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West Devon
Borough
Council

WEST DEVON COUNCIL - TUESDAY, 27TH MARCH, 2012

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Summons Letter (Pages 1 - 6)**

2. **Reports**
 Reports to Council:
 - a) Item 10 - Capital Programme for 2012/2013. (Pages 7 - 22)
 - b) Item 11 - Treasury Management Strategy 2012/2013 to 2014/2015, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy 2012/2013 (Pages 23 - 52)
 - c) Item 12 - Senior Pay Policy Statement for 2012/2013 (Pages 53 - 54)
 - d) Item 15 - EXEMPT - Current and Future Leisure Contract (Pages 55 - 68)

3. **Minutes - 27 March 2012 (Pages 69 - 74)**

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Agenda Item 1

Please ask for: Tony Rose

Your ref:

Direct Line/Ext: 01822 813664

My ref AAR/Council.27.03.2012

email: arose@westdevon.gov.uk

Date: 19th March 2012

COUNCIL SUMMONS

You are hereby summoned to attend an Extraordinary Meeting of the **WEST DEVON BOROUGH COUNCIL** to be held at the Council Chamber, Council Offices, Kilworthy Park, **TAVISTOCK** on **TUESDAY** the **27th** day of **MARCH 2012** at **4.30 pm**.

THE FOLLOWING BUSINESS IS PROPOSED TO BE TRANSACTED.

Prayers by the Reverend Jeffrey Moles, Methodist Minister for Tavistock.

1. Apologies for absence
2. Declarations of Interest
Members are reminded to declare any personal or prejudicial interests they may have in any item on this Summons

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3. To approve and adopt as a correct record the Minutes of the Council Meetings held on:
 - (i) 14th February 2012; and 1
 - (ii) 23rd February 2012 8
4. To receive communications from the Mayor or person presiding
5. Business brought forward by or with the consent of the Mayor
6. To respond to any questions submitted by the public and to receive deputations or petitions under Council Procedure Rule 21
7. To consider motions of which notice has been submitted by Members of the Council in accordance with Council Procedure Rule 15

Cllr J McInnes has submitted the following Motion:

“To celebrate the Queen’s Diamond Jubilee, West Devon Borough Council should have free parking in its Car Parks, from Saturday the 2nd to Tuesday the 5th of June 2012.”

8. To consider questions submitted by Members under Council Procedure Rule 21

9. To receive the Minutes of the following Committees, to note the delegated decisions and to consider the adoption of those Minutes which require approval

- (i) **Audit Committee**
Meeting held on 7th February 2012 12

Unstarred Minutes to agree:
Members are recommended to agree:

Minute AC 21 – Third Quarter Prudential Indicator and Treasury Management Monitoring Report 2011-2012

The report be noted, the treasury activity be noted and **no** changes to the prudential indicators be recommended.

Minute AC 22 – Treasury Management Strategy for 2012/13 to 2014/15 Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2012/13

- (i) The Prudential Indicators and Limits for 2012/13 - 2014/15 contained within Appendix A of the presented report be approved;
- (ii) The Minimum Revenue Provision (MRP) Statement contained within Appendix A of the presented report, which sets out the Council's policy on MRP, be approved;
- (iii) The Treasury Management Strategy 2012/13 to 2014/15 and the treasury Prudential Indicators contained within Appendix B of the presented report be approved; and
- (iv) The Investment Strategy 2012/13 contained in the treasury management strategy (Appendix B of the presented report), and the detailed criteria included in Appendix C of the presented report, be approved.

- (ii) **Strategies & Resources Committee**
Meeting held on 13th March 2012 15

Unstarred Minutes to agree:
Members are recommended to agree:

Minute S&R 53 – New revenue and Benefits Software Contract

That the £32,700 capital set up cost (arising from (a) above) be funded from the General Fund Un-earmarked Reserve, in addition to the £30,000 already earmarked from the existing Revenue and Benefits Development Fund.

10. To receive the report of the Head of Finance on the Capital Programme for 2012/2013. 19

Note: Appendices A to C contain exempt information

11. To receive the report of the Head of Finance on the Treasury Management Strategy 2012/2013 to 2014/2015, Minimum Revenue Provision Policy Statement and the Annual Investment Strategy 2012/2013 32
12. To receive the report of the Personnel Manager on the Senior Pay Policy Statement for 2012/2013 58
13. Payment of Councillor Expenses
Under Part 6 of the Constitution (Members' Allowances Scheme), Paragraph 9.1 states that "no payment can be made of any travel and subsistence claim made more than three months after the meeting for which the claim is made without the authority of Council in every case."
- Two such requests for payment have been received:
- (i) Cllr Miss D Moyse – payment for expenses dating back to January 2011
- (ii) Cllr J Hockridge – payment of expenses dating back to November 2011
14. To Order the affixing of the Common Seal
For the information of Members, a list of documents sealed by the Council and witnessed by the Mayor and the Chief Executive during the period 15th February 2012 to 19th March 2012 is attached. 64

PART TWO – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED (if any).

If any, the Council is recommended to pass the following resolution:

"RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the Meeting on the grounds that exempt information may be disclosed as defined in Part I of Schedule 12(A) to the Act."

15. To receive the report of the Chief Executive on the Consideration of Current and Future Leisure Contract – Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information; and Paragraph 5 – Information in respect of which a claim for legal professional privilege could be maintained. **Report to follow**

Dated this 19th day of March 2012



Chief Executive

West Devon Borough Council Members' Code of Conduct

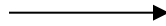
Declarations of interest

If you are in any doubt about what to do, please seek advice

Do you have an interest in any item?



Is it a **Personal** interest?



A **Personal** interest is one that:

- you should include on your Register of Interests or
- where well-being or financial position of you, members of your family or someone with whom you have a close association is likely to be affected by the interest more that it affects:
- majority of inhabitants of the ward or electoral division affected by the decision, or
- inhabitants of the Council's area

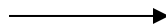
If you have a **Personal** interest you must **declare** it (and **the nature of the Interest**) at the meeting before the matter is discussed or as soon as you become aware of it, unless an exemption applies (see over page).



If you have a **Personal** interest you may still take part in the meeting and vote **unless** the interest is also **Prejudicial**. A **Prejudicial** interest is a matter for you to decide.



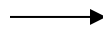
Do you have **Prejudicial** interest?



Your personal interest will also be **prejudicial** if all these conditions are met:

- Matter is not **exempt** (see over page)
- Matter affects your financial interests or relates to a **licensing or regulatory** matter, and
- a member of the public, who knows the relevant facts, would **reasonably think that your personal interest is so significant** that it is likely to prejudice your judgement of the public interest.

If you have a **Prejudicial** interest you must **declare** it (and **the nature** of the interest) as soon as it becomes apparent to you, and **withdraw** from the room where the meeting is being held (unless you are allowed to make representations – see over page).



West Devon Borough Council Members' Code of Conduct (see part 5 of the Constitution)

Personal Interests - You will have a **personal interest** in a matter if:

- anything that you should have mentioned in your Register and/or
- the well-being or financial position of you, members of your family, or people with whom you have a close association

is likely to be affected by the business of the Council more than it would affect the **majority of the inhabitants** of the ward or electoral division affected by the decision, or the inhabitants of the Council's area.

Exemption - An exemption applies where your **personal interest** arises solely from your membership (or position of control/management) on any body to which you were appointed/nominated by the Council or any other body exercising functions of a public nature. In such cases (unless you have a prejudicial interest) you only need to declare your interest if and when you speak on a matter.

Personal Interests include:

- Your membership/position of control/management in bodies to which the Council appointed/nominated you, or any bodies exercising functions of a public nature, directed to charitable purposes or whose principal purposes include influence of public opinion or policy, including any political party or trade union;
- Your job(s) or business(es), and the name of your employer;
- Name of any person who has made a payment towards your election expenses or expenses you have incurred in carrying out your duties;
- The name of any person, company/other body which has a place of business/land in the Council's area and in which you have a shares of more than £25,000/stake of more than 1/100th of the share capital of the company;
- Any contracts with the Council between you, your firm or a company (of which you a paid director) for goods, services or works.
- Any gift/hospitality estimated to > £25 and the name of the person who gave it to you;
- Any land/property in the Council's area in which you have a beneficial interest (or a licence to occupy) including the land and house you live in, any allotments you own or use.

Definitions

- "**Well-being**" - condition of happiness and contentedness. Anything that could affect your quality of life, either positively or negatively, is likely to affect your well-being.
- "**Member of your family**" means a partner (i.e. your spouse/civil partner/someone you live with in a similar capacity), parent/parent-in-law, son/daughter, step-son/step-daughter, child of partner, brother/sister, grandparent/grandchild, uncle/aunt, nephew/niece, or the partners of any of these persons.
- Person with whom you have a "**close association**" means someone with whom you are in close regular contact over a period of time who is more than an acquaintance. It is someone a reasonable member of the public might think you would be prepared to favour/ disadvantage when discussing a matter which affects them. It may be a friend, a colleague, a business associate or someone you know through general social contacts.

Prejudicial Interests - your personal interest will also be **prejudicial** if you meet conditions set out overleaf.

Exempt categories - you will **not** have a **Prejudicial** interest in a matter if it relates to:

(a) any **tenancy/lease** you hold with the Council (unless relating to your particular tenancy/lease); (b) **Schools** (meals/transport/travelling expenses): if parent/guardian of child in full time education or parent governor (unless relating to the school your child attends); (c) if you are receiving/entitled to **statutory sick pay**; (d) An **allowance/payment/indemnity** for members; (e) ceremonial honour given to members and (f) setting the council tax or precept.

Making representations - if you have a **Prejudicial** interest, you must declare that you have an interest and the nature of that interest as soon as the interest becomes apparent. You should leave the room unless members of the public are allowed to make representations, give evidence, or answer questions about the matter. If that is the case, then you can also attend the meeting for that purpose. However you must leave the room immediately you have finished and you cannot take part in the debate or vote.

Sensitive information

You may be exempt from having to declare sensitive information on your Register of interests in which case, although you must declare that you have an interest, you don't have to give any details about that interest on the register or to the meeting (please speak to the Monitoring Officer about this first).

Revised May 2007

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NOT FOR PUBLICATION

EXEMPT INFORMATION – Paragraph 3 – Information relating to the financial or business affairs of an particular person including the authority holding that information. (Applies to Appendices A, B and C)

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WEST DEVON BOROUGH COUNCIL

AGENDA
ITEM

10

NAME OF COMMITTEE	Council
DATE	27 March 2012
REPORT TITLE	Capital Programme 2012/13
Report of	Head of Finance and Audit
WARDS AFFECTED	All

Summary of report:

To outline the 2012/2013 Capital Programme, as shown in Appendix A.

Financial implications:

The Council has severely limited resources, in the form of capital receipts, to fund Capital Projects in 2012/2013. The report sets out Capital Bids to the 2012/2013 Capital Programme totalling £807,700 and a suggested way that these Bids can be funded. The report also sets out a provisional allocation of £335,000 for the Leisure Centres.

RECOMMENDATIONS:

Members are requested to approve:

- 1 The budget for the 2012/2013 Capital Programme totalling £807,700, as shown in Section 5.1, in relation to capital projects to be approved for a funding commitment.
- 2 The proposed method of funding these Capital Bids of £807,700, as set out in Section 5.2.

Members are recommended to:

- 3 Delegate approval to the Head of Environmental Health & Housing, in consultation with the Head of Finance, to be able to amalgamate the Private Sector Renewal Grant budget and the Disabled Facilities Grant budget in each financial year and to use the total budget in order to meet the demands of both capital schemes.

- 4 Identify a provision of £335,000 for future capital expenditure on the Leisure Centres as per Section 4.9 and the Exempt report 'Consideration of the current and future leisure contract' also on this agenda. (This is a provisional allocation and not a funding commitment at this stage).

Officer contact:

Lisa Buckle

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1. BACKGROUND

- 1.1 This year all services within the Council have put forward capital bids for capital funding for particular projects.

2. CAPITAL PROGRAMME 2012/13 – 2014/15

- 2.1 At present, capital budgets have been approved which fully commit all the Council's capital receipts leaving a capital resource provision (uncommitted remaining funds left) of only £100,000.

3. FUNDING POSITION

- 3.1 The table below shows the funds available to be carried forward into 2012/2013, from the 2011/2012 Capital Programme, totalling £100,000.

Capital Programme 2011/12	£'000	£'000
Usable Capital Funds Reserve – as at 1 April 2011		(1,125)
Less existing Capital Programme for 2011/12	2,425	
Funded by Revenue Reserves	(64)	
New Homes Bonus 11/12 – as per Strategies & Resources Committee report April 2011	(100)	
Funded by Earmarked Reserves	(66)	
Funded by Section 106	(250)	
Funded by Government Grants	(920)	
		1,025
Capital Resources to be carried forward from 2011/2012 to 2012/2013.		(100)

4. CAPITAL BIDS 2012/2013

Paragraphs 4.1 to 4.8 relate to funding commitments, which, if approved, will proceed.

Paragraph 4.9 is for a provisional allocation and not a funding commitment at this stage.

4.1 Tenants Incentive Scheme

There is a shortage of affordable housing in West Devon and whilst the Council continues to work to increase the supply of new homes it is important to ensure

that the existing stock of affordable housing is used effectively. The Tenants Incentive Scheme provides a financial incentive to households in the social housing stock under-occupying their home and prepared to move to a home with at least one bedroom less. The amount of the incentive depends on the number of bedrooms released. It makes best use of the existing affordable housing stock.

Its purpose is to meet identified local housing needs and prevent homelessness. The Tenants Incentive Scheme was implemented in 2004 and was originally funded through the remainder of the capital receipt received following stock transfer. The amount available was £37,000. This sum released 15 larger units of accommodation. The public subsidy required to build these homes would have cost around £800,000.

4.2 Village Hall Grant Scheme

This scheme is to provide a fund to assist village halls with capital improvement works and new build projects to support capital village hall projects within West Devon which contribute to the Council's Community Life priority. Village halls represent the largest network of indoor community and recreational facilities in West Devon. In West Devon there are in excess of 50 village/community halls all of which have in the past or will in the future want support from the Council.

Village halls are increasingly becoming the focal points of villages, offering an increasing range of services including; the village shop, post office, GPs, training and learning courses, physical activities, playgroups, artistic performances, as well as being places of general community interaction. By offering so many services and facilities, Village Halls strongly contribute to the future sustainability of rural communities.

Innovation is essential for halls to remain viable, however, this grant scheme also proves very valuable to West Devon's Village Halls because it recognises the need to also maintain the general internal and external fabric of a hall's structures. Typical projects include improving disabled access to hall and toilet facilities, energy efficient heating and lighting systems.

Funding for 2011/12 and 2012/13 was agreed at Full Council on 15th Feb 2011, this bid refers to bids for 2013/14 and 2014/15.

4.3 Community Project Grant Scheme

To provide a fund that supports community organizations with capital project costs. To support capital projects within West Devon which contribute to the Council's Environment, Economy or Community life.

This grant scheme has been running since 1995 supporting a range of community led capital projects throughout the Borough. Projects have included those highlighted in MTCi and Parish Plans and those put forward by community groups. Support of projects is based on evidence of community support and need. Typical projects include new/improved play areas, community transport, sports facilities, community and youth centres, species and habitat enhancement

projects. The grant scheme contributes to new/improved/sustainable facilities for the population in West Devon according to their needs. Around 15 projects are supported by this grant scheme per annum.

The grant scheme supports a range of innovative and important local projects that provide key services and facilities, which without Borough Council support might otherwise not attract other local or national funding.

The grant scheme delivers to all age groups within the Borough, with one of the main benefits being its flexibility. The need and support for the projects must always be clearly evidenced, and in this way, the scheme is able to support projects that are important to our rural communities.

Assistance from the Borough Council Community Project Grant scheme demonstrates strong local support, which is essential in attracting external funding from local, regional and national sources including the Big Lottery Fund, landfill tax credits, charitable Trusts and Foundations. Per annum, the grant scheme usually draws in between £10 and £20 of external funding for every £1 from the Council. There are no revenue consequences for WDBC other than administration of the grant, and assistance with securing other funding where necessary.

Funding for 11/12 and 12/13 was agreed at Full Council on 15th Feb 2011. This bid refers to bids for 13/14 and 14/15.

4.4 Website

At present South Hams and West Devon each operate their own web site and content management software. The content management systems at both sites are at end of their life and due for replacement. In March 2010 the Joint Services Group agreed that

“Both websites be improved to exploit their use as a platform that can maximise their potential for transactions and thus reduce operating costs, in line with the report from SOCITM - Shared ICT Services”.

In September 2011 a survey of Members and staff identified the Website Project as the top priority for the 2015 Transformation Programme.

This strategic project will deliver a new website for West Devon and South Hams Councils and customers. There will be a new look and feel at the front end with up to-date good quality information and where appropriate, online transactional capabilities.

A copy of the report for the new Website was presented to the Strategies & Resources Committee on 24 January 2012. There is already an existing budget of £35,000 for this project. This is a request for a further £5,000.

4.5 New Revenues and Benefits Software

A report was presented to the Strategies & Resources Committee on 13th March regarding this project. The recommendation to Council is that £32,700 of the capital set up costs be funded from the General Fund Un-earmarked Reserves, in addition to the £30,000 already earmarked from the existing Revenues and Benefits Development Fund Earmarked reserve.

4.6 Disabled Facilities Grants

The Council has a statutory duty under the Housing Grants, Construction and Regeneration Act 1996(as amended) to fund adaptations to properties to enable people to live independently within their home. The grants, known as Disabled Facilities Grants (DFG), are means tested grants of up to £30,000 and are awarded to qualifying residents, regardless of tenure. Grants for qualifying children are not means tested. Grants range from simple stair lifts and ramps up to house extensions and multiple adaptations to kitchens/bathrooms. There are conditions on future occupation and a sum of up to £10,000 can be repaid in certain circumstances.

In order to reduce the pressure on the DFG budget and secure value for money when approving grants, a number of initiatives have been undertaken and implemented. These include a Schedule of Rates for Level Access Showers, a stair lift contract (saving approximately 30% on each lift) and the development of a protocol with Registered Providers seeking their commitment to pay for all, or a proportion of, their adaptation costs.

The Council receives a grant from Government each year based on a formula relating to the profile of the district/borough. The demand for the grants exceeds the Government allocation. Until last year the Council had a duty to match fund the grant at a rate of 40% of the total budget (for example Government grant £150,000, WDBC £100,000 = £250,000 budget).

This requirement, and the ring fence on the Government grant, has been removed. The demand however remains and is increasing in line with the ageing population.

The budget for 2011/12 comprised of a Government Grant of £174,000 and a carry forward of unspent DFG capital of £100,000 from 2010/11 (this arose due to changes in working practice at Devon County Council resulting in a reduced spend compared with previous years). Due to the lack of available capital resources, Members determined to use unspent Regional Housing Pot (Decent Homes Grant) money should the above budget be exceeded. The Decent Homes Grant from Government has now been completely cut (for 2010/11 this was £361,000) and therefore this approach will be unsustainable in future years.

In order to discharge the Council's statutory duty and meet predicted demand it is recommended that the Council commits £280,000 from capital (New Homes Bonus) each year over the three year budget period, in addition to the Government grant, predicted to be £170,000. This would give a Budget of £450,000 for Disabled Facilities Grants. It is recommended that any under

spends be rolled forward over the three year period to deal with fluctuations in demand. It is also recommended that repaid grant moneys from DFGs are recycled into the budget for future use.

4.7 Private Sector Renewal (Homes Strategy)

This provides funding to support the delivery of the Homes Strategy through the provision of recyclable loans aimed at reducing fuel poverty, bringing empty properties back into use and securing safe and healthy homes in line with the Councils duties under the Housing Acts.

The budget for 2011/12 is £322,000 with a predicted spend of approximately £280,000 (including a transfer of £176,000 to the DFG budget as detailed above). Funding for Private Sector Renewal was historically funded from Regional Housing Pot (Decent Homes Grant) which has now been completely removed.

It is recommended that the Council sets a budget of £125,000 from capital (funded by New Homes Bonus) for Private Sector Renewal Grants. It is recommended that any under spends be rolled forward over the three year period to deal with fluctuations in demand and build up a sustainable loan fund. It is also recommended that repaid grant moneys from historical PSR activity are recycled into the budget for future use.

4.8 Affordable Housing

Historically, funding for new affordable housing has been provided by the Homes and Communities Agency (HCA). Following the Comprehensive Spending Review in early 2011, the HCA's capital budget was cut by almost 60%. This has created a very challenging funding climate both nationally and locally. Whilst there is less HCA grant available, the Council's Core Strategy requires small developments to provide financial contributions toward the provision of affordable housing. This approach will provide an important additional source of funding for affordable housing in future years.

Due to the significant changes to the social housing sector and reduced levels of funding nationally, the Affordable Housing Team will shortly be undertaking a review of how the Council prioritises and invests its resources in strategic housing. The review aims to identify priorities together with alternative methods and approaches to investment. This will include, for example, looking at how overall affordability can be improved by investing in higher energy performance to reduce the overall cost to the occupier. The review will also consider how Council investment can be recycled more effectively within the borough. The team will fully engage Members in the review before seeking formal approval in early 2012.

It is recommended that the Council sets a budget of £150,000 from capital (funded by New Homes Bonus) for Affordable Housing.

4.9 Leisure Centre Bids

A full condition survey on both Leisure Centres has recently been carried out. Members are recommended to identify a provision of £335,000 for future capital expenditure on Leisure Centres as per Appendix B. The recommendation is to make a provisional allocation within the Capital Programme. This is not a funding commitment at this stage. There will be no expenditure incurred without a further report being brought back to Members, after further consideration of the results of the recent condition survey which has been undertaken.

The suggested provision is £335,000. The detail of how this figure is made up is set out in Exempt Appendix B. When considering the suggested provisional capital allocation for the leisure centres, Members' attention is also drawn to the Exempt report 'Consideration of the current and future leisure contract' which is also on this agenda.

5 FINANCING THE CAPITAL PROGRAMME 2012/2013

5.1 The following is a summary of the Capital Bids received for 2012/2013. Paragraphs 4.1 to 4.8 relate to funding commitments, which, if approved, will proceed. Paragraph 4.9 is for a provisional allocation and not a funding commitment at this stage.

Capital Bids for 2012/2013 (Funding Commitments)	Amount (£)
Tenants Incentive Scheme	15,000
IT Website	5,000
New Revenues and Benefits Software Contract	62,700
Disabled Facility Grants	450,000
Private Sector Renewal Grants	125,000
Affordable Housing	150,000
TOTAL	807,700

5.2 The table below shows the recommended way in which the Capital Programme for 2012-2013 is to be funded.

To be funded by:-	Amount (£)
New Homes Bonus 12/13 – See 5.7 (This is mainly funding Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing capital projects as detailed above)	575,000
Government Grant funding towards Disabled Facilities Grants	170,000
General Fund Un-Earmarked Reserve	32,700
Revenues and Benefits Development Fund Earmarked Reserve	30,000
TOTAL	807,700

- 5.3 The table below shows the recommended way in which the provisional allocation of £335,000 for the Leisure Centres within the Capital Programme for 2012-2013 could be funded.

Capital Programme 2012/2013 (Provisional Allocation)	Amount (£)
Provisional Allocation for the Leisure Centres	£335,000
To be funded by:-	
Capital Resources brought forward as per 3.1	100,000
Capital funds released back to general capital resources (See Note 1 and Note 2 below – these amounts total £252,000)	252,000
TOTAL	352,000
Balance remaining	17,000

Note 1 – There is currently a capital budget for £193,642 for West Devon Employment Land within the 2011/12 Capital Programme. As there are no current commitments to this budget, it is recommended that this budget is released back into the Capital Programme, to provide funding for next year's Capital Programme for 2012/2013. This means that this budget will be given up in the budget setting process. When new commitments arise for employment land, there will be sufficient lead-in time for this to be built back into the Capital Programme process.

Note 2 – The Capital Programme monitoring report of 13 March 2012 presented to the Strategies & Resources Committee identified that the 2011/2012 Social Housing Grant budget is underspent by £58,457, which can be released back into general capital resources, if an annual capital allocation of £150,000 per annum is committed to Social Housing Grant schemes as recommended in 5.1.

- 5.4 **New Homes Bonus Scheme** – This grant was introduced in 2011/12 and provides incentives for local authorities and local communities to be supportive of housing growth. The key elements are as follows:-

- The Government will match fund the council tax raised on each new home
- Bonus is payable for a six year period
- National average council tax bands will be used to calculate the bonus
- Band D home would attract an annual bonus of £1,439 per home
- Additional payment of £350 per year for affordable homes
- Bonus to be funded through Formula Grant
- In two tier areas 80% will be paid to Districts and 20% paid to Counties
- Bonus grant will not be ring fenced so can be spent on anything

- 5.5 The Council's allocation for 2011/2012 was £323,920 and the allocation for 2012/13 is £892,542.

- 5.6 A bonus is payable for a six year period and therefore West Devon Borough Council received £323,920 in year one and will receive at least £892,542 for the next five years. The grant is cumulative and a bonus is payable for a six year period. Formula Grant is likely to be replaced with business rates retention and new homes bonus from 2013-14 onwards.
- 5.7 The diagram below shows the proposed allocation of New Homes Bonus for 2012-13. The allocation of £200,000 towards funding the revenue base budget and £40,250 for the Dartmoor National Park has already been approved by Council on 14 February 2012. The amount being recommended to fund the Capital Programme is £575,000. This is £25,000 lower than the report which was presented to Council on 14 February, due to existing capital budgets within the existing Capital Programme for 2011-2012 now being identified as being able to be released back into capital resources to assist with financing the 2012-2013 Capital Programme (See Note 1 and Note 2 in 5.3 above).

Proposed Allocation of the New Homes Bonus (NHB) for 2012-13

Total Allocation for 2012-13	£892,542
Funding the 2012/13 Revenue Base Budget of the Council	£200,000
To use to fund the Capital Programme for 2012-13 (This is mainly funding Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing capital projects as detailed above)	£575,000
Provision for a share of the NHB for the Dartmoor National Park Authority	£40,250
Unallocated amount remaining	£77,292

- 5.8 The Council has very little remaining capital resources and the New Homes Bonus Scheme could provide a partial funding solution for the capital programme in the longer term, in particular for Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing.

6. LEGAL IMPLICATIONS

- 6.1 In accordance with section 2.2 of the Council's Financial Procedure Rules, Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from Strategies and Resources Committee. As per 3.14 of the Rules, the Head of Finance is responsible for ensuring that a Capital Programme is prepared on an annual basis for submission to Council.
- 6.2 The Appendices in this report have been placed in part 2 of the agenda due to their commercial sensitivity. An assessment has been carried out as to whether the public interest in withholding this information from the public domain outweighs the public interest in disclosing it. It was assessed that maintaining the confidentiality of the commercially sensitive information relating to various bodies outweighed the public interest in disclosure of the same.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are set out in the report. The report sets out funding commitments of £807,700 and a provisional allocation of £335,000.

8. RISK MANAGEMENT

8.1 The risk management implications are addressed within the report.

9. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report meets all the corporate priorities as they are all implicit within the budget setting process.
Statutory powers:	Local Government Act 1972, Section 151
Considerations of equality and human rights:	N/A
Biodiversity considerations:	None directly related to this report.
Sustainability considerations:	None directly related to this report.
Crime and disorder implications:	None directly related to this report.
Background papers:	15 November 2011 – S&R Committee – Capital Programme 2011/12 24 January 2012 - S & R Committee – Revenue Budget Update 2012-13 Capital Programme and New Website 13 March 2012 – S & R Committee – Update on the New Revenues and Benefits Software Contract
Appendices attached:	A – Exempt - Capital Programme 2012/13 – 2014/15 B - Exempt – Leisure Centre Capital Bids C - Exempt – Leisure Centre Capital Bids

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AGENDA ITEM 11

WEST DEVON BOROUGH COUNCIL

AGENDA ITEM 11

NAME OF COMMITTEE	COUNCIL
DATE	27 MARCH 2012
REPORT TITLE	TREASURY MANAGEMENT STRATEGY FOR 2012/13 TO 2014/15, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2012/13
Report of	HEAD OF FINANCE
WARDS AFFECTED	ALL

Summary of report:

This report outlines the Council's treasury indicators for 2012/13 – 2014/15 and sets out the expected treasury operations for this period. This report has been scrutinised by the Audit Committee on 7 February 2012. As a result, an Executive Summary has been prepared on the Treasury Management and Investment Strategy and is provided at the end of this report.

Financial implications:

The primary objective of this strategy would be to maximise the return **on** the Council's investment activities, in proportion with acceptable risk. However we have been in exceptional circumstances with the global economy going through turbulent times, therefore the focus has changed to that of protecting our capital and getting the return **of** the Council's investments.

RECOMMENDATIONS:

The Council is recommended to approve each of the key elements of this report:

1. The Prudential Indicators and Limits for 2012/13 to 2014/15 contained within Appendix A of the report.
2. The Minimum Revenue Provision (MRP) Statement contained within Appendix A which sets out the Council's policy on MRP.
3. The Treasury Management Strategy 2012/13 to 2014/15 and the treasury Prudential Indicators contained within Appendix B.
4. The Investment Strategy 2012/13 contained in the treasury management strategy (Appendix B), and the detailed criteria included in Appendix C.

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1. BACKGROUND

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 CIPFA defines treasury management as:

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

2. REPORTING REQUIREMENTS

- 2.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Committee before being recommended to Council. This role is undertaken by the Audit Committee.

Prudential and Treasury indicators and Treasury Strategy (this report) – The first and most important covers:

- The capital plans (including prudential indicators);
- A Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An Investment Strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report – This will update members on whether the treasury function is meeting the strategy or whether any policies require revision.

An Annual Treasury Report – This provides details of the treasury indicators and actual treasury operations compared to the estimates within the strategy.

3. TREASURY MANAGEMENT FOR 2012/13

The strategy for 2012/13 covers two main areas:

3.1 Capital Issues

- The capital plans and the prudential indicators
- The MRP strategy

3.2 Treasury management issues:

- The current treasury position
- Treasury indicators which will limit the treasury risk and activities of the Council
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- The investment strategy
- Creditworthiness policy; and
- Policy on use of external service providers

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

4. LEGAL IMPLICATIONS

- 4.1 The CIPFA Code of Practice states that Members receive and adequately scrutinise the treasury management service. The Council nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. This was agreed at Council on 25th February 2010 and formed part of the revision to the Council's Constitution in April 2010.

5. FINANCIAL IMPLICATIONS

- 5.1 In 'general' economic conditions, the primary objective would be to maximise the return on the Council's investment activities, in proportion with acceptable risk. Effective treasury management strives to maximise investment returns whilst minimising risk and protecting capital. However we have been through exceptional circumstances, therefore the focus has changed to that of protecting our capital and getting the return of the Council's investments.

- 5.2 The unprecedented financial crisis has resulted in significant interest cuts around the world and interest rates are currently at a record low level with the bank base rate at 0.5%. This, coupled with adopting a near risk free investment strategy, has meant a significant drop in the level of investment income that supports the revenue budget. To illustrate how falling interest rates are affecting the Council, in 2007/08 we had investment income of £720,000. For 2012/13 it is estimated to be £65,000, a reduction of £655,000 since 2007/08.

6. RISK MANAGEMENT

6.1 The risk management implications are:

Opportunities	Benefits
<p>For the Council to comply with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities.</p>	<p>The Council's adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrates a low risk approach. The Council has utilised low borrowing costs and has complied with its internal and external procedural requirements. There is no risk of volatility of costs in the current debt portfolio as the interest rates are fixed, utilising long-term loans.</p>
Issues/Obstacles/Threats	Control measures/mitigation
<p>The Council is aware of the risks of passive management of the treasury portfolio and, with the support of the Council's advisers, has proactively managed its treasury position. Shorter-term rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.</p>	<p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an annual Treasury Management Strategy and Investment Strategy in accordance with Government guidelines. The Council uses a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported to the Audit Committee. The Council continues to maintain investments short term with high quality counterparties.</p>
<p>Corporate priorities engaged:</p>	<p>The report meets all of the corporate priorities</p>
<p>Statutory powers:</p>	<p>See legal implications above</p>
<p>Considerations of equality and human rights:</p>	<p>N/A</p>
<p>Biodiversity considerations:</p>	<p>N/A</p>
<p>Sustainability considerations:</p>	<p>N/A</p>
<p>Crime and disorder implications:</p>	<p>N/A</p>
<p>Background papers:</p>	<p>Treasury Management and Investment Strategy for 2011/12 to 2013/14 Treasury Management Monitoring – April to September 2011</p>

	Capital Programme 2010/11 and Prudential Indicators for 2011/12
Appendices attached:	Appendix A – The Capital Prudential Indicators Appendix B - Treasury Management Strategy 2012/13 – 2014/15 Appendix C -Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management Appendix D – Treasury Management Scheme of delegation

Treasury management is defined as:

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

The original strategy for 2011/12 allowed the use of Eligible Institutions. The government announced under the credit guarantee scheme this is no longer available. Sectors view as an alternative is to consider the use of part nationalised banks (Lloyds and RBS), their position is as follows;

1. They are both nationalised with government holdings of approximately 82% (RBS) and 41% (Lloyds).
2. This does not mean there is a government guarantee, merely that the government has material holdings in the banks which have been created using public funds.
3. Sectors view is that these holdings give investors increased levels of comfort that, in the event of a threat of default, the Government would look to safeguard taxpayers’ money.
4. The Moody’s rating changes recently included RBS and Lloyds in the top tier with regards to likelihood of systematic support (if required).

The current strategy allows for investments to be made for over 3 months for all counterparties that meet the credit rating criteria. We are recommending that in the current economic climate and the heightened credit concerns it is considered appropriate to keep investments short term with a maximum duration of 3 months.

This limit will apply to all entities on the suggested counterparty list with the following exceptions:

1. UK Government and related entities such as Local Authorities. The duration limit will remain at 1 year.
2. UK semi-nationalised institutions (Lloyds/RBS). The Council continue to view the current significant UK ownership of these entities as providing significant comfort.
3. Money Market Funds. The duration of investments will remain with no time limit.

Creditworthiness Policy

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

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

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

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

The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

If the Council agrees to adopt the Sector creditworthiness policy, this would currently have the effect of allowing the Council to invest with counterparties such as Barclays Bank plc and the Nationwide Building Society.

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

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

A Guide to Money Market Funds	
Definition	A pool of cash managed by an independent fund management company. Frequently these are well known banks or investment houses
Investment	Investors purchase units (shares) of the fund which are held on their behalf in a custody account.
Returns	Returns in line with either 7-day or 1-month LIBID are targeted by most funds.

Liquidity	The funds are very liquid. Shares can be purchased and sold on the same day if necessary and without penalty. Deals are subject to a cut-off time which varies from manager to manager but can be as late as 2pm.
Variety	<p>Two types of classes exist –</p> <ol style="list-style-type: none"> 1) Stable Net Asset Value (SNAV) – the most common variety. Prices are fixed and interest is credited to investors in the form of a dividend. 2) Accumulating Net Asset Value (ANAV) – interest is credited to the shares and the price rises to reflect the return achieved.
Accounting	Purchases of MMF shares do not score as capital expenditure. Sales do not score as capital receipts.
Legality	Local authorities are permitted to invest in sterling denominated funds with a AAA credit rating and domiciled in the EU.
Regulation	<p>UK-based Funds are regulated by the Financial Services Authority.</p> <p>Those domiciled in other EU zones (the majority) are regulated via the Undertakings for Collective Investment in Transferable Securities (UCITS) Code. The Code lays down strict common standards of investment and management.</p>
Portfolio holdings	Cash is invested in a selection of high quality, high liquidity securities including: time deposits, certificates of deposit, short-dated gilts, corporate bonds and notes, commercial paper etc.
Credit rating	Local authorities are empowered to place funds in investment schemes with a high credit rating. Money Market Funds fall into this category and are all rated by one or more of the three rating agencies. Credit Quality – measures the financial strength of the fund (not the manager) and the probability of it defaulting.
Risk management	<p>The funds eligible for local authority investment score highly on credit quality and low volatility. All have a AAA rating which means that the chances of default are considered minimal.</p> <ol style="list-style-type: none"> 1) Rating requirements – in order to maintain a AAA rating fund managers must adhere to requirements specified by the rating agencies. These include:

<p>Exposure limits</p>	<ul style="list-style-type: none"> • A maximum exposure to any one counterparty (concentration ratio) between 5% & 10% • A maximum weighted average maturity (WAM) for the entire fund – typically 60 days • A minimum level of overnight investments to ensure high liquidity • A lower limit on quality of investment counterparty <p>2) Ring fencing – monies received from share purchases are invested in financial instruments by the managing organisation. Deposits/security investments are held in custody by a non-related company that specialises in custody services. Counterparty exposure of the fund (and of the investor) is to the underlying securities and not to the management company.</p> <p>In view of the funds' low concentration ratios; quality of asset holdings; maximum WAM and ring-fencing arrangements, counterparty risk is spread widely. MMF's possess the same status as external fund managers operating cash/gilt funds for local authorities. They should have their own counterparty limit which can be considerably greater than that accorded to individual investment counterparties.</p>
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The Capital Prudential Indicators 2012/13 – 2014/15

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

Capital Expenditure. This prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	2,102	2,425	808	TBA	TBA

These estimates represent funding commitments as set out in the Capital Programme report for 2012/13.

Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

Capital Expenditure £m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	2,102	2,425	808	TBA	TBA
Financed by:					
Capital receipts	367	1,125	-		
Capital grants	1,444	1,171	170		
Capital reserves	252	66	-		
Revenue	39	63	63		
New Homes Bonus			575		
Net financing need for the year	Nil	Nil	Nil	TBA	TBA

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has none of these such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Capital Financing Requirement					
Total CFR	1,931	1,889	1,847	1,805	1,763
Movement in CFR	(42)	(42)	(42)	(42)	(42)
Movement in CFR represented by					
Net financing need for the year (above)	0	0	0	0	0
Less MRP/VRP and other financing movements	(42)	(42)	(42)	(42)	(42)
Movement in CFR	(42)	(42)	(42)	(42)	(42)

MRP Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG Regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (option 2);

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

The Use of the Council's Resources and the Investment Position

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Fund balances / reserves	(833)	(948)	(1,000)	(1,000)	(1,000)
Capital receipts	(1,125)	Nil	Nil	Nil	Nil
Provisions	(526)	(452)	(400)	(400)	(400)
Other	(1,532)	(2,600)	(2,600)	(2,600)	(2,600)
Total core funds	(4,016)	(4,000)	(4,000)	(4,000)	(4,000)
Working capital*	693	700	700	700	700
Under/over borrowing	(169)	(211)	(253)	(295)	(337)
Expected investments	(3,492)	(3,500)	(3,500)	(3,500)	(3,500)

*Working capital balances shown are estimated year end; these may be higher mid year

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Actual and estimates of the ratio of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	0.92%	1%	1%	1%	1%

The estimates of financing costs include current commitments and the proposals in this budget report.

Estimates of the incremental impact of capital investment decisions on council tax. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period. This is a notional cost only and reflects the notional impact of spending capital resources. The Council is not undertaking any new borrowing to fund its Capital Programme from 2012/13 onwards.

Incremental impact of capital investment decisions on the band D council tax (notional cost as explained above)

£	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Council tax - band D	0.78	0.26	0.31	TBA	TBA

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Treasury Management Strategy 2012/13 – 2014/15

The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet these commitments. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. The strategy covers the relevant treasury indicators, the current and projected debt position and the annual investment strategy.

Current Portfolio Position

The Council's treasury portfolio position at 31 March 2011, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying need (the Capital Financing Requirement –CFR), highlighting any over or under borrowing.

£	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
External Debt					
Debt at 1 April	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Expected change in debt	0	0	0	0	0
Debt at 31 March	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
CFR	1,931,000	1,889,000	1,847,000	1,805,000	1,763,000
Under/(over) borrowing	(169,000)	(211,000)	(253,000)	(295,000)	(337,000)
Investments					
Total Investments at 31 March	3,492,000	3,500,000	3,500,000	3,500,000	3,500,000
Net Debt	(1,392,000)	(1,400,000)	(1,400,000)	(1,400,000)	(1,400,000)

The data in this table is dependent upon the current capital programme running according to timetable. If projects are delayed there will be additional funds available for investment for a short period of time that may provide additional income.

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. The Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the following two financial years (shown as net

borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower depending on the levels of actual debt.

Operational Boundary	2011/12 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
Borrowing	3,000,000	3,000,000	3,000,000	3,000,000
Other long term liabilities	-	-	-	-
Total	3,000,000	3,000,000	3,000,000	3,000,000

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

The Council is asked to approve the following Authorised Limit:

Authorised limit	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	6,000,000	6,000,000	6,000,000	6,000,000
Other long term liabilities	-	-	-	-
Total	6,000,000	6,000,000	6,000,000	6,000,000

Prospects for Interest Rates

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

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target.

The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

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

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

This strategy is prudent as investment returns are low and counterparty risk is high.

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury activities.

The Head of Finance, under delegated powers, will monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp **fall** in long and short term rates, e.g. due to a marked increase in risk around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered
- If it was felt that there was a significant risk of a much sharper **rise** in long and short term rates than currently forecast, perhaps arising from a greater than expected world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected low return available from investments.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

	2012/13	2013/14	2014/15
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%
Limits on fixed interest rates: Debt only	3,000,000	3,000,000	3,000,000

Limits on variable interest rates: Debt only	750,000	750,000	750,000
Maturity Structure of fixed interest rate borrowing 2012/13			
	Lower	Upper	
Under 12 months	0%	10%	
12 months to 2 years	0%	10%	
2 years to 5 years	0%	30%	
5 years to 10 years	0%	50%	
10 years and above	0%	100%	

These are limits that apply to the total portfolio in house investments and those managed by Sterling International Brokers.

Policy on Borrowing in advance of need – The Council will not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- The Council would not look to borrow more than 18 months in advance of need.

Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

If the Council had to borrow temporarily for cash flow purposes only in an emergency, then the Head of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking in to account the risks. A report will subsequently be reported to Council. In all other circumstances, approval to borrow money will always be a decision that can only be made by Full Council and a full report will be brought to Members.

Debt Rescheduling – As short term borrowing rates will be considerably cheaper than longer term fixed rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings
- Helping to fulfil the treasury strategy
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balance to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current

debt. In light of current interest rates and penalties incurred in repaying debt it is unlikely that debt rescheduling will be undertaken in the near future.

All rescheduling will be reported to the Council, at the earliest meeting following its action.

ANNUAL INVESTMENT STRATEGY

Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using Sector ratings service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay this information on top of credit ratings. This is encapsulated within the credit methodology provided by the advisors, Sector.

Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix C under the 'Specified' and 'Non-specified' investment categories. Counterparty limits will be set through the Council's Treasury Management Practices – Schedules.

Creditworthiness Policy

This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three

main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-, Individual of Viability ratings of C- (or BB+), and a Support rating of 3. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

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

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

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Country limits

The Council has determined that it will only use UK registered banks.

In-house Funds

Investments will be made with reference to the core balance and cash flow requirements and the outlook for the short-term interest rates.

Investment returns expectations

Bank rate forecast to remain unchanged at 0.50% before starting to rise from quarter 3 of 2013. Bank forecast rates for financial year ends (March) are:

- 2011/12 0.50%
- 2012/13 0.50%
- 2013/14 1.25%
- 2014/15 2.50%

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

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

2012/13	0.70%
2013/14	1.00%
2014/15	1.60%
2015/16	3.30%
2016/17	4.10%

Investment treasury indicator and limit

Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested > 364 days			
£M	2012/13	2013/14	2014/15
Principal sums invested > 364 days	Nil	Nil	Nil

For its cash flow generated balance, the Council will seek to utilise its business reserve account, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Investment Risk Benchmarking

These benchmarks are simple guides (not limits) to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.08% historic risk of default when compared to the whole portfolio.

Liquidity – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £400,000
- Liquid short term deposits of at least £250,000 available with a week's notice.
- Weighted Average Life benchmark is expected to be 6 months, with a maximum of 1 year.

Yield – These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Returns above the average 3 month LIBID rate

And in addition that the security benchmark for each individual year is:

	1 year	2 years
Maximum	0.08%	0.01%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2009.

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.01%	0.05%	0.10%	0.17%
AA	0.03%	0.06%	0.08%	0.14%	0.20%
A	0.08%	0.22%	0.37%	0.52%	0.70%

BBB	0.24%	0.68%	1.19%	1.79%	2.42%
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The Council's minimum long term rating criteria is currently "A+", meaning the average expectation of default for a one year investment in a counterparty with a "A+" long term rating would be 0.08% of the total investment (e.g. for a £1m investment the average loss would be £800). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

Treasury Management Advisers

The Council uses Sector as its external treasury management advisors.

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

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

Scheme of delegation

Please see appendix D

Role of section 151 officer

Please see appendix D

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Specified and Non-Specified Investments and Limits

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A nil amount will be held in aggregate in non-specified investment. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories. The criteria, time limits and monetary limits applying to institutions or investment vehicles are: (These will be used by officers in the priority order below:)

	* Minimum credit criteria / colour band	** Max % of total investments / £ limit per institution	Max. maturity period
Term deposits with banks and building societies (1 st preference)	Yellow Purple Blue Orange Red Green No Colour	£2million	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 3 months Not for use
Money market funds (2 nd preference)	AAA	£2million	Liquid
DMADF – UK Government (3 rd preference)	N/A	100%	6 months
The Council is not recommending using the following investment vehicles and this is reflected by showing 0% against the limit per institution.			

	* Minimum credit criteria / colour band	** Max % of total investments / £ limit per institution	Max. maturity period
UK Government gilts	AAA	0%	Yellow (5 years)
UK Government Treasury bills	AAA	0%	6 months
Local authorities	N/A	0%	Yellow (5 years)
Bonds issued by multilateral development banks	AAA	0%	Yellow (5 years)
CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	0%	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 3 months Not for use

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable)

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Yellow	In-house
Term deposits – local authorities	Green	In-house
Term deposits – banks and building societies **	Green	In-house

Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	In-house	£2million	Blue

Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	Yellow	In-house
UK Government Gilts	UK sovereign rating	In-house buy and hold
Bonds issued by multilateral development banks	AAA	In-house buy and hold
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	In-house buy and hold
Treasury Bills	UK sovereign rating	In house

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	AAA Stable NAV	In-house
2. Money Market Funds	AAA Stable NAV	In-house

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

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Treasury Management scheme of delegation

(i) Full Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on the recommendations
- Approving the selection of external service providers and agreeing terms of appointment

(ii) Audit committee (responsibility for scrutiny)

- Reviewing the treasury management policy and procedures and making recommendations to the responsible body

The treasury management role of the section 151 officer

The S151 (responsible) officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers

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NAME OF COMMITTEE	Full Council
DATE	23 rd February 2012
REPORT TITLE	Senior Pay Policy Statement 2012/2013
Report of	Personnel Manager
WARDS AFFECTED	All

Summary of report:

The purpose of this report is to set out the Council's statutory obligation to adopt a senior pay policy statement in accordance with the provisions of the Localism Act.

Financial implications:

There are no financial implications as a result of this report.

RECOMMENDATIONS:

That the Council RESOLVES to adopt the attached senior pay policy statement for 2012/2013

Officer contact:

Andy Wilson

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01803 861154

1. BACKGROUND

- 1.1 Section 38 (1) of the Localism Act 2011 requires local authorities in England and Wales to produce a statutory senior pay policy statement for 2012/2013 and each financial year thereafter.
- 1.2 The pay policy statement must be approved by a resolution of the Council before it comes into force and each subsequent statement must be prepared and approved before the end of the 31 March immediately preceding the financial year to which it relates

2. ISSUES FOR CONSIDERATION

- 2.1 A draft senior pay policy statement is attached at Appendix A for consideration.
- 2.2 Under the terms of the statement, the Leader of Council will take independent pay advice from South West Councils or a similar body and make a recommendation on the level of remuneration for senior officers that will be subject to the approval of the Full Council.

3. LEGAL IMPLICATIONS

3.1 The adoption of a senior pay policy statement is necessary to meet the Council's statutory obligations under the provisions of s. 38 of the Localism Act 2011.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising from the adoption of the senior pay policy statement

5. RISK MANAGEMENT

5.1 The risk management implications are:

Opportunities	Benefits
To meet the provisions of the Localism Act To give Members a greater say in the setting of senior officers level of remuneration	A transparent and accountable pay policy for senior officers
Issues/Obstacles/Threats	Control measures/mitigation

Corporate priorities engaged:	Community Life
Statutory powers:	S38 (1) Localism Act 2011
Considerations of equality and human rights:	There are no equality or human rights considerations
Biodiversity considerations:	There are no biodiversity considerations
Sustainability considerations:	There are no sustainability considerations
Crime and disorder implications:	There are no crime and disorder considerations
Background papers:	Localism Act: Pay policy statements guidance for local authority chief executives: LGA and SOLACE; 25/11/2011
Appendices attached:	Senior Pay Policy Statement

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Agenda Item 3

At a Meeting of the **WEST DEVON BOROUGH COUNCIL** held in the **COUNCIL CHAMBER, KILWORTHY PARK, TAVISTOCK** on **TUESDAY** the **27TH** day of **MARCH 2012** at **4.30pm** pursuant to Notice given and Summons duly served.

Present

Mr D M Horn – Mayor	
Mr C R Musgrave – Deputy Mayor	
Mrs S C Bailey	Mr R E Baldwin
Mr K Ball	Mr M J R Benson
Mr W G Cann OBE	Mrs A Clish-Green
Mr D W Cloke	Mrs M V L Ewings
Mrs C Hall	Mr M J Harper
Mr T J Hill	Mr L J G Hockridge
Mr A F Leech	Mrs C M Marsh
Mr J R McInnes	Mr J B Moody
Mr N Morgan	Mr M E Morse
Miss D E Moyse	Mr R J Oxborough
Mr P J Ridgers	Mr R F D Sampson
Mr P R Sanders	Mrs D K A Sellis
Mr E H Sherrell	Mr D Whitcomb
Mr D M Wilde	

Chief Executive
Head of Finance and Audit
Monitoring Officer
Democratic Services Manager
Personnel Manager
Head of Assets

CM 68 CLLR JEFF MOODY

The Mayor wished to welcome Councillor Mr J B Moody to his first meeting of Council since being elected to represent the Tavistock North Ward.

CM 69 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mr T G Pearce and Mrs L B Rose.

CM 70 DECLARATIONS OF INTEREST

The following declarations of interest were made:

1. Cllrs Miss D E Moyse and Mr L J G Hockridge in Item 13 (Payment of Councillor Expenses) – personal as both were the subject Members who were making the requests for payment.

CM 71 CONFIRMATION OF MINUTES

It was moved by Councillor Mr J R McInnes, seconded by Councillor Mr P R Sanders and upon the motion being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Council agree the Minutes of the 14 February 2012 and 23 February 2012 Council Meetings as a true record”.

CM 72 COMMUNICATIONS FROM THE MAYOR

As the end of the Municipal Year neared its conclusion, the Mayor advised that he had attended several events since the last meeting.

CM 73 MOTION(S) SUBMITTED BY MEMBERS OF COUNCIL

It was moved by Councillor Mr J R McInnes and seconded by Councillor Mr R J Oxborough that:

‘To celebrate the Queen’s Diamond Jubilee, West Devon Borough Council should have free parking in its Car Parks, from Saturday the 2nd to Tuesday the 5th of June 2012.’

In introducing his motion, Councillor Mr J R McInnes made reference to the obvious cost implications (estimated at £12,000 in lost income), but felt it to be most important that the Council embraced and took part in the Diamond Jubilee celebrations.

In discussion, it was confirmed that this initiative would include coach parking and the consequent economic benefits to local communities were recognised.

When put to the vote, the motion was declared **CARRIED**.

CM 74 MINUTES OF COMMITTEES

a. Audit Committee – 7 February 2012

It was moved by Councillor Mrs D K A Sellis, seconded by Councillor Mr M J Harper and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Minutes of the 7 February 2012 meeting be received and noted with the exception of Unstarred Minutes AC21 and AC22”.

In respect of the Unstarred Minutes:

i. AC 21 – Third Quarter Prudential Indicator and Treasury Management Monitoring Report 2011-12

It was moved by Councillor Mrs D K A Sellis, seconded by Councillor Mr M J Harper and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that Members note the report and the treasury activity and no changes to the prudential indicators be recommended”.

ii. **AC 22 – Treasury Management Strategy for 2012/13 to 2014/15 Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2012/13**

(It was noted that this unstarred minute had been superseded by Item 11 (Treasury Management Strategy 2012/13 to 2014/15, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2012/13). A vote would therefore be taken on this matter during consideration of Item 11).

b. **Strategies & Resources Committee – 13 March 2012**

It was moved by Councillor Mr P R Sanders, seconded by Councillor Mr J R McInnes and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Minutes of the 13 March 2012 meeting be received and noted with the exception of Unstarred Minute S&R53”.

In respect of the Unstarred Minute:

i. **S&R 53 – New Revenue and Benefits Software Contract**

It was moved by Councillor Mr P R Sanders, seconded by Councillor Mr J R McInnes and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the £32,700 capital set up costs be funded from the General Fund Un-earmarked Reserve, in addition to the £30,000 already earmarked from the existing Revenue and Benefits Development Fund”.

CM 75

CAPITAL PROGRAMME FOR 2012/13

The Head of Finance and Audit presented a report which outlined the 2012/13 Capital Programme.

It was then moved by Councillor Mr P R Sanders and seconded by Councillor Mr J R McInnes and upon the motion being submitted to the meeting was declared to be **CARRIED** and “**RESOLVED** that:-

1. The budget for the 2012/13 Capital Programme totalling £807,700, as shown in Section 5.1 of the presented agenda report, in relation to capital projects be approved for a funding commitment;
2. The proposed method of funding these Capital Bids of £807,700 be approved as outlined in Section 5.2 of the presented agenda report;
3. Delegated approval be granted to the Head of Environmental Health and Housing, in consultation with the Head of Finance and Audit, to be able to amalgamate the Private Sector Renewal Grant budget and the Disabled Facilities Grant budget in each financial year and to use the total budget in order to meet the demands of both capital schemes; and
4. A provision be identified of £335,000 for future capital expenditure on the Leisure Centres as per Section 4.9 of the presented agenda report

and the 'Consideration of the Current and Future Leisure Contract' report (exempt agenda item 15 refers). (NOTE: This is a provisional allocation and not a funding commitment at this stage)".

CM 76 TREASURY MANAGEMENT STRATEGY FOR 2012/13 TO 2014/15, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2012/13

The Head of Finance and Audit outlined a report which presented the Council's treasury indicators for 2012/13 – 2014/15 and which set out the expected treasury operations for this period. In her introduction, Members were also reminded that the report had already been scrutinised by the Audit Committee on 7 February 2012 (Minute AC 22 refers).

It was then moved by Councillor Mr P R Sanders and seconded by Councillor Mr J R McInnes and upon the motion being submitted to the meeting was declared to be **CARRIED** and "**RESOLVED** to approve:-

1. The Prudential Indicators and Limits for 2012/13 to 2014/15 contained within Appendix A of the presented agenda report.
2. The Minimum Revenue Provision (MRP) Statement contained within Appendix A of the presented agenda report, which set out the Council's policy on MRP.
3. The Treasury Management Strategy 2012/13 to 2014/15 and the Treasury Prudential Indicators contained within Appendix B of the presented agenda report.
4. The Investment Strategy 2012/13, which is contained within the Treasury Management Strategy (Appendix B of the presented agenda report refers) and the detailed criteria (included within Appendix C of the presented agenda report)".

CM 77 SENIOR PAY POLICY STATEMENT 2012/2013

Councillor Mr J R McInnes presented a report which set out the Council's statutory obligation to adopt a senior pay policy statement in accordance with the provisions of the Localism Act.

In discussion, particular reference was made to:

- the total salaries for each Chief Officer being shared on a 50/50 basis with South Hams District Council. A Member therefore commented that, in reality, the multipliers referred to in the presented agenda report should be halved;
- the remuneration of each Chief Officer. The Leader stated that in the event of any Members wishing to discuss the specifics in respect of the remuneration of Chief Officers, then it would be more appropriate for this to take place at a future Informal Council session.

It was then moved by Councillor Mr J R McInnes and seconded by Councillor Mr P R Sanders and upon the motion being submitted to the meeting was declared to be **CARRIED** and “**RESOLVED** to adopt the senior pay policy statement for 2012/13, as outlined in the presented agenda report”.

CM 78

PAYMENT OF COUNCILLOR EXPENSES

Under Part 6 of the Constitution (Members' Allowance Scheme), Paragraph 9.1 states that “no payment can be made of any travel and subsistence claim made more than three months after the meeting for which the claim is made without the authority of Council in every case”.

Two such requests had been received from Councillor Miss D E Moyse for payment of expenses dating back to January 2011 and Councillor Mr L J G Hockridge for payment of expenses dating back to November 2011.

It was subsequently moved by Councillor Mr M J R Benson, seconded by Councillor W G Cann OBE and upon being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that payment could be made of the expense claims from Councillor Miss D E Moyse (back-dated to January 2011) and Councillor Mr L J G Hockridge (back-dated to November 2011)”.

CM 79

COMMON SEAL

A copy of the documents signed by the Mayor during the period between 15 February 2012 and 19 March 2012 was attached to the agenda (page 64 refers) and noted by the Meeting.

In reply to a question, the Monitoring Officer agreed to provide a response in writing regarding the income gained from the Wayleave Agreement with Western Power on the land at Simmons Way, Okehampton.

It was then moved by Councillor Mr E H Sherrell, seconded by Councillor Mr P R Sanders and upon the motion being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that the Mayor and the Chief Executive (or deputies appointed by them) be authorised to witness the fixing of the seal on documents”.

CONSIDERATION OF CURRENT AND FUTURE LEISURE CONTRACT

It was moved by Councillor Mrs M V L Ewings, seconded by Councillor Mr R F D Sampson and upon the motion being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the Meeting for the debate that took place on this item of business on the grounds that exempt information may be disclosed under Paragraph 3 – Information relating to the financial or business affairs of any particular person including the authority holding that information and Paragraph 5 – Information in respect of which a claim for legal professional privilege could be maintained – from Part I of Schedule 12(A) to the Act.”

Following a lengthy discussion, it was subsequently moved by Councillor Mr P R Sanders and seconded by Councillor Mr J R McInnes and upon the motion being submitted to the Meeting was declared to be **CARRIED** and “**RESOLVED** that Council agrees to explore with Leisure Connection the future of the Leisure Contract and that the exploratory team be comprised of both Members and Officers”.

(The Meeting terminated at 6.20 pm)