean maintaining balances at or around £600k. However, just a 1% variation in gross income and gross expenditure is equivalent to £330k which would result in a significant reduction in balances. The increased pressures on limited resources as demonstrated by the projected increases in formula grant, the increases in utility costs, and the fluctuations in income receipts and interest rates together with the impact of the economy on increased service demand may impact on the delivery of services within existing budgets over the 3 year period. In addition, there will be initial costs associated with the delivery of the longer term savings as a result of joint or shared service working. These costs could be funded from general fund balances if sufficient funds were available.
- 3.13.5 It is therefore considered, taking the above issues into account that a general fund revenue balance of £850k is a prudent minimum level.

3.14 Fees and charges

- 3.14.1 A report is to be presented to this meeting to propose the fees and charges to be levied as part of the formal approval of the medium term financial plan. The income realised from any increases have been included in the proposed financial projections.

3.15 Consultation

- 3.15.1 The Budget Jury process was held again in July and October/November. The Budget Jury was designed to engage residents in the budget-setting process more effectively and involve them from the outset rather than consulting them at a stage when there was little opportunity for their input to be taken into account by senior officers and Members.
- 3.15.2 From July-November 2011 a series of four meetings was held with a single group of fifteen (twelve completed all four sessions) residents who were randomly selected. The Executive Director of Finance and Resources, the Policy Manager and Policy Officer facilitated each Budget Jury meeting. The reasoning behind using the same participants throughout was to enable them to build up an understanding of the budget setting process and to provide them with the opportunity to articulate their concerns and specify their preferences for Council priorities/purposes, express support for and deliberate particular budget bids and have their questions answered at each stage. Feedback from the budget jury in the consideration of the bids is attached at Appendix D. Their feedback was also considered as part of the Strategic Purpose sessions at the end of last year
- 3.15.3 Overview and Scrutiny have received updates on the budget over the period to ensure all Members are aware of the financial constraints facing the Council.

3.16 Capital Programme

- 3.16.1 As part of the Medium Term Financial Plan the Capital Programme has been reviewed by officers and bids have been proposed for consideration to ensure services can be improved. The criteria used for the assessment of schemes includes:

- Enable delivery of the Councils priorities

- Maintain existing assets to standards suitable for service delivery.
- Improve and acquire assets to meet service and customer needs.
- Improve the stewardship of assets; spend to save (innovative schemes that will secure the Council a better rate of return than the investment interest earned); to reduce longer-term problems and liabilities.
- Satisfy legal obligations of the Council (e.g. health and safety requirements, and compliance with the disability discrimination legislation).
- Develop community assets in areas of need.
- Maximise the use of other funds to encourage investment in specific areas such as energy efficiency, economic development and infrastructure developments (using funds derived from Section 106 agreements with developers).
- Maximise the benefits of partnership working.

3.16.2 The Capital Programmes for 2012/13 and 2013/14 were approved as part of the 3 year Financial Plan for 2011/12. The projects approved have been reviewed with the aim to reduce funding requirements whilst still maintaining service delivery. In addition the consideration of the service Business Plans has resulted in new schemes being proposed for 2012/13 – 2014/15 to meet the priorities of the Council. The proposed new bids and the overall Capital Programme is attached at Appendix **C** for consideration.

3.16.3 If Members approve the level of Capital Spend to 2014/15 the Council will be subject to borrowing during 2012/13. This cost has been included in the budget projections.

3.17 Pay Policy

The Localism Act requires English and Welsh local authorities to produce a Pay Policy Statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31st March 2012 for the financial year 2012/13. The Pay Policy Statement for the Council is included at Appendix E

The statement must set out policies relating to—

- (a) the remuneration of its chief officers,
- (b) the remuneration of its lowest-paid employees, and
- (c) the relationship between—
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.

The provisions within the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay

3.18 Legal Implications

Local Government Act 2003

3.18.1 There are a number of requirements that the Council's Section 151 Officer (the Council's designated Senior Finance Officer) has to include in the budget report. These are set out below, together with S.151 comments on each of the issues:

- a) The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

Section 151 Officer's comments: Review of general fund balances included above in report (4.8).

- b) The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

Section 151 Officer's comments: The main assumptions included in the calculation of the budget are included within the report. The budget updates and considerations at previous Committee meetings have been formally recorded.

- c) The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead, any contribution to/from the fund, and the estimated closing balance.

Section 151 Officer's comments: statement included in this report (4.8)

- d) The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 Officer's comments: included in the report. Balances to fund 2012/13 only no further recommendations to finance ongoing expenditure.

- e) The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

Section 151 Officer Comments: the Council holds adequate reserves to manage future liability and financial constraints as detailed in 4.8.

- f) The report should include a statement on the annual review of earmarked reserves showing:
- i) list of earmarked reserves
 - ii) purpose of reserve
 - iii) advice on appropriate levels
 - iv) estimated opening / closing balances
 - v) planned additions / withdrawals.

Section 151 Officer's Comments: The current reserves are reported on a regular basis through the financial monitoring reports .

- 3.18.2 The Council has a legal responsibility to set a balanced budget under the Local Government Act 2003.

Service / Operational Implications

- 3.19 The services provided will be funded by the approved budget. In addition improved services can be achieved by the approval of the budget bids.

Customer / Equalities and Diversity Implications

- 3.20 All new bids / services will have an impact assessment prepared to ensure they meet the needs of all the community.

4. RISK MANAGEMENT

- 4.1 An impact assessment is undertaken of all Council bids to ensure that any impact and risk to the community is identified and addressed.

5. APPENDICES

Appendix A – Revenue Bids

Appendix B – Capital Bids & Overall Programme

Appendix C – Savings and additional income

Appendix D – Budget Jury Feedback
Appendix E – Pay Policy

AUTHOR OF REPORT

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NEW REVENUE BIDS

APPENDIX A

Description	Department	2012/13 £'000	2013/14 £'000	2014/15 £'000	Ranking	Budget Jury Outcome	Commentary
EDR projects	Economic Development and Regeneration	20			H	H	To support projects across the District in supporting businesses and economic growth
Options appraisal service delivery model	L&CS	15			H	L	To commission external support to develop a feasibility study to review alternative ways of providing leisure services to deliver savings for the Council in the future. The information produced will provide a base line position for a future report which will allow members to consider alternative methods of service provision and indicative savings that could be achieved through such changes.
Maintenance of new ledger system	Financial Services	20	20	20	H	H	The current finance system (Agresso) has not been upgraded for 3 years and the teams have to manually interpret information to provide management reports to officers and members. This would enable the latest version to be installed and improve the reporting and accessibility of financial information.
Members Allowances	Legal & Democratic	13	13	13	H	L	To increase budget to required levels in accordance with remuneration panel recommendations.
Initiatives to prevent homelessness	Housing Strategy	10	10	10	H	H	To support homeless projects across the District eg Step up Tenancy Scheme. Concerns that there will be an increase in homelessness following changes to benefit entitlement and rates – particularly for the young. This would fully utilise the grant funding of £113k (£103k currently in the budget) that is received by the Council to support homeless prevention. The grant was ringfenced but is now available to be used for general services.
Total High Bids		78	43	43			
Energy Advisor(shared RBC/BDC)	Property/Finance	6	6	6	L	M	The services of an energy adviser as a shared resource between both Councils ensure that consumption is routinely monitored, tariffs checked, energy saving equipment installed where appropriate etc as well as provided a knowledge base for the procurement of energy.
Data Analysis for procurement (RBC/BDC)	Procurement	6			L	M	The Council has previously has access to this type of resource via the West Midlands Efficiency Partnership but due to funding cuts this service is no longer available. The analysis is able through the analysis of data provide the Council will recommended areas for further investigation that a likely to result in cashable savings in terms of procurement.
Total Low Bids		12	6	6			

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SAVINGS - Including additional income (income growth)

APPENDIX B

Description	2012/13 £'000	2013/14 £'000	2014/15 £'000	Commentary (link to priorities etc)
Additional growth in DC income	80	80	80	The number of planning applications and income has increased against the anticipated levels, therefore the additional income can be offered as a saving.
Allotment additional income	2	2	2	Potential increase by splitting plots and bringing new plots into use.
Pitch Income going up	2	2	2	Increase occupancy of football pitches following investment
Dolphin Centre Annual saving	10	10	10	Figures inline with Dolphin Centre lease and grant arrangements.
Additional Subsidy income for 2012-13	49			Additional income for Subsidy grant for 12/13
Additional Cost of collection contribution	4	4	4	Additional cost of collection allowance
Cleansing restructure of posts to reduce overtime	106	106	106	Move from a five day working pattern plus overtime to seven day shift working with no overtime payments
Grant from County re Waste Management 12/13 & 13/14 only	59	60		Grant to district councils for waste minimisation and tonnage reduction, agreed for four years 10/11 until 13/14
Garden Waste income based on charge increasing to £32 for 2012 service and £33 2013 (based on current 17366 customers)	25	33	53	Garden waste fees calculated at scaled increases
One off Reserve from 10/11 not required CCTV	15			Confirmed works not taking place and therefore reserve no longer needed
Reduced cost due to contract renegotiations	70	70	70	Previous investment in new equipment has allowed us to reduce the cost of maintaining the ICT infrastructure leading to this saving.

SAVINGS - Including additional income (income growth)

APPENDIX B

Description	2012/13 £'000	2013/14 £'000	2014/15 £'000	Commentary (link to priorities etc)
Salary saving	30	30	30	Additional Shared Service savings not originally included
BDC Partner share WRS	48	48	48	Reduce budget to required contribution/Support costs
Audit Fees	10	10	10	Reduction in fees to be paid
Corporate Subscriptions	10	10	10	Reduction in number of subscriptions due to shared team
Pay freeze 12/13	90	90	90	Savings resulting from a zero inflationary increase paid to staff
Transformation/ Alternative service delivery	204	994	1,767	Further development of transformation and sharing of services

814	1,549	2,282
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Description	Status	2012/13			2013/14			2014/15			Ranking	Budget Jury Outcome	Commentary
		£'000			£'000			£'000					
Replacement of mini bus for Bromsgrove Urban Rural Transport (BURT)	New Bid		38			0			0	H	H	To replace BURT bus with a new vehicle to ensure that a reliable service can be delivered in partnership with WRVS. Officers are reviewing potential of Vehicle hire through county council, funding through sponsorship and link with Redditch Dial A Ride provision	
New annual RSL Grant contribution towards affordable housing	New Bid		200			0			0	H	H	To provide grant to Registered Housing Landlord to provide affordable homes – grant would be conditional on building being undertaken and subject to legal agreement in relation to nomination rights. Partnership with BDHT or West Mercia.	
Cemetery Extension infrastructure at at North Bromsgrove Cemetery Phase one	New Bid					0			300	H	M	The current burial space at Bromsgrove North Cemetery is almost used up and there is a need to develop the next phase of the cemetery including roads, path, water, plinths, bins, etc. - Cost from 13/14 £100k /14/15 £300k	
Depot security	New Bid		65			0				H	M	Following a crime risk assessment additional security is required at Bromsgrove District Council's depot; including new fencing and gates, new doors and roller doors to plant storage areas.	
Grass and Green bins to complete roll out	New Bid					150				H	n/a	Cost for 13/14 & 14/15 - £150kpa. To extend the AWC twin bin service to the majority of the properties not currently receiving the standard service within the District (Approx 5000 currently receive a none standard service)	
Town Centre Development - Project Management	New Bid		50			50			0	H	n/a	Project Management Continued management of town centre regeneration £100k per annum split 50/50 with County. This ensures that the District has a dedicated officer to support the Town Centre improvements and regeneration and provides a co-ordinated approach for all stakeholders	
Parkside School	New Bid											To redevelop Parkside school with the County Council to provide a single site for customers to access a number of facilities including the Library and Customer Service Centre. This would realise revenue savings in relation to utility costs together with a capital receipt from the sale of the current asset (Burcot Lane). The anticipated net cost would be approx £900k.	
New Leisure Centre	New Bid					0				H	n/a	To develop a new Leisure Centre. This is a proposal that has been included in future years budgets of £13m from 2014/15 but would be subject to a full appraisal and approval by Members	
Fleet and Plant Replacement difference between original MTFP and requirement now	New Bid		-222			226				H	n/a	Revised sum for the agreed annual fleet replacement required to replace a number of vehicles & plant such as waste collection and street cleansing vehicles, mowers, etc Cabinet report refers to resulting bid for 12/13- £741k was in existing MTFP approved 11/12 - dropping down to £519k (£222k swapping years).	
TOTAL NEW BIDS			631			3,526							

Combined Capital Programme 2012/13 - 2014/15

APPENDIX C

Description	Status	2012/13				2013/14				2014/15	Ranking	Budget Jury Outcome	Commentary
		£'000			£'000	£'000			£'000				
CURRENT CAPITAL PROGRAMME													
Fleet Replacement	Existing MTFP		741		916				0				
Funding for DFGs	Existing MTFP		310		310				0				
Funding for DFGs	Existing MTFP		190		190				0				
Discretionary Home Repair Assistance & Housing Renewal Grants (Private Sector Only)													
	Existing MTFP		63		25				0				
WETT Programme (Regulatory)													
	Existing MTFP		20		0				0				
Holycross Lodge - Youth Provision in Bromsgrove West													
	Existing MTFP		32		0				0				
Trail Station Development													
	Existing MTFP		0		200				0				
Support Services - Charge to Capital													
	Existing MTFP		100		100				0				
Town Centre Development - Public Realm	Approved c/fwd from 11/12		500		0				0				
Town Centre Development - Public Realm	Approved c/fwd from 11/12		500		0				0				
Town Centre Development - Public Realm	Approved c/fwd from 11/12												
TOTAL CAPITAL PROGRAMME			3,587		5,267				5,253				

APPENDIX D

NEW REVENUE BIDS

Description	Department	2012/13 £'000	2013/14 £'000	2014/15 £'000	H/M/L	Commentary
EDR projects	Economic Development and Regeneration	20			H	Budget jurors felt this was very important – fits with priorities agreed in early Jury session.
Options appraisal service delivery model	L&CS	15			L	The jurors queried whether the Head of Service should be able to do a feasibility study? Is it possible to get free independent, impartial advice from local experts & input from relevant bodies i.e. Wychavon Leisure Trust?
Maintenance of new ledger system	Financial Services	20	20	20	H	The jurors understood the need to maintain the ledger, however, they felt that efficiencies need to be made and a new ledger system is something for the future
Members Allowances	Legal & Democratic	13	13	13	L	Jurors were advised the budget is currently approx £250,000 and £23k was the amount expected to be agreed by an external panel. They felt it was a very low priority and that it needed to be reduced- the lower figure may have received a different ranking but the general feeling however was that Members allowances should be considered in the same terms as public sector employees.
Initiatives to prevent homelessness	Housing Strategy	10	10	10	H	Jurors asked if there could be more loans given which could then be paid back. Jurors were very concerned about the increase in genuine homelessness in Bromsgrove expected in the next few years and wondered whether more money could be diverted to this area?
Total High Bids		78	43	43		
Energy Advisor (shared RBC/BDC)	Property/Finance	6	6	6	M	Whilst the jurors agreed this was an important area for consideration they queried how this would work- could the savings be split with advisor (as happens in many private companies) rather than committing monies upfront?
Data Analysis for procurement (RBC/BDC)	Procurement	6			M	The jurors felt this could be beneficial but must be a spend to save and become cost neutral.
Total Low Bids		12	6	6		

NEW CAPITAL BIDS

Description	2012/13	2013/14	2014/15	H/M/L	Commentary
	£'000	£'000	£'000		
Replacement of mini bus for Bromsgrove Urban Rural Transport (BURT)	38	0	0	H	The jurors felt that there is high need for a replacement bus, however they requested if an investigation into sponsorship was possible; could we get a manufacturer to sponsor a 'green vehicle'? All jurors thought this was a 'brilliant idea'.
New annual RSL Grant contribution towards affordable housing	100	0	0	H	The jurors agree it is a high priority but would like apprenticeships written into procurement contracts, or at least first refusal of jobs to go to local people.
	100	0	0	H	
Cemetery Extension infrastructure at North Bromsgrove Cemetery Phase one	0	100	300	M	The jurors understood that the need is high, but queried the value they were presented with (£200k)? Jurors felt that cremation was the way of the future.
Fleet and Plant Replacement difference between original mtfp and requirement new page 38	-222	226	803	M	The jurors were presented with a figure of £517k and wondered whether it would be cheaper to lease the equipment? They also felt that everything should be done to make sure the vehicles last as long as possible i.e. better maintenance (although this spend must be balanced and proportional) and that the Council should look to see if we can share the vehicles.
Depot security	65	0	0	n/a	Jurors did not discuss this bid.
Grey and Green bins to complete roll out	0	150	150	n/a	Jurors did not discuss this bid.
Town Centre Development - Project Management	50	50	0	n/a	Jurors did not discuss this bid.
Parkside School	500	3,000		n/a	Jurors did not discuss this bid- however there was a lengthy discussion on this topic and the jurors were very concerned that any future financial outlay be proportional to the benefit to the Council.
New Leisure Centre		0	4,000	n/a	Jurors did not discuss this bid.
TOTAL BIDS - CAPITAL	631	3,526	5,253		

BROMSGROVE DISTRICT COUNCIL PAY POLICY STATEMENT

Introduction and Purpose

1. 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 sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. It shall apply for the financial year 2012 – 2013 and each subsequent financial year, until amended.
2. 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;
 - a. the methods by which salaries of all employees are determined;
 - b. the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
 - c. the Committee(s) responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and for recommending any amendments to the full Council
3. Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis, in accordance with the relevant legislation prevailing at that time.

Legislative Framework

4. 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. These directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

5. The Council’s pay and grading structure comprises grades 1 – 11. These are followed by grades for Head of Service 2, Head of Service 1, Director, Executive Director, Deputy Chief Executive and then Chief Executive; all of which arose following the introduction of shared services with Redditch Borough Council and which specifically accommodate the joint management team for shared services.
6. Within each grade there are a number of salary / pay points. Up to and including grade 11 scale, at spinal column point 49, the Council uses the nationally negotiated pay spine. Salary points above this are locally determined. The Council’s Pay structure is set out below.

Scale	Spinal Column Points		Nationally determined rates	
			Minimum £	Maximum £
1	4	9	12,145	13,589
2	9	14	13,589	15,725
3	13	17	15,444	16,830
4	17	22	16,830	19,621
5	21	25	19,126	21,519
6	25	30	21,519	25,472
7	30	36	25,472	30,011
8	35	40	29,236	33,661
9	39	43	32,800	36,313
10	42	46	35,430	38,961
11	45	49	38,042	41,616
Head of Service 2	Hay evaluated	50%	61,250	63750
Head of Service 2	Hay evaluated	60%	73,500	76,500
Director	Hay evaluated	67%	82,000	85,000
Executive Directors	Hay evaluated	72.5%	89,000	92,500
Deputy Chief Executive	Hay evaluated	80%	98,000	102,000
Chief Executive	Hay evaluated		122,500	127,500

7. All Council posts are allocated to a grade within this pay structure, based on the application of a Job Evaluation process. Posts at Head of Service 2 and above are evaluated by an external assessor using the Hay Job Evaluation scheme. This scheme identifies the salary for these posts based on a percentage of Chief Executive salary. Posts below this level (which is the majority of employees) are evaluated under a different Job Evaluation process. Where posts

are introduced as part of a shared service, and where these posts are identified as being potentially too 'large' and 'complex' for this majority scheme, they will be double tested under the Hay scheme, and where appropriate, will be taken into the Hay scheme to identify levels of pay.

8. In common with the majority of authorities the Council is committed to the Local Government Employers national pay bargaining framework in respect of the national pay spine and annual cost of living increases negotiated with the trade unions.
9. There have been no increases in the national pay spine since April 2009. There have been no increases to the pay rates for the Chief Executive or Chief Officers since April 2008.
10. 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 all times those services are required.
11. 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.
12. For staff not on the highest point within the salary scale there is a system of annual progression to the next point on the band, which can be made subject to satisfactory performance.

Senior Management Remuneration

13. For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2012.

14. Bromsgrove District Council is managed by a senior management team who manage shared services across both Redditch Borough and Bromsgrove District Councils. All of the posts listed below have been job evaluated on this basis, with the salary costs for these posts split equally between both Councils.

Title	% of Chief executive salary	Pay range (minimum)	Pay range (maximum)	Incremental points	Average Cost to Bromsgrove District Council
Chief Executive	100%	£122,500	£127,500	3	£62,500
Director of Leisure, Environment and Community Services. (Also Deputy Chief Executive / Executive Director (Council 'lead officer'))	80%	£98,000	£102,000	3	£50,000
Director of Planning and Regeneration, Regulatory and Housing Services	72.5%	£89,000	£92,500	3	£45,375
Director of Finance and Resources. (Also section 151 Officer and Council 'lead' officer)	72.5%	£89,000	£92,500	3	£45,375
Head of Customer Services	50%	£61,250	£63,750	3	£31,250
Head of Planning and Regeneration	60%	£73,500	£76,500	3	£37,500
Head of Business Transformation	60%	£73,500	£76,500	3	£37,500
Head of Legal, Equalities and Democratic Services	60%	£73,500	£76,500	3	£37,500
Head of Resources	60%	£73,500	£76,500	3	£37,500
Head of	60%	£73,500	£76,500	3	£37,500

Environmental Services					
Head of Leisure and Cultural Services	60%	£73,500	£76,500	3	£37,500
Head of Community Services	60%	£73,500	£76,500	3	£37,500

Recruitment of Chief Officers

15. The Council's policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in the Council's Constitution. 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.
16. Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers under such arrangements.

Performance-Related Pay and Bonuses – Chief Officers

17. The Council does not apply any bonuses or performance related pay to its chief officers. Any progression through the incremental scale of the relevant grade is subject to satisfactory performance which is assessed on an annual basis

Additions to Salary of Chief Officers (applicable to all staff)

18. In addition to the basic salary for the post, staff may be eligible for other payments under the Council's existing policies. Some of these payments are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties. The list below shows some of the kinds of payments made.
- reimbursement of mileage. At the time of preparation of this statement, the Council pays an allowance of 45p per mile for all staff, with additional or alternative payments for carrying passengers or using a bicycle;
 - professional fees. The Council pays for or reimburses the cost of one practicing certificate fee or membership of a professional organisation provided it is relevant to the post that an employee occupies within the Council.
 - long service awards. The Council pays staff an additional amount if they have completed 25 years of service.
 - honoraria, in accordance with the Council's policy on salary and grading. Generally, these may be paid only where a member of staff has performed a role at a higher grade;
 - fees for returning officer and other electoral duties, such as acting as a presiding officer of a polling station. These are fees which are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda;

- f. pay protection – where a member of staff is placed in a new post and the grade is below that of their previous post, for example as a result of a restructuring, pay protection at the level of their previous post is paid for the first 12 months. In exceptional circumstance pay protection can be applied for greater than 12 months with the prior approval of the Chief Executive.
- g. market forces supplements in addition to basic salary where identified and paid separately;
- h. salary supplements or additional payments for undertaking additional responsibilities such as shared service provision with another local authority or in respect of joint bodies, where identified and paid separately;
- i. attendance allowances (payable to certain employees who meet relevant criteria)

Payments on Termination

- 19. The Council's approach to 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 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007
- 20. 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.
- 21. Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the Employee Relations Act 1996, will be up to 30 weeks, depending upon length of service and age.

Publication

- 22. Upon approval by the full Council, this statement will published on the Council's website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note on Officers Remuneration setting out the total amount of:
 - a. Salary, fees or allowances paid to or receivable by the person in the current and previous year;
 - b. Any bonuses so paid or receivable by the person in the current and previous year;
 - c. Any sums payable by way of expenses allowance that are chargeable to UK income tax;
 - d. Any compensation for loss of employment and any other payments connected with termination;
 - e. Any benefits received that do not fall within the above.

Lowest Paid Employees

- 23. The Council's definition of lowest paid employees is persons employed under a contract of employment with the Council on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1st April 2012, this is £12145.00 per annum.
- 24. The Council also employs Apprentices (or other such categories of workers) who are not included within the definition of 'lowest paid employees' (as they are employed under a special form of employment contract; which is a contract for training rather than actual employment).

25. 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.
26. 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 "it would not be fair or wise for the Government to impose a single maximum pay multiple across the public sector". The Council accepts the view that the relationship to median earnings is 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.
27. The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive as 1:10.5 and; between the lowest paid employee and average chief officer as 1:6.4. The multiple between the median (average) full time equivalent earnings and the [Chief Executive] is [1:5.1] and; between the median (average) full time equivalent earnings and average chief officer is [1:3.3].
28. 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

29. In accordance with the Constitution of the Council, Cabinet and Overview and Scrutiny Board are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

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TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2012-13 TO 2014-15

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 A strategy statement for the treasury management and investments in relation to Bromsgrove District Council to comply with the Local Government Act 2003 and to ensure the Council demonstrates accountability and effectiveness in the management of its funds.

2. RECOMMENDATIONS

2.1 Cabinet recommends to Full Council

- 2.1.1 approval of the strategy and prudential indicators shown at Appendix 1.
- 2.1.2 approval of the Authorised Limit for borrowing at £7,500,000 if required.
- 2.1.3 approval of the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £3m subject to market conditions.
- 2.1.4 approval of unlimited level for investment in Debt Management Account Deposit Facility (DMADF).
- 2.1.5 approval of the updated Treasury Management Policy shown at Appendix 2.

- 2.2 That Cabinet notes that training for Treasury management has been identified and will be incorporated within the Modern Councillor Programme (Training and Development Events for Members) prioritised with all other needs.

- 2.3 That Cabinet notes the the Audit Board will undertake additional scrutiny of the Strategy during 2012/13 to ensure the Council's investments are being managed in a risk controlled environment

3. KEY ISSUES

Financial Implications

- 3.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.
- 3.2 CIPFA has defined Treasury Management as:
- "the management of the organisation's investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:
- Liquidity Risk (Adequate cash resources)
 - Market or Interest Rate Risk Fluctuations in the value of investments).
 - Inflation Risks (Exposure to inflation)
 - Credit and Counterparty Risk (Security of Investments)
 - Refinancing Risks (Impact of debt maturing in future years).
 - Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)
- 3.4 In addition the Local Government Act 2003 requires the Council to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable'.
- 3.5 The revised guidance issued in November 2011 makes it clear that investment priorities should be security and liquidity, rather than yield and

that authorities should not rely just on credit ratings, but consider other information on risk.

- 3.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.
- 3.7 The downgrades by both Fitch and Moody's in October 2011 to a swathe of global institutions, including UK institutions, follow the reassessment by them of the extent of support sovereigns are likely to provide to systemically important institutions in the future (lower, in both agencies' opinion) and their view that governments are now more likely to allow small institutions to fail if they get into difficulty.

In fact, Moody's pointed out at the time of the October 2011 downgrades, that the downgrade did not represent a deterioration in the financial strength of the UK Government or the banking system. Fitch's rating actions were also based on the future extent of support, which includes the recent policy recommendations of the Independent Commission on Banking.

- 3.8 The support dynamics for systemically important financial institutions have changed; in future this will be less than was the case back in 2008, but it has not disappeared altogether. The systemically important UK institutions that Bromsgrove DC would lend to if the minimum long-term rating is revised to A- are:
- Barclays Bank PLC*
 - HSBC
 - Lloyds TSB Bank*/ Bank of Scotland*
 - Royal bank of Scotland*/ Nat West Bank – both part of the RBS Group in which the UK Government currently has a substantial shareholding.
 - Santander UK Plc
 - Standard Chartered Bank.
 - Nationwide Building Society*.

*All of these institutions currently fall below Bromsgrove's minimum long-term criteria of A+ set within the 2011/12 strategy.

- 3.9 For the 2012/13 strategy Arlingclose (the Council's Treasury Advisor), would advise having a 12-month limit for each of the above institutions. However due to the ongoing European sovereign debt crisis and the potential impact it could have on the banking sector at large, not just in Europe, to manage

and mitigate risk, Arlingclose have advised a lower operational limit for new deposits as follows:

- A 3 month maturity limit with each of HSBC and Standard Chartered
- For each of the institutions with an asterisk, above, a one month maturity limit
- For Santander UK plc, in view of the uncertain backdrop faced by its Spanish domiciled parent, placing monies on or limiting term deposits to the next working day.

3.10 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, Bromsgrove District Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

Legal Implications

3.11 This is a statutory report under the Local Government Act 2003.

Service/Operational Issues

3.12 None as a direct result of this report.

Customer/ Equalities and Diversity

3.13 None as a direct result of this report.

4. RISK MANAGEMENT

- 4.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. These controls in place to mitigate these risks are as follows:
- Quarterly reporting to Overview and Scrutiny Committee and Cabinet of financial position on investments
 - Monthly update from treasury advisors in respect of level of status for organisations we invest with
 - Daily monitoring by internal officers of banking arrangements and cash flow implications.

5. APPENDICES

Appendix 1 - Treasury Management Strategy Statement and Investment Strategy 2011/12 to 2013/14

Appendix 2 – Treasury Management Policy Statement

AUTHOR OF REPORT

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**Treasury Management Strategy Statement and Investment Strategy
2012/13 to 2014/15**

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.
- 1.2 The purpose of this TMSS is, therefore, to approve:
- Treasury Management Strategy for 2012/13
 - Annual Investment Strategy for 2012/13
 - Prudential Indicators for 2012/13, 2013/14 and 2014/15
 - MRP Statement.
- 1.3 Treasury Management is about the management of risk. The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk.
- 1.4 As per the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code at a meeting of the Council on 17th March 2010.
- 1.5 All treasury activity will comply with relevant statute, guidance and accounting standards.

2. Background

- 2.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the Authority's Treasury Management activities.

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- 2.2 The Authority's current level of debt and investments is set out at **Appendix A**.
- 2.3 The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2014/15. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.
- 2.4 The forecasted movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis

	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
CFR	7	209	5,059	9,882
Balances & Reserves	5,570	3,978	2,947	1,916
Cumulative Net Borrowing Requirement/(Investments)	(5,563)	(3,769)	2,112	7,996

- 2.5 Table 1 shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

3. Interest Rate Forecast

- 3.1 The economic and interest rate forecast provided by the Authority's treasury management advisor is attached at **Appendix C**. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

4. Borrowing Strategy

- 4.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in **Appendix C** indicates that an acute difference between short and longer term interest rates is expected to continue. This

difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term issue since borrowing is often for longer dated periods (anything up to 50 years) it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Authority’s wider financial position.

- 4.2 As indicated in Table 1, the Authority has a gross and net borrowing requirement 2013/14 onwards. The Authority will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

5. Sources of Borrowing and Portfolio implications

- 5.1 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Authority will keep under review the following borrowing sources:

- PWLB
- Local authorities
- Commercial banks
- European Investment Bank
- Money markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

6. Annual Investment Strategy

- 6.1 In accordance with Investment Guidance issued by the CLG and best practice this Authority’s primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yields earned on investments is important but are secondary considerations.

6.2 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have lead to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against this backdrop of uncertainty that the Authority's investment strategy is framed.

6.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

6.4 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	x
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	x
Commercial Paper	✓	x
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	x
Other Money Market and Collective Investment Schemes	✓	✓

Debt Management Account Deposit Facility	✓	x
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- 6.5 A number of changes have been implemented to the investment strategy for 2012/13 in response to changes in the CLG Guidance and evolving conditions in financial markets. This results in the inclusion of corporate bonds which the CLG have indicated will become an eligible non-capital investment from 1st April 2012. However, the principal amendments are in relation to the individual institutions with which the Authority is prepared to lend its funds.
- 6.6 The Authority and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:
- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system.
 - Credit Default Swaps (where quoted)
 - Economic fundamentals (for example Net Debt as a percentage of GDP)
 - Sovereign support mechanisms
 - Share Prices
 - Corporate developments, news, articles, markets sentiment and momentum
 - Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern.

The current list of countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included in **Appendix D**. The list will be regularly updated in line with credit developments.

It remains the Authority's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

- 6.7 **Authority's Banker** – The Authority banks with HSBC. At the current time, it *does* meet the minimum credit criteria of A- (or equivalent) long term. *Even if the credit rating falls* below the Authority's minimum criteria HSBC will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

7. Investment Strategy

- 7.1 With short term interest rates low for even longer, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.
- 7.2 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.
- 7.3 Money market funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.

8.The Use of Financial Instruments for the Management of Risks

- 8.1 Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.
- 8.2 Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

9.0 Balanced Budget Requirement

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- 9.1 The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

10. 2012/13 MRP Statement

- 10.1 The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

- 10.2 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

NB This does not preclude other prudent methods.

- 10.3 MRP in 2012/13: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses).

- 10.4 MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

- 10.5 MRP in respect of leases that have been brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

11. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

- 11.1 The Executive Director of Finance and Resources will report to Cabinet on treasury management activity / performance and Performance Indicators as follows:

- Quarterly against the strategy approved for the year. The Authority will produce an outturn report on its treasury activity no later than 30th September after the financial year end.
- The Audit Board will be responsible for the scrutiny of treasury management activity and practices.

12. Other Items

12.1 Training

CIPFA's Code of Practice requires the Executive Director of Finance and Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Responsibility for scrutiny of the Treasury Management function will rest with the Audit Board. The Executive Director of Finance and Resources will ensure that adequate training is provided for all relevant Members during the Financial Year.

12.2 Investment Consultants/Treasury Advisors

The CLG's Guidance on local government investments recommend that the Investment Strategy should state:

- Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and
- How the quality of any such service is controlled.

The Council uses external consultants, Arlingclose for information and advice relating to investments. Updated information is received and monitoring undertaken by regular meetings and reports between the Executive Director of Finance and Resources and representatives from Arlingclose.

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Appendix A – Existing Investment & Debt Portfolio Position (Section 2.2)

	31/01/12 Actual Portfolio £'000
External Borrowing:	
Fixed Rate – PWLB	
Fixed Rate – Market	
Variable Rate – PWLB	0
Variable Rate – Market	0
Total External Borrowing	0
Other Long Term Liabilities:	
- PFI	7
- Finance Leases	
Total Gross External Debt	7
Investments:	
<i>Managed in-house</i>	
- Short-term monies (Deposits/ monies on call /MMFs)	18,600
- Long-term investments	0
<i>Managed externally</i>	
- By Fund Managers	0
- Pooled Funds (please list)	0
Total Investments	18,600

Appendix B

Prudential Indicators 2012/13 – 2014/15

1 Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Net Borrowing and the Capital Financing Requirement:

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

The Executive Director of Finance and Resources reports that the authority had no difficulty meeting this requirement in 2011/12, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2011/12 Approved £'000	2011/12 Revised £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
General	2,633	3,973	3,587	5,267	5,253
Total	2,633	3,973	3,587	5,267	5,253

- 3.2 Capital expenditure will be financed or funded as follows:

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Capital Financing	2011/12 Approved £'000	2011/12 Revised £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Capital receipts	2,058	2,685	1,940	100	100
Government Grants	485	1,288	1,442	310	0
Major Repairs Allowance					
Revenue contributions	90	0	0	0	0
Total Financing	2,633	3,973	3,382	410	100
Supported borrowing					
Unsupported borrowing			205	4,857	5,153
Total Funding	0	0	205	4,857	5,153
Total Financing and Funding	0	0	3,587	5,267	5,253

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 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 financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
General Fund	-0.56	-0.69	0.50	0.93	5.75
Total	-0.56	-0.69	0.50	0.93	5.75

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

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Capital Financing Requirement	2011/12 Approved £'000	2011/12 Revised £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
General Fund	0	7	209	5,059	9,882
Total CFR	0	7	209	5,057	9,882

6. Actual External Debt:

- 6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2011	£'000
Borrowing	104
Other Long-term Liabilities	5
Total	119

7. Incremental Impact of Capital Investment Decisions:

- 7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2012/13 Estimate £	2013/14 Estimate £	2014/15 Estimate £
Increase in Band D Council Tax	0.19	0.34	3.82	5.31

- 7.2 The increase in Band D council tax reflects the increases in running costs and/or increases in the provision for Capital Financing Charges.

8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. 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.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2011/12 Approved £'000	2011/12 Revised £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Borrowing	3,500	3,500	7,500	11,000	16,000
Other Long-term Liabilities	0.0	0.0	0.0	0.0	0.0
Total	3,500	3,500	7,500	11,000	16,000

8.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Executive Director of Finance and Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Cabinet.

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Operational Boundary for External Debt	2011/12 Approved £'000	2011/12 Revised £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000
Borrowing	2,500	2,500	6,500	10,000	15,000
Other Long-term Liabilities	0	0	0	0	0
Total	2,500	2,500	6,500	10,000	15,000

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 18 th May 2005.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

10. Gross and Net Debt:

10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need. This indicator has been shown borrowing and investments as absolute figures rather than as a proportion, revised guidance on this indicator is awaited from Cipfa.

Gross and Net Debt	2011/12 Estimated £'000	2012/13 Authorised £'000	2013/14 Authorised £'000	2014/15 Authorised £'000
Outstanding Borrowing (at nominal value)	0	205	5,062	10,215
Other Long-term Liabilities (at nominal value)	0	0	0	0
Gross Debt	0	205	5,062	10,215
Less: Investments	5,570	3,978	2,947	1,916
Net Debt	-5,570	-3,773	2,115	8,299

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11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on (*select as appropriate*) net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments))

11.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

	Existing level (or Benchmark level) at 31/03/11 %	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure	100	100	100	100	100	100

11.3 As the Council does not have long-term debt, the limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

12. Maturity Structure of Fixed Rate borrowing:

12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

12.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

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Maturity structure of fixed rate borrowing	Lower Limit for 2012/13 %	Upper Limit for 2012/13 %
under 12 months	0.00	100.00
12 months and within 24 months	0.00	100.00
24 months and within 5 years	0.00	100.00
5 years above	0.00	100.00

As the Council does not have long-term debt, the limits above provide the necessary flexibility within which decisions will be made for drawing down new loans, should it be necessary, in the appropriate maturity band.

13. Credit Risk:

13.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

13.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

13.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

13.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

14. Upper Limit for total principal sums invested over 364 days:

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- 14.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £m	2011/12 Revised £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
	2.0	2.0	2.0	2.0	2.0

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Appendix C – Economic & Interest Rate Forecast (Sections 4.1 & 5.1)

	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Official Bank Rate													
Upside risk						0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.75	1.75	1.75	1.75	1.75	1.80	1.85	1.95	2.00	2.10	2.20	2.30	2.40
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt													
Upside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.25	1.30	1.35	1.40	1.50	1.60	1.70	1.80	2.00	2.10	2.30	2.40	2.50
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt													
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	2.20	2.30	2.40	2.45	2.50	2.55	2.60	2.70	2.75	2.80	2.85	2.90	3.00
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.00	3.05	3.05	3.10	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.60	3.75
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	3.25	3.40	3.50	3.60	3.70	3.80	3.90	4.00	4.00	4.00	4.10	4.20	4.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- Momentum in economic growth is scarce.
- Conventional monetary policy has become largely redundant; the Bank of England and the US Federal Reserve have signalled their respective official interest rates will be on hold through to the end of 2012. We think that it could be 2016 before official interest rates rise.
- The Bank of England's Monetary Policy Committee has returned to unconventional monetary policy and embarked on a further round of Quantitative Easing. There will be more to come.

Underlying Assumptions:

- Against a backdrop of turmoil within the Eurozone and the unwillingness of its politicians to acknowledge and issue a credible plan to resolve it the result is that financial markets continue to see saw between risk "on" and risk "off" daily patterns. The reality is that the risk "off" days outnumber the risk "on"

days with the implication that the growth outlook is an increasing cause for concern.

- Despite the efforts of the politicians at the Brussels summit, the initial optimism of markets has been punctured as, once again, the lack of credible detail on the delivery of action as opposed to aspirations becomes worryingly clear. The detail appears to amount to the news that President Sarkozy will head to China to secure funds for the extended EFSF.
- The MPC's decision to embark on a further £75 billion of QE – which the Minutes showed was unanimously supported – demonstrated the strength of the economic headwinds that are blowing against the nascent UK economic recovery. For growth to occur you need somebody to spend.
- Inflation increased more than predicted to 5.2% in September. Energy prices continued to be the primary cause although the markets are now less interested in inflation given the economic growth focus. The Bank's Inflation Forecasts still point to a sharp downturn in CPI into 2012 as the index effects of VAT and earlier energy price shocks subside.
- Business confidence has yet to recover sufficiently for commitment to new capital investment and employment. Taken together the levels of unemployment remain very high and are a significant drag on consumption despite reasonably robust retail sales data.
- Q3 GDP is expected to be weak but positive.
- Public Finances remain just about on track to meet the Coalition's target. With the risk of lower growth, there is very little scope for tax giveaways to boost business and consumer spending.

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Appendix D – Recommended Sovereign and Counterparty List (Section 8)

- **Group Limits** - *For institutions within a banking group, the authority executes a limit of 1.5 times the individual limit of a single bank within that group.*

Instrument	Country/ Domicile	Counterparty	Maximum Counterpar ty Limit %/£m	Maximum Group Limit (if applicable) %/£m
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)		
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)		
Term Deposits / CDs / Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)		
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc		
Term Deposits / CDs / Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)		
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc		
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society		
Term Deposits / CDs / Call Accounts	UK	NatWest (RBS Group)		
Term Deposits / CDs / Call	UK	Royal Bank of Scotland (RBS Group)		

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Accounts				
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank		
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group		
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia		
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)		
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp		
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal		
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia		
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce		
Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada		
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank		
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland		
Term Deposits /	France	BNP Paribas		

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CDs / Call Accounts				
Term Deposits / CDs / Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)		
Term Deposits / CDs / Call Accounts	France	Credit Agricole SA (Credit Agricole Group)		
Term Deposits / CDs / Call Accounts	France	Société Générale		
Term Deposits / CDs / Call Accounts	Germany	Deutsche Bank AG		
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV		
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank		
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten		
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken		
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse		
Term Deposits / CDs / Call Accounts	US	JP Morgan		

***Please note this list could change if, for example, a counterparty/country is upgraded, and meets our other creditworthiness tools. Alternatively, if a counterparty is downgraded, this list may be shortened.*

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TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to Executive Director of Finance and Resources, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Audit Board to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

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

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management."

As CIPFA states the policy statement should also include the Council's high level policies for borrowing and investments you may wish to amend the subsequent paragraphs:

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.