

COUNCIL MEETING

MONDAY 25TH FEBRUARY 2013

**AT 6:00PM
IN THE COUNCIL CHAMBER
COUNCIL HOUSE
DUDLEY**

**SUMMONS, AGENDA
AND REPORTS**

If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, could you please contact Democratic Services in advance and we will do our best to help you

**STEVE GRIFFITHS
DEMOCRATIC SERVICES MANAGER
TEL: 01384 815235**

**You can view information about Dudley MBC on
www.dudley.gov.uk**

Members are asked to send advance notice of interests by email to steve.griffiths@dudley.gov.uk by 12.00 noon on Friday, 22nd February, 2013

**THE SEATING PLAN WILL BE
DISPLAYED AT THE MEETING**

DUDLEY METROPOLITAN BOROUGH

You are hereby summoned to attend a meeting of the Dudley Metropolitan Borough Council to be held at the Council House, Priory Road, Dudley on Monday, 25th February, 2013 at 6.00 pm for the purpose of transacting the business set out in the in the numbered agenda items listed below.



DIRECTOR OF CORPORATE RESOURCES

15th February, 2013

A G E N D A

PRAYERS

1. APOLOGIES FOR ABSENCE
2. TO RECEIVE DECLARATIONS OF INTEREST IN ACCORDANCE WITH THE MEMBERS' CODE OF CONDUCT
3. MINUTES

To approve as a correct record and sign the minutes of the meeting of the Council held on 26th November, 2012 (Pages CI/34 - CI/43)

4. MAYOR'S ANNOUNCEMENTS
5. FREEDOM OF THE BOROUGH APPOINTMENTS

To consider a report of the Chief Executive (Pages 1 - 3)

6. TO RECEIVE REPORTS FROM MEETINGS AS FOLLOWS:

PAGES

From To

Meeting of the Cabinet held on 12th February, 2013

Councillor Sparks to move:

- | | | |
|----------------------------------|---|----|
| (a) Capital Programme Monitoring | 4 | 16 |
|----------------------------------|---|----|

Councillor K Ahmed to move:

| | | |
|---|----|----|
| (b) Deployment of Resources – Housing Revenue Account and Public Sector Housing Capital | 17 | 39 |
|---|----|----|

Councillor Partridge to move:

| | | |
|--|----|----|
| (c) Pay Policy Statement | 40 | 48 |
| (d) Ernest Stevens Trusts Management Committee | 49 | 53 |

Meeting of the Audit and Standards Committee dated 14th February, 2013

Councillor Zada to move:

| | | |
|--|----|----|
| (e) Treasury Management | 54 | 70 |
| (f) Revised Wording of the Seven Principles in Public Life | 71 | 73 |

7. TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE RULE 11
8. TO CONSIDER ANY BUSINESS NOT ON THE AGENDA WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE MAYOR IS OF THE OPINION SHOULD BE CONSIDERED AT THE MEETING AS A MATTER OF URGENCY UNDER THE PROVISIONS OF SECTION 100(B)(4) OF THE LOCAL GOVERNMENT ACT 1972

DUDLEY METROPOLITAN BOROUGH

MINUTES OF THE PROCEEDINGS OF THE COUNCIL
AT THE MEETING HELD ON MONDAY, 26TH NOVEMBER, 2012
AT 6.00 PM AT THE COUNCIL HOUSE, DUDLEY

PRESENT:

Councillor Mottram (Mayor)
Councillor A Finch (Deputy Mayor)
Councillors A Ahmed, K Ahmed, Ali, Mrs Ameson, Arshad, A Aston, M Aston, Attwood, Mrs Billingham, Bills, Blood, Body, Boleyn, Branwood, Burston, Casey, Caunt, Cotterill, Cowell, Crumpton, Davies, Duckworth, Elcock, Evans, K Finch, Foster, Hale, Hanif, Harley, Harris, Hemingsley, Herbert, Hill, J Jones, L Jones, Jordan, Kettle, Lowe, Marrey, J Martin, Mrs P Martin, Miller, Ms Nicholls, Partridge, Perks, Ridney, Roberts, Mrs Rogers, Russell, Mrs Shakespeare, Mrs Simms, Sparks, Taylor, Mrs H Turner, K Turner, S Turner, Tyler, Vickers, Mrs Walker, Waltho, C Wilson, Wood, Woodall, Wright and Zada together with the Chief Executive and other Officers.

PRAYERS

The Mayor's Chaplain led the Council in prayer.

46 **APOLOGIES FOR ABSENCE**

Apologies for absence from the meeting were received on behalf of Councillors Islam, James, Mrs Westwood and M Wilson.

47 **DECLARATIONS OF INTEREST**

Declarations of interests, in accordance with the Members' Code of Conduct, were made by the following Members:

Councillor Body – Minute No. 22(a)(iii) of the Halesowen Area Committee (Petition from the Friends of Homer Hill Park and the presentation made to the Area Committee meeting) – Non-Pecuniary Interest as the Chair of Homer Hill Friends Group.

Councillor Russell – Minute No. 31(1) of the Halesowen Area Committee (Area Committee Grants) regarding the application for a grant to the Earls Gymnastics Club – Pecuniary Interest in view of her youngest child attending the Club and her oldest child attending the School.

Councillor Russell – Minute No. 31(8) of the Halesowen Area Committee (Area Committee Grants) regarding the application for a grant to Hasbury Pre-School – Non-Pecuniary Interest in view of one of her children attending Hasbury School.

Councillors Ridney and Wright – Minute No. 25 of the Regeneration, Culture and Adult Education Scrutiny Committee (Revision of the Playing Pitch Strategy) - Non-Pecuniary Interests as Councillor Ridney was a member of the IEB at The Coseley School and Councillor Wright was as a Governor of Ellowes Hall School.

Councillor Wright – Minute No. 39(iii) of the Development Control Committee (Planning Application P12/0733 – Change of use from Vacant Garage to Education Facility) – Non-Pecuniary Interest in view of reference made to the West Midlands Fire Service, as a Member of the West Midlands Fire and Rescue Authority.

Councillor Wright – Minute No. 39(v) of the Development Control Committee (Planning Application P12/1005 – Land Adjacent to Tipton Road, Dudley). Non-Pecuniary Interest in view of reference made to the Black Country Living Museum as a Trustee.

Councillor Wright – Minute No. 43(x) and 43(xiv) of the Development Control Committee (Planning Application P12/1127 – 16 Moden Hill, Sedgley, Dudley) and (Planning Application P12/1016 – 13D Vale Street, Amblecote) – Non-Pecuniary Interests in view of reference made to the West Midlands Fire Service, as a Member of the West Midlands Fire and Rescue Authority.

Councillor Wright – Minute No. 43(xiii) of the Development Control Committee (Planning Application P12/0866 – 1 Chapel Walk, Lower Gornal, Dudley) – Non-Pecuniary Interest as he personally knew the applicant and the objector.

Councillor Roberts – Minute No. 43(i) of the Development Control Committee (Planning Application P12/0612 – The Holly Hall School, Scotts Green Close, Dudley) - Pecuniary Interest as a Governor of the Academy.

Councillor Wright - References to Midland Heart - Non-pecuniary interest as a tenant of Midland Heart.

Councillor Crumpton - All matters affecting schools - Non-pecuniary interest as a relative works as a supply teacher.

Councillor A Aston - References to matters affecting West Midlands Ambulance Service (WMAS) - Pecuniary interest as an employee of WMAS.

Councillors M Aston, A Finch and K Finch - Capital Programme Monitoring (Priory Park Heritage Lottery Fund (HLF) Project) - Non-pecuniary interest as Councillor A Finch was Chair and the other Councillors attended meetings of the Friends of Priory Park.

Councillor Mrs Rogers - References to Mary Stevens Park and Swinford Common (Stevens Park and Recreational Foundation Trust). Non-pecuniary interest as Chair of the Friends of Mary Stevens Park.

Councillor Boleyn - Minute No. 25 of the Regeneration, Culture and Adult Education Scrutiny Committee (Revision of the Playing Pitch Strategy) and Mayor's Announcements regarding Kewford Eagles Football Club - Non Pecuniary Interest as a Charity Trustee and Vice-Chair of Kewford Eagles Football Club.

Councillor Boleyn - Minute No. 22 of the Regeneration, Culture and Adult Education Scrutiny Committee (Revenue Budget Strategy) - Pecuniary Interest as Secretary to the Trustees of British Glass Foundation.

48 MINUTES

RESOLVED

That the minutes of the extraordinary meeting and the meeting of the Council held on 8th October, 2012 be confirmed as correct records and signed.

49 MAYOR'S ANNOUNCEMENTS

(a) Dementia Strategy

The Mayor reported that the Directorate of Adult, Community and Housing Services had received an award relating to the Dementia Strategy. Following remarks from Councillor Waltho, the Mayor presented the award to representatives of the Directorate and the Council congratulated the employees concerned.

(b) Kayleigh Fisher – Green Care Team

The Mayor reported that Kayleigh Fisher, an apprentice with the Council's Green Care Team had been nominated as a finalist in the National Association for Public Service Excellence apprentice of the year awards. Following remarks from Councillor Foster, the Mayor presented Kayleigh with a trophy and the Council congratulated her on this achievement.

(c) Connexions Team – Directorate of Children's Services

The Mayor reported that the Connexions Team based in the Directorate of Children's Services had been accredited with a national quality mark for the support provided to young people. Following remarks from Councillor Crumpton, the Mayor presented the award to representatives of the Connexions Team and the Council congratulated all concerned.

(d) Kewford Eagles Football Club, Wall Heath - Queen's Award for Voluntary Service

The Mayor reported that the Kewford Eagles Football Club, Wall Heath had recently received the 2012 Queen's Award for Voluntary Service. Following remarks from Councillor Boleyn, the Mayor presented the award to the Chairman and the President of the Football Club. The Council congratulated everyone involved with the Club on this significant achievement.

(e) Councillor Malcolm Knowles and Honorary Alderman Harold Jackson MBE

The Mayor referred in sympathetic terms to the recent deaths of Councillor Malcolm Knowles and Honorary Alderman Harold Jackson MBE. The Council observed a period of silence as a token of respect to their memory. Members of the Council then paid individual tributes.

(f) Remembrance Sunday and Armistice Day

The Mayor thanked everyone involved for the excellent organisation in connection with the Remembrance Sunday and Armistice Day arrangements.

(g) Civic Carol Service

The Mayor reported that the Civic Carol Service would be held on 20th December, 2012 at Christ Church, Coseley.

(h) Cheese and Wine Tasting Charity Evening – 28th November, 2012

The Mayor reported that a cheese and wine tasting charity evening would be held on 28th November, 2012.

(i) Mayor's Attendant – "Coast to Coast" Charity Challenge

The Mayor reminded the Council that sponsorship forms were available for Mike Crannage's Coast to Coast Challenge in Costa Rica during February 2013.

50 CAPITAL PROGRAMME MONITORING

A report of the Cabinet was submitted.

It was moved by Councillor Sparks, seconded by Councillor Ali and following a debate

RESOLVED

- (1) That current progress with the 2012/13 Capital Programme, as set out in Appendix A to the report now submitted, be noted and that budgets be amended to reflect the reported variances.
- (2) That the Capital Programme be amended in respect of the revised funding of the Priory Park project, as set out in paragraph 6 of the report now submitted.
- (3) That expenditure to be funded from the Short Break grant be included in the Capital Programme, as set out in paragraph 7 of the report now submitted.

51 REVENUE BUDGET STRATEGY 2013/14

A joint report of the Chief Executive and Treasurer was submitted.

It was moved by Councillor Lowe, seconded by Councillor Ali and following a debate

RESOLVED

- (1) That the 2012/13 budgets be amended, as set out in paragraphs 4 and 5 of the report now submitted.
- (2) That Council Tax discounts and exemptions be amended, and the Empty Property Premium applied, from 1st April, 2013, as set out in paragraph 7 of the report now submitted.
- (3) That the strategy for employee related budget savings, as set out in paragraph 10 of the report now submitted, be endorsed.

52 LOCALISED COUNCIL TAX REDUCTION SCHEME 2013/14

A report of the Director of Corporate Resources was submitted.

It was moved by Councillor Lowe, seconded by Councillor Sparks and following a debate

RESOLVED

- (1) That, following consideration of the outcomes of the consultation and the equality impact assessment, approval be given to adopt the Government's default scheme for the 2013/14 localised council tax reduction scheme, with amendments for the full disregard of all war disablement and war windows pensions.

- (2) That the Director of Corporate Resources be authorised to make any required amendments to the scheme arising from the publication of the Government regulations expected in November following consultation with the Leader, the Leader of the Opposition Group and the Cabinet Member for Finance subject to the details of any amendments made being reported to all Members of the Council.

53 PUBLICATION OF THE HALESOWEN AREA ACTION PLAN

A report of the Cabinet was submitted.

It was moved by Councillor Sparks, seconded by Councillor Lowe and following a debate

RESOLVED

- (1) That following approval of the Publication of the Halesowen Area Action Plan for a statutory period of public consultation, approval be given for the Halesowen Area Action Plan to be submitted to the Secretary of State so that it may be subjected to a Public Examination.
- (2) That the Director of the Urban Environment, in consultation with the Leader of the Council, the Cabinet Member for Regeneration and the Opposition Spokesperson for Regeneration, be given delegated authority to agree any minor recommended changes to the document prior to submission to the Secretary of State, following consultation which concludes on 21st December, 2012 and that any such changes be notified to all Members of the Council.

54 GAMBLING POLICY

A report of the Cabinet was submitted.

The Cabinet Member for Human Resources, Law and Governance referred to the forthcoming retirement of Janet Elliott, Licensing Officer in the Directorate of Corporate Resources. The Cabinet Member placed on record her thanks to Mrs Elliott for her long and dedicated professional service to Dudley MBC and wished her a long, happy and healthy retirement. Other Members spoke in support of these comments, which were endorsed by the Council.

It was moved by Councillor Partridge, seconded by Councillor Bills and

RESOLVED

That the Gambling Policy, as set out in Appendix 1 to the report now submitted, be approved and adopted.

REVIEW OF AREA COMMITTEES

A report of the Cabinet was submitted.

It was moved by Councillor Sparks and seconded by Councillor Lowe

- (1) That the recommendations of the special meeting of the Cabinet held on 13th November, 2012 in relation to Review of Area Committees be approved and adopted; and
- (2) That the Chairs and Vice-Chairs of the Community Forums be appointed in accordance with the table circulated at the meeting and that the names of the members to serve be submitted to the Director of Corporate Resources by the Leaders of the political groups.

The following amendments to the relevant paragraphs in the report were moved by Councillor L Jones

Paragraph 32 - That the Council nominate Members to serve as the Chairs and Vice-Chairs of Community Forums **[add the words – “based on the political balance of each Forum or where membership is equally balanced, on terms to be agreed by the Forum Members”]**, initially with effect from the first meeting in February, 2013 until the annual meeting of the Council in May, 2013.

Paragraph 33 - That, pending a review of the Members Allowances Scheme in 2013, **[add the words, “no special responsibility payments be made.” and delete the remainder of the paragraph].**

Paragraph 34 - That the payment of Special Responsibility Allowances to the existing Chairs and Vice-Chairs of Area Committees cease with **[add the word “immediate” and delete the rest of the paragraph after the word effect].**

With the consent of the meeting, and the mover and seconder of the original motion, the amendments were accepted.

The amended motion was thereupon put to the meeting and it was

RESOLVED

- (1) That the outcome of consultation be noted and the issues raised be taken into account in the implementation and ongoing review of the proposals.
- (2) That 9 Community Forums be established, on the basis outlined in the report, to replace the existing Area Committee structure and that the Community Forums maintain a clear focus on community engagement and participation.

- (3) That the revised structure and area arrangements be funded from existing resources.
- (4) That the proposed dates of meetings of the Community Forums for the remainder of the municipal year be as set out in Appendix 4 to the report and that the meetings of Area Committees previously programmed in 2013 be no longer proceeded with.
- (5) That the Council nominate Members to serve as the Chairs and Vice-Chairs of Community Forums based on the political balance of each forum or where the membership is equally balanced, on terms to be agreed by the Forum Members, initially with effect from the first meeting in February, 2013 until the annual meeting of the Council in May, 2013 and that the names of the members to serve be submitted to the Director of Corporate Resources by the Leaders of the political groups.
- (6) That, pending a review of the Members Allowances Scheme in 2013, no special responsibility payments be made.
- (7) That the payment of Special Responsibility Allowances to the existing Chairs and Vice-Chairs of Area Committees cease with immediate effect.
- (8) That the Director of Corporate Resources, in consultation with the Cabinet Member for Finance, be authorised to determine the reallocation of any unspent Area Committee local area budgets to the Community Forums on a ward by ward basis in due course.
- (9) That the Director of Corporate Resources be authorised to organise development sessions for Members and Officers and to determine any other consequential arrangements to ensure the implementation of the Community Forums from February, 2013.
- (10) That the revised area arrangements be the subject of an ongoing review to ensure that they remain flexible and a full review of the operation of the Community Forums be undertaken after 12 months of experience.

56 ANNUAL REVIEW OF THE CONSTITUTION

A report of the Cabinet was submitted.

It was moved by Councillor Sparks, seconded by Councillor Lowe and

RESOLVED

- (1) That the standards arrangements produced by the Monitoring Officer under delegated powers, as set out in Appendix 1 of the report now submitted, be endorsed.
 - (2) That the Petition Scheme, as set out in Appendix 2 of the report now submitted, be approved.
 - (3) That Article 10 of the Constitution be revised, as set out in the amended Appendix 3 as circulated at the meeting, to reflect the replacement of Area Committees with the new Community Forums.
 - (4) That the Director of Corporate Resources be given delegated authority to action recommendations from the Community Forums in respect of area budgets, as referred to in paragraph 16 of the report now submitted.
 - (5) That the revisions and updates to the scheme of delegation, as referred to in paragraph 18 of the report now submitted, be approved and adopted.
 - (6) That the provisions for the 'reference up' of decisions, as set out in paragraph 19 of the report now submitted, be approved and incorporated in Article 7.06 of the Constitution.
 - (7) That the arrangements for calling special meetings of any Committee, as referred to in paragraph 20 of the report now submitted, be approved to ensure consistency in all parts of the Constitution.
 - (8) That the Council's existing overview and scrutiny arrangements and Scrutiny Committee structure be reviewed and that recommendations be presented to the Council in advance of the 2013/14 municipal year.
 - (9) That the implications of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, be noted and that the Director of Corporate Resources be authorised to make any consequential changes to the Access to Information Procedure Rules in Part 4 of the Constitution.
 - (10) That the Forward Plan of Key Decisions be reported to all ordinary meetings of the Cabinet, as referred to in paragraph 30 of the report now submitted.
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QUESTIONS UNDER COUNCIL PROCEDURE RULE 11

During questions asked under Council Procedure Rule 11, there were no decisions that the Leader, Cabinet Members or Committee Chairs agreed to have reconsidered.

The Council noted the need to amend reference to the Cabinet Member for Human Resources in Minute No. 22(a)(iii) of Halesowen Area Committee to make reference to Councillor Partridge who had been speaking on this occasion in her capacity as a ward Councillor for Cradley and Wollescote.

The Mayor wished all Members and Officers a happy Christmas and a peaceful, prosperous new year.

The meeting ended at 8.15pm

MAYOR

Meeting of the Council - 25th February 2013

Freedom of the Borough Appointments

Report of the Chief Executive

Purpose Of Report

1. To consider criteria for determining the circumstances in which the Council should be recommended to bestow the Freedom of the Borough.

Background

2. Section 249 (5) of the Local Government Act 1972 enables the Council, at an extraordinary meeting called specifically for the purpose and by a resolution passed by at least two thirds of members present and voting, to admit to be an Honorary Freeman of the Borough :-

- (a) any person of distinction or
- (b) any person who has, in the opinion of the Council, rendered eminent service to the Borough.

3. To date the Council has conferred the honour on :-

William Percy Drew
October 12th 1978

Joseph Jones, OBE, JP
October 12th 1978

Bert Bissell, MBE
February 19th 1981

Councillor William Eley Homer
March 9th 1989

Councillor John Thomas Wilson
March 9th 1989

Councillor John James Curley
January 23rd 1992

Councillor Frederick Stuart Hunt
May 18th 2000

The 37th Signal Regiment (Volunteers)
May 18th 2000

The Mercian Regiment
October 15th 2007

The Royal Mercian and Lancastrian Yeomanry
February 22nd 2010

4. However, the Council has not previously articulated any criteria for making decisions on whether to admit any person as a Freeman i.e. what might constitute “a person of distinction” or “eminent service to the Borough”.
5. This issue was raised at the extraordinary meeting of the Council on 8th October 2012 when a Member Working Group was appointed with the task of recommending appropriate criteria for conferring this honour.
6. The Member Working Group met on 25th October 2012 and by a majority agreed to recommend that the Council adopt the following criteria:-
 - (a) A branch of the armed forces with a particular connection with the Borough.
 - (b) Any person born in the Borough or with a particular connection with the Borough who has made an eminent contribution to charity or voluntary work locally, nationally or internationally.
 - (c) Any person born in the Borough or with a particular connection with the Borough who has made an eminent contribution to the life of the Borough or to the nation, in the fields of culture, medicine, science, social care, the economy, education, public service, politics, sport or entertainment.
7. The Council would also take into account whether an individual has received an honour from Her Majesty the Queen or any other prestigious award
8. The Member Working Group (by a majority) also recommend formalising the mechanism for making a recommendation. In the first instance a nomination may be made to the Leader of the Council and the Leaders of each political group would consider whether or not a recommendation should be made, based on the agreed criteria. The

Member Working Group would then consider the recommendation together with a report from the Chief Executive setting out the basis on which the nominee satisfies the criteria. The recommendation of the Member Working Group would then be referred to each political group before a recommendation to the Council is finalised.

9. During this process Members will respect the confidentiality of the nominee until there is a formal public announcement by the Council.

Finance

10. The cost involved with any decision to make a Freedom of the Borough appointment is met from within existing budgets.

Law

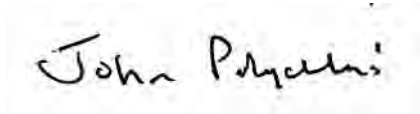
11. The relevant legislation has already been explained in paragraph 2 of this report.

Equality Impact

12. This report has no implications for the Council's policies on equality and diversity. There are no direct implications for children and young people and, therefore, there has been no consultation or involvement of external groups in developing the proposals.

Recommendation

13. The Council is recommended to agree the criteria set out in paragraphs 6 and 7 of this report and to approve the mechanism for making a recommendation outlined in paragraphs 8 and 9.



.....
JOHN POLYCHRONAKIS
CHIEF EXECUTIVE

List of Background Papers

1. Report of Chief Executive to the meeting of the Member Working Group on 25th October 2012.

Meeting of the Council – 25th February 2013

Report of the Cabinet

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.
4. To propose the Council’s Minimum Revenue Provision (MRP) Policy for 2013/14.

Background

5. At the meeting on 12th February, 2013, the Cabinet considered a report on Capital Programme Monitoring and made recommendations to the Council as contained in this report.
6. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

| Service | 2012/13 | 2013/14 | 2014/15 |
|----------------------------------|----------------|----------------|----------------|
| | £’000 | £’000 | £’000 |
| Public Sector Housing | 35,741 | 29,839 | 30,861 |
| Other Adult, Community & Housing | 8,609 | 3,662 | 0 |
| Urban Environment | 16,724 | 23,800 | 13,350 |
| Children’s Services | 12,688 | 15,452 | 67 |
| Corporate Resources | 2,867 | 1,755 | 920 |
| TOTAL | 76,629 | 74,508 | 45,198 |

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced. There is a report on the proposed Public Sector Housing capital programme elsewhere on this agenda.

7. In accordance with the requirements of the Council's Financial Regulations, details of progress with the 2012/13 Programme are given in Appendix A. It is proposed that the current position be noted, and that budgets be amended to reflect the reported variances.

Adult, Community and Housing

Disabled Facilities Grants (DFGs) 2012/13

8. The Council has been allocated further Government grant funding of £263,000 for the above in 2012/13. It is proposed that this be noted and the associated expenditure included in the Capital Programme.

In addition, it is proposed that a further £350,000 of Adult Social Care revenue resources be used to fund DFGs. This will support earlier discharge from hospital and will enable people to remain in their own homes for longer.

Gibbs Road House Redevelopment

9. It is proposed that a one off sum of £100,000 be committed from existing Section 106 (Town and Country Planning Act 1990) monies as a part contribution to the demolition and redevelopment of Gibbs Road House direct access homeless hostel owned by Midland Heart in Lye. The funding contribution recognises Dudley's strategic commitment to this multi-million pound redevelopment programme that is majority funded by Midland Heart. The redevelopment will replace the current 83 unit direct access hostel that is not fit for purpose. It will be replaced by a new 58 unit scheme that will include 24 direct access hostel accommodation units and 34 1 bedroom move-on flats. This accommodation will play a major role in preventing homelessness and rough sleeping in the Borough. On-site facilities will include accommodation, training, education and social enterprise opportunities to help some of Dudley's most socially deprived individuals to gain valuable employability and independent living skills.

It is proposed that the contribution be approved and included in the Capital Programme.

CHADD House, Dixons Green Road

10. It is proposed that a one off sum of £68,000 be committed from existing Section 106 (Town and Country Planning Act 1990) monies as a part contribution to the improvement works being undertaken to CHADD House, Dixons Green Road, Dudley. The building is used as part of a young person's supported housing scheme (On Route Foyer) that is owned by Churches Housing Association of Dudley and District. The funding contribution recognises Dudley's strategic commitment to the provision of a range of supported housing options for young people. The Foyer provides housing and offers support for young people to access training, education and employment opportunities. During their stay in the scheme they develop a range of independent living skills. The improvement works are designed to reduce the reliance on shared facilities such as kitchens and bathrooms and provide self contained housing units to promote greater independence for young people. This accommodation plays a vital role in preventing homelessness and rough sleeping in the Borough whilst improving the employability prospects of some of Dudley's most socially deprived young people.

It is proposed that the contribution be approved and included in the Capital Programme.

Housing Assistance

11. In each of the last two years, £550,000 has been allocated from available revenue funding to support private sector housing grants and loans for renovation and major repair work which will contribute to bringing empty and substandard residential properties back into use. It is proposed that this annual allocation be continued on an ongoing basis and included in the Capital Programme.

Adult Personal Social Services Community Capacity Grant

12. The Council has been notified of its Adult Personal Social Services capital funding allocations for 2013/14 and 2014/15 amounting to £840,000 and £857,000 respectively. This is intended to support development in three key areas: personalisation, reform and efficiency.

It is proposed that the allocations be noted and that the associated spend on relevant Adult Personal Social Services projects be included in the Capital Programme.

Fuel Poverty Fund

13. The Council has been awarded capital funding of £90,000 from the Department of Energy and Climate Change Fuel Poverty Fund. This funding will be used for boiler replacements and other small energy efficiency measures for private sector homes, being targeted at vulnerable people living in "fuel poverty". It is proposed that this funding allocation be noted and the associated expenditure included in the Capital Programme.

Urban Environment

Saltwells Wardens' Base

14. The Council disposed of a small development site set within the Saltwells Reserve to PSP Dudley LLP, the Council's 50/50 joint venture, in March 2010. The buildings on the site, Saltwells House and the existing wardens' base, were demolished soon afterwards. As a condition of the sale the buyer was to re-provide the wardens' base to the same specification as that demolished. Upon completion the new base and the land it occupies will be transferred back to the Council. In order to provide a base which meets current functional requirements and is sympathetic to the site it sits within, a Council contribution of £120,000 will be required towards the estimated total cost of £300,000. This contribution can be met from Directorate reserves. It is proposed that the Council's contribution be approved and that the project be included in the Capital Programme.

Recycling

15. The Council has recently been awarded £1,808,000 from the Government's Weekly Collection Support Scheme for the retention of weekly residual waste collections (committed for five years), and the enhancement of the recycling collection service to include the collection of plastic bottles and cardboard. Within this there is a capital allocation of £1,073,000 (£1,021,000 for the recycling service and £52,000 for schools) for 2013/14 for the provision of vehicles, equipment and containers etc. It is proposed that the funding allocation be noted, and that the project be approved and included in the Capital Programme.

Wheeled Bins

16. In conjunction with the recycling of plastic bottles and cardboard it is proposed to develop the weekly household waste collection service through the introduction of wheeled bins, to replace the current plastic sack service. This will assist in delivering the directorate savings set out in the revenue budget report to be considered by the Council on 4th March, and should achieve a commensurate service enhancement that will support the recycling service improvement identified above. The service change is proposed to commence from 2013/14 and will require the acquisition of approximately 125,000 wheeled bins at an estimated capital cost of £2.5m. This will be funded initially through prudential borrowing, the repayment of which can be met from the annual revenue budget of £250,000 currently used to pay for plastic waste collection sacks. It is proposed that the project be approved and included in the Capital Programme.

Recycling Bunker

17. In advance of the recycling collection scheme expansion, and as a consequence of recent changes in waste paper storage arrangements it is necessary to modify the bunkers at Blowers Green Recycling Depot to facilitate and control the storage of waste paper and cardboard. This includes an increase in bunker capacity, and a roof extension to keep the material dry. Planning approval has already been obtained for these works. The cost of £25,000 can be funded from revenue efficiencies generated from within Waste Care in the current financial year. It is proposed that the project be approved and included in the Capital Programme.

Depot Improvements

18. It has become necessary to refurbish and upgrade the welfare facilities for Environmental Management operational staff along with essential enhancements to depot infrastructure and buildings at both Lister Road and Blowers Green in order to meet the requirements and comply with the Workplace (Health, Safety and Welfare) Regulations 1992. In addition, it is necessary to enhance accommodation to facilitate service moves to Lister Road depot. The cost of £257,000 can be funded from one off revenue efficiencies generated from within Environmental Management in the current financial year. It is proposed that the project be approved and included in the Capital Programme.

Stourbridge Crematorium Improvement Works

19. A number of improvements are proposed for Stourbridge Crematorium to ensure that the facility complies with legislative and technical requirement and meets customer expectations. Improvement works are proposed to the cremators and the catafalque to bring them up to industry standards as well as other improvements to the Chapel which will increase standards of comfort and appearance for visitors. The cost of this work is estimated to be £68,000 and can be met from Capital resources available within Urban Environment arising from an underspend on the improvement works at Gornalwood Crematorium. It is proposed the project be approved and included in the Capital Programme.

Highways Maintenance

20. The Council has received funding allocations of £473,000 in 2013/14 and £253,000 in 2014/15 as it's share of £215m announced in the Autumn Statement for essential highway maintenance work. It is proposed that the allocation be noted and the associated expenditure included in the Capital Programme.

Local Pinch Point Fund

21. It is proposed to submit a bid in partnership with Wolverhampton City Council to the Government's recently announced Local Pinch Point Fund to improve the A4123 Birmingham New Road / Shaw Road junction. This is one of only two remaining junctions on the A4123 strategic route that has not been upgraded in recent years. The other junction, at Sedgley Road, has been identified for improvements via the Bean Road development.

The scheme cost is estimated at £1,350,000 and bidding authorities are required to provide a 30% local contribution to the overall capital costs. Given the scheme sits on the boundary of the two local authorities the local contribution would be split 50/50 resulting in a contribution from Dudley of £202,500. This could be met from the 2013/14 and 2014/15 Integrated Transport Block of the Local Transport Plan funding.

It is proposed that submission of the bid be approved and that subject to the bid being successful the project be included in the Capital Programme.

Improvement works to Car Park Infrastructure

22. It is necessary to undertake improvement works on existing Council car parks, including new and replacement pay and display machines, relining of parking areas and surfacing works to hard standing areas. This will improve the overall condition of the car park infrastructure to meet future parking requirements and the needs of users of the facilities. The estimated cost of works of £150,000 can be funded from one-off revenue efficiencies generated within Environmental Management in the current financial year. It is proposed that the project be approved and included in the Capital Programme.

Children's Services

Capital Funding for New 2 Year Old Places

23. Free early education will become a statutory entitlement for eligible two year olds from 1 September 2013, with local authorities having a duty to secure provision. Some 130,000 children in England, around 20% of 2 year olds, are expected to receive free early education from September 2013. The Council has been notified of an allocation of £517,000 for 2012/13 to support implementation and ensure there are enough high quality places available. The grant is not ring-fenced and has no spend deadline.

It is proposed that the allocation be noted and the associated spend included in the Capital Programme.

Corporate Resources

Transforming Our Workplace

24. In March 2012, it was agreed to include the above project in the Capital Programme. Following a review of the project, whilst there is no change in overall cost, the capital element needs to be increased by £472,000, matched by a corresponding reduction in the revenue budget. It is proposed that the Capital Programme be amended accordingly.

The CIPFA Prudential Code for Capital Finance in Local Authorities

25. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
26. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix B.

Minimum Revenue Provision (MRP) Policy Statement

27. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.)
28. In line with the current policy, it is proposed that the Council agrees the following MRP Policy for 2013/14 as follows. This is unchanged from the 2012/13 Policy.
 - For unsupported borrowing to fund capital expenditure incurred from 1st April 2008 onwards, MRP be calculated on the basis of equal instalments or annuity as appropriate over the initial estimated life of the assets - the “Asset Life” method. And in respect of “PFI” schemes and other Finance Leases etc., MRP be calculated on a basis equivalent to the principal element of the unitary/lease payments. This would also apply to such expenditure incurred before 1st April 2008 but only subsequently included on the Balance Sheet as a result of changes to accounting arrangements. *(This means that such borrowing and other credit arrangements will be repaid over the life of the assets for which it was incurred, matching the costs with the benefits received.)*
 - For all supported borrowing, and unsupported borrowing to fund capital expenditure incurred before 1st April 2008, MRP be calculated on the basis of the previous regulations - the “Regulatory Method”. *(This means that supported borrowing will mainly be repaid to match the support received from the Government, and that unsupported borrowing will be repaid as was anticipated when it was incurred, avoiding any change to the net impact on annual revenue budgets.)*

Finance

29. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

30. The Council’s budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Equality Impact

31. These proposals comply with the Council's policy on Equality and Diversity.
32. With regard to Children and Young People:
 - The Capital Programme for Children's Services will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

33. That current progress with the 2012/13 Capital Programme, as set out in Appendix A be noted, and that budgets be amended to reflect the reported variances.
34. That the further allocation of Disabled Facilities Grant (DFG) funding of £263,000 be noted and the associated expenditure included in the Capital Programme, and that a further £350,000 of Adult Social Care revenue resources be used to fund DFGs, as set out in paragraph 8.
35. That the contribution of £100,000 to the redevelopment of Gibbs Road House be approved and included in the Capital Programme, as set out in paragraph 9.
36. That the contribution of £68,000 to the improvement works being undertaken to CHADD House be approved and included in the Capital Programme, as set out in paragraph 10.
37. That the £550,000 allocation for Housing Assistance Grants be continued on an ongoing basis and included in the Capital Programme, as set out in paragraph 11.
38. That the Community Capacity Grant allocations be noted, and the associated spend on relevant Adult Personal Social Services projects be included in the Capital Programme, as set out in paragraph 12.
39. That the award from the Fuel Poverty fund be noted, and the associated expenditure included in the Capital Programme, as set out in paragraph 13.
40. That the Council's contribution of £120,000 to the re-provision of the Saltwells Wardens' Base be approved and the project be included in the Capital Programme, as set out in paragraph 14.
41. That the Weekly Collection Support Scheme funding allocation for Recycling be noted, and that the related project be approved and included in the Capital Programme, as set out in paragraph 15.
42. That the Wheeled Bins project be approved and included in the Capital Programme, as set out in paragraph 16.

43. That the Recycling Bunker project be approved and included in the Capital Programme, as set out in paragraph 17.
44. That the Depot Improvements project be approved and included in the Capital Programme, as set out in paragraph 18.
45. That the Stourbridge Crematorium Improvement project be approved and included in the Capital Programme, as set out in paragraph 19.
46. That the funding allocation for Highway Maintenance be noted and the associated expenditure included in the Capital Programme, as set out in paragraph 20.
47. That submission of the bid in partnership with Wolverhampton City Council for Local pinch point funding to improve the A4123 Birmingham New Road junction with Shaw Road be approved and that subject to the bid being successful the project be included in the Capital Programme, as set out in paragraph 21.
48. That the improvement works to Car Park Infrastructure be approved and included in the Capital Programme, as set out in paragraph 22.
49. That the allocation of capital funding for New 2 Year Old Places be noted and the associated spend included in the Capital Programme, as set out in paragraph 23.
50. That the Capital Programme be amended to include an increase in the capital budget of £472,000 for the Transforming Our Workplace project, as set out in paragraph 24.
51. That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix B, be agreed.
52. That the Minimum Revenue Provision (MRP) Policy for 2013/14 be approved as set out in paragraph 28.



.....
Leader of the Council

2012/13 Capital Programme Progress to Date

| Service | Budget £'000 | Spend to 31st December £'000 | Forecast £'000 | Variance £'000 | Reasons for Variance |
|-------------------------------------|-------------------------|---|---------------------------|---------------------------|---------------------------------|
| Public Sector Housing | 35,741 | 17,739 | 35,741 | | |
| Other Adult, Community & Housing | 8,609 | 4,946 | 8,609 | | |
| Urban Environment | 16,724 | 7,579 | 16,656 | -68 | See note 1 |
| Children's Services | 12,688 | 8,545 | 12,688 | | |
| Corporate Resources | 2,867 | 1,389 | 2,867 | | |
| TOTAL | 76,629 | 40,198 | 76,561 | -68 | |

1. Underspend on Gornalwood Crematorium Improvement project.

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* (“the Code”), which is required to be complied with as “proper practice” by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council’s capital expenditure and borrowing plans in the light of resource constraints. The remaining indicators (6-7) are primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council’s overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council’s budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council’s Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2012/13, 2013/14 and 2014/15 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

| | 2011/12 £m Actual | 2012/13 £m Revised Estimate | 2013/14 £m Revised Estimate | 2014/15 £m Revised Estimate | 2015/16 £m Estimate |
|--------------|--|--|--|--|--|
| Non - HRA | 31.6 | 41.3 | 52.1 | 16.0 | 7.4 |
| HRA | 377.2* | 35.5 | 36.8 | 31.6 | 31.5 |
| Total | 408.8 | 76.8 | 88.9 | 47.6 | 38.9 |

*Includes £338.1m payment to DCLG in respect of HRA self-financing settlement.

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

| | 2011/12 £m Actual | 2012/13 £m Revised Estimate | 2013/14 £m Revised Estimate | 2014/15 £m Revised Estimate | 2015/16 £m Estimate |
|--------------|--|--|--|--|--|
| Non - HRA | 305.2 | 290.4 | 307.2 | 296.0 | 283.1 |
| HRA | 464.1 | 464.1 | 464.1 | 464.1 | 464.1 |
| Total | 769.3 | 754.5 | 771.3 | 760.1 | 747.2 |

The limit on the HRA CFR imposed on implementation of self-financing is £467.1m.

3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt 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 the current and next two financial years.

It is anticipated that this requirement will be met for the years 2012/13 to 2015/16.

4. Estimate of the Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on levels of Council Tax and Housing Rents.

The forecast debt charges resulting from anticipated overall borrowing are fully reflected in the figures set out in the Budget Strategy and Public Sector Housing reports elsewhere on this agenda. There are currently no proposals to undertake new borrowing for Public Sector Housing capital expenditure; this would not be possible within the limits imposed on the HRA CFR as part of self-financing. The only proposal to undertake other new borrowing to fund capital investment is set out in paragraph 15 of this report (Wheeled Bins) and is part of a project that will reduce overall costs. The impact on Council Tax and Rents is therefore as follows.

| | 2013/14 | 2014/15 | 2015/16 |
|---------------------------------------|---------|---------|---------|
| | £ | £ | £ |
| Increase in Annual Band D Council Tax | 0 | 0 | 0 |
| Increase in Weekly Housing Rent | 0 | 0 | 0 |

Note that to the extent that General Fund revenue budgets are limited by overall resource availability and that the Council continues to comply with rent restructuring guidance, the effective impact of any increased borrowing would be to require other expenditure to be constrained, rather than to directly increase Council Tax or rents.

5. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|-----------|---------|------------------|------------------|------------------|----------|
| | % | % | % | % | % |
| | Actual | Revised Estimate | Revised Estimate | Revised Estimate | Estimate |
| Non - HRA | 17.6 | 13.1 | 9.7 | 10.1 | 10.4 |
| HRA | 8.5 | 21.6 | 21.2 | 20.2 | 19.3 |

The increase in the HRA indicator from 2012/13 onwards reflects the extra debt taken on as part of HRA self-financing. The relatively high figures for the Non-HRA indicator for 2011/12 and 2012/13 reflects voluntary early repayment of borrowing thereby freeing up future revenue resources.

6. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council’s capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and “other long term liabilities” such as leases and other capital financing arrangements which would result in the related assets appearing on the Council’s Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|--------------|------------|------------|------------|------------|
| | | Revised | Revised | Revised | |
| | £m | £m | £m | £m | £m |
| Authorised limit for external debt: | | | | | |
| Borrowing | n/a | 946 | 951 | 935 | 914 |
| Other long term liabilities | n/a | 37 | 45 | 48 | 51 |
| Total | n/a | 983 | 996 | 983 | 965 |
| Operational boundary: | | | | | |
| Borrowing | n/a | 839 | 842 | 830 | 822 |
| other long term liabilities | n/a | 37 | 45 | 48 | 51 |
| Total | n/a | 876 | 887 | 878 | 873 |
| Actual External Debt: | | | | | |
| Borrowing | 749.6 | n/a | n/a | n/a | n/a |
| Other long term liabilities | 36.5 | n/a | n/a | n/a | n/a |
| Total | 786.1 | n/a | n/a | n/a | n/a |

7. Adoption of the CIPFA Code of Practice for Treasury Management in the Public Services

This indicator is a fundamental requirement of the system in so far as it relates to treasury management activity. The Council has adopted the Code of Practice.

Meeting of the Council – 25th February 2013

Report of the Cabinet

Deployment of Resources: Housing Revenue Account and Public Sector Housing Capital

Purpose of Report

1. The purpose of this report is:
 - To set the Housing Revenue Account (HRA) budget for 2013/14 in the light of the latest government determinations for housing finance and our latest spending and resource assumptions.
 - To set a capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock for 2013/14 to 2017/18.
 - To approve the Medium Term Financial Strategy for the HRA.

Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing¹. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

Rent increase

3. In December 2000 the Government issued a new *Guide to Social Rent Reforms*. This guidance set out a method of restructuring to remove differences between council rents and the rents of registered social landlords (RSLs) over a period of some years. This is known as *convergence*, and the current target is for council rents to achieve this by 2015/16. Previous rent increases have been calculated using the formula in the guidance and were as follows:
 - October 2002, average increase £1.65 (3.4%).
 - October 2003, average increase £1.58 (3.2%).
 - October 2004, average increase £2.00 (3.9%).

¹ The Housing General Fund deals with private sector issues, such as general housing advice, and is included in another report on this agenda. The separation of expenditure and income between the HRA and the General Fund complies with government guidance.

- November 2005, average increase £2.11 (3.9%).
 - August 2006, average increase £2.71 (4.9%).
 - June 2007, average increase £2.91 (5.0%).
 - April 2008, average increase £3.34 (5.5%).
 - April 2009, original average increase £3.91 (6.1%) reduced to
 - April 2009, revised average increase £1.92 (3.0%)
 - April 2010, average increase £1.31 (2.0%)
 - April 2011, average increase £4.52 (6.7%)
 - April 2012, average increase £5.54 (7.7%)
4. The self-financing system introduced in April 2012 for Housing assumes that rent increases will be in line with government guidance, including convergence with other registered social landlords' rents by 2015/16. The Cabinet has decided that the next increase will be on 1st April 2013. Applying the Government's rent formula to the next increase will generate an average increase of 4.6%, equivalent to £3.59 per week. The range of actual rent increases is as follows:

RANGE OF RENT INCREASES

| Range of weekly rent increase | Proportion of properties affected |
|--------------------------------------|--|
| £2.50 or less | 2.32% |
| £2.51 to £3.00 | 19.35% |
| £3.01 to £3.50 | 24.86% |
| £3.51 to £4.00 | 29.45% |
| £4.01 to £4.50 | 16.71% |
| £4.51 or more | 7.31% |

5. Officers met with the Board of the Dudley Federation of Tenants' and Residents' Associations (DFTRA) on 8 January 2013 outlining the Government's guidance and the effects in terms of the next rent increase. The Board regretted the need for a rent increase but agreed the 4.6% proposed increase in order to maintain services. A formal response has been received.
6. In addition to the rents discussed above, we currently apply service charges in certain properties in respect of items such as furniture and overnight support. Pursuant to delegated powers, the Cabinet has decided that all of these charges be increased by 2.6% in line with the inflation factor used in determining general rents.
7. We also apply service charges to 344 properties in sheltered housing schemes in respect of heating and lighting. These charges vary according to the scheme and the size of the properties and may be offset against the winter fuel payment received by tenants, plus any cold weather payments. Housing Benefit will also cover these charges where applicable. In previous years, inflationary increases in these charges had not kept pace with the level of increase in fuel prices, and Cabinet agreed in February 2009 to implement a 25% increase with further increases in future years to achieve

8. The Council currently provides, within its general housing stock, a number of units of furnished accommodation for which a charge of £23.65 per week is made. It also provides six units of accommodation for homeless people in Lye for which management charges and service charges are applied (a two-bedroom flat and five one-bedroom flats). There are three houses for which garden maintenance charges are made. It has been decided by the Cabinet that all of these charges will be increased by 2.6% in line with the inflation factor used in determining general rents.
9. The Council offers laundry tokens for sale for the use of tenants at five high rise blocks (two in Brierley Hill and three in Dudley). The Cabinet has decided that charges be increased from £2.00 to £2.10 per token.
10. The Cabinet has also decided that pitch licences at Oak Lane be increased by 2.6%, in line with the inflation factor used in determining general rents and that weekly charging for water also be increased by 2.6% to £6.16 per week.
11. The Council currently charges an administration fee of £2 per week to its leaseholders, to cover the costs of managing the properties. The Cabinet has decided that there is to be no increase in the overall level of the fee as this currently covers the cost of the service.
12. The Council currently charges private residents who are in receipt of Telecare services £12.50 per month, and also charges Housing Association tenants varying amounts for this service. The Cabinet has decided that these charges will increase by £0.50 per month from 1 April 2013. The additional income generated will be used to increase investment in and development of the service.

Garage rents, garage plots and access agreements

13. It was agreed by Cabinet in February 2008 that inflationary increases for garages, garage plots and access agreements be made every three years, with the next increase to take effect from 2014/15. These rents and charges will remain at current levels for 2013/14.

Proposed HRA budget 2013/14

14. The proposed HRA budget for 2013/14 (together with a proposed revised budget for 2012/13) is attached as **Appendix 1**. This budget is based on recent trends and our latest assessment of government policy on housing finance.

The key elements of the self-financing system that now operates in relation to local authority housing are:

- Abolition of the HRA Subsidy system and retention of all rental income.
 - A one-off allocation of housing debt based on an affordability calculation.
 - A cap on new borrowing above a set maximum level.
 - Transfer of investment, borrowing and inflation risks to housing authorities.
 - Continued compliance with central government rent policy.
15. The current budget for 2012/13 (approved by Cabinet in June 2012) shows a surplus on the HRA of £0.714m at 31st March 2013. The proposed revised budget for 2012/13 shows a surplus at the same date of £2.032m. Variances arise mainly from
- Reduced rental income owing to higher than anticipated right to buy sales and voids;
 - Savings in housing management owing to vacant posts and efficiencies;
 - Variations to the balance of revenue responsive repair work and capital expenditure;
 - Efficiency savings around responsive repair and maintenance work.

These savings will be rolled forward into 2013/14 to invest further in maintaining the housing stock.

16. The proposed HRA budget for 2013/14 takes account of the average rent increase of £3.59 on the 1st April 2013 (paragraph 4).
17. The proposed HRA budget for 2013/14 includes a budget for housing management of £15.3m. This covers the day to day management of properties including income collection, tenancy enforcement, support for vulnerable tenants and lettings and void management. Additional resources have been identified to establish an Anti-Social Behaviour Team, which will co-ordinate responses to complaints of anti-social behaviour across the borough and will also develop preventive strategies.
18. The proposed HRA budget for 2013/14 includes a budget for repairs and maintenance of £24.2m. This reflects:
- Maintaining the current responsive repairs service standard;
 - Maintaining the current level of cyclical maintenance such as painting of communal areas;
 - Undertaking all required cyclical statutory responsibilities such as annual servicing of gas appliances, warden call equipment and alarms and periodic testing of water hygiene, lift servicing and inspections.

19. The proposed HRA budget for 2013/14 includes a budget for interest payments of £18.5m. This covers the payments that are due on the debt taken on as part of the self-financing settlement. It is not currently planned to increase borrowing, as debt is at the maximum allowable under the HRA debt cap.

Public sector housing capital budget 2013/14 to 2017/18

20. A proposed public sector capital budget for 2013/14 to 2017/18 and a revised budget for 2012/13 are attached as **Appendix 2**. Explanations of the budgets are attached as **Appendix 3**.
21. The proposed capital programme follows the principles approved in the current programme and reflects the priorities of the Council Plan and the views of Area Housing Panels and the tenants who participated in the Take Control and Get Involved Conference in September 2012. Investment continues to target keeping homes in good order by maintaining Government targets for the Decent Homes Standard and addressing energy efficiency measures under the Energy Act 2011. The backlog of decency was delivered by December 2010 and the programme now addresses the following priorities:
- Continuing the investment to target maintaining decent homes;
 - Investing in empty homes to ensure that as many of the Council's homes as possible are available for occupation;
 - Improving energy efficiency to combat climate change and reduce fuel poverty, using the capital programme to match-fund potential external resources such as Energy Company Obligations (ECO);
 - Maintaining investment, at affordable levels, in community safety, environmental and social programmes such as Adaptations for persons with disabilities;
 - Providing new social housing homes within the borough.
22. Whilst the detail of the proposed programmes is included within **Appendix 3**, notable projects over the five year period from 2013/14 to 2017/18 are as follows:
- Continued investment in Adaptations for persons with disabilities, with an investment of almost £14m over the next five years. This will maintain waiting times for major adaptations at current levels and deal with around 2,000 major adaptations such as level access showers, stairlifts, vertical lifts and ramps, as well as providing over 4,750 minor adaptations such as handrails and grab rails;
 - Investment in efficient central heating systems that help improve fuel poverty, with around £3m more than previously planned for investment in replacing electric night storage heating. In total £10m over 5 years will deliver :

- 1,600 electric storage heating systems being replaced with new, modern, efficient gas heating systems;
 - 350 new heating installations in unheated properties (sufficient to install heating to every unheated home where tenants want central heating provided, and to every unheated home that becomes empty to provide heating before being re-let);
 - 750 replacement central heating boilers or system upgrades.
- Replacing over £4m of windows each year with modern, energy efficient double glazed units with all homes being fully double glazed by the end of the 5 year programme;
 - A £17m programme will deliver around 1,000 internal improvements each year, with an additional £5m of investment above previous plans addressing kitchens, bathrooms, plastering and replacement floors;
 - Undertaking over £50m of improvements in empty properties to ensure that they can be re-let;
 - A bid has been made to the Homes and Communities Agency for grant towards providing 14 new homes for people with learning disabilities, and if successful the first two years of the new build programme will deliver this £2.1m scheme which also includes 3 two bedroom general needs houses. If the bid is unsuccessful the resources will be re-allocated to other new build schemes. £1m per year from 2015/16 is also allocated to deliver around 30 more new homes over the remaining 3 years of the programme.
23. Approval is sought to continue discussions with Energy Service Providers and similar organisations and to bid for, enter into negotiations and / or seek tenders as appropriate to progress carbon saving and / or power generating schemes to improve fuel poverty across the borough. Resources will be sought under the Energy Company Obligations (ECO) flowing from the Energy Act 2011, which takes over from existing energy service provider obligations under CERT (Carbon Emission Reduction Target) and CESP (Community Energy Saving Programme). Dudley has used both programmes to successfully secure additional resources in recent years to improve homes, but the funding has now expired. ECO is intended to continue to provide funding for energy saving measures where households most need additional support, particularly in deprived areas, but also in hard to treat (or insulate) houses such as solid wall properties across the borough.
24. It is proposed that any additional resources obtained under paragraph 23 be added to the Capital Programme accordingly and the Directors of Corporate Resources and Adult, Community and Housing Services be approved to enter into any such grant or funding agreements necessary to deliver the schemes.

25. To ensure effective utilisation of all resources that become available, the Council is requested to authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, Libraries and Adult Learning, to manage the five year programme so as to use all the resources that become available and commit expenditure to that amount and to report progress and actions to the Cabinet. In doing this, the Council is requested to confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing grants) should continue to be used for the improvement of council homes.
26. To facilitate implementation of the programme, the Council is requested to authorise the Director of Adult, Community and Housing Services in consultation with the Member for Housing, Libraries and Adult Learning to prepare specifications and undertake procurement in accordance with Standing Orders and Financial Regulations. The Council is also asked to agree that the Director of Adult, Community and Housing Services be authorised to enter into and award contracts on their behalf.

Medium Term Financial Strategy / Thirty Year Business Plan for Landlord Housing

27. With the abolition of the HRA Subsidy system and the introduction of self-financing for housing authorities, the Council now has an increased level of autonomy and flexibility regarding housing finance. The HRA budget is no longer dependent on annual Government settlements, although the rent increase will still be determined annually. It is therefore possible to set indicative budgets for a longer period and to develop a longer-term financial and business strategy.
28. Although the HRA enjoys some increased flexibility, the HRA ring-fence remains in force, and the Council is also expected to continue to follow the Government's national rent policy. Under the self-financing settlement, Dudley has taken on a significant increase in housing debt, which must be serviced. The medium term financial strategy is provided at Appendix 4, which sets out the context of the HRA for the next five years and summarises the overarching financial strategy and risks that will apply to the HRA.
29. The introduction of self-financing for the HRA clearly has implications beyond the medium-term financial strategy. A thirty-year business plan is being developed to address the requirements of the housing service under the themes of finance, governance and asset management.
30. On 12th February, 2013, the Cabinet considered a report on the Deployment of Resources: Housing Revenue Account and Public Sector Housing Capital. The Cabinet made decisions pursuant to its delegated powers with regard to the rent increase, service and other charges as referred to in this report. The Cabinet also made recommendations to the Council as detailed below.

Finance

31. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March 2014. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March 2014 and therefore complies with the requirements of the Act.

Law

32. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing.

Equality Impact

33. Section 149 of the Equalities Act 2010 requires public authorities, including the Council, to
- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
 - advance equality of opportunity between people who share a characteristic and those who don't.
 - foster good relations between people who share a characteristic and those who don't.

The Duty covers the following protected characteristics: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure (e.g. capital expenditure on adaptations) are intended to promote independence and improve quality of life for protected groups.

Recommendations

34. It is recommended that the Council:
- approve the revised HRA budget for 2012/13 and the HRA budget for 2013/14 outlined in Appendix 1;
 - approve the public sector housing revised capital budget for 2012/13 and the capital budget for 2013/14 to 2017/18 attached as Appendix 2;

- authorise the Director of Adult, Community and Housing Services and the Director of Corporate Resources to bid for and enter into funding arrangements for additional resources to supplement investment in the public sector housing stock as outlined in paragraphs 23 and 24;
- authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, Libraries and Adult Learning, to manage and allocate resources to the capital programme as outlined in paragraph 25;
- confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed to support private sector housing) should continue to be used for the improvement of council homes (paragraph 25);
- authorise the Director of Adult, Community and Housing Services in consultation with the Member for Housing, Libraries and Adult Learning to procure and enter into contracts for the delivery of the capital programme, as outlined in paragraph 26;
- approve the HRA medium term financial strategy attached as Appendix 4.



.....
Leader of the Council

Appendix 1

Proposed HRA Budget

| | 2012/13 current budget June 2012 £000 | 2012/13 proposed revised budget £000 | 2013/14 proposed original budget £000 |
|---|--|---|--|
| <u>Income</u> | | | |
| Dwelling rents | -87,350 | -86,785 | -88,893 |
| Non-dwelling rents | -691 | -696 | -696 |
| Charges for services and facilities | -199 | -214 | -204 |
| Contributions towards expenditure | -1,038 | -1,034 | -1,013 |
| Interest on balances | -5 | -20 | -7 |
| Total income | -89,283 | -88,749 | -90,813 |
| | | | |
| <u>Expenditure</u> | | | |
| Responsive and cyclical repairs | 25,803 | 23,407 | 24,238 |
| Management | 15,643 | 15,093 | 15,295 |
| Negative Subsidy | 0 | 4 | 0 |
| Transfer to Major Repairs Reserve | 21,487 | 21,487 | 21,425 |
| Interest payable | 18,427 | 18,426 | 18,499 |
| Revenue contribution to capital expenditure | 11,847 | 12,887 | 11,210 |
| Other expenditure | 968 | 1,019 | 1,419 |
| Total expenditure | 94,175 | 92,323 | 92,086 |
| | | | |
| Surplus/deficit for the year | 4,892 | 3,574 | 1,273 |
| | | | |
| Surplus brought forward | -5,606 | -5,606 | -2,032 |
| Surplus carried forward | -714 | -2,032 | -759 |

Appendix 2

Proposed capital programme 2012/13 to 2017/18

| | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Adaptations | 2,547 | 2,722 | 2,693 | 2,725 | 2,752 | 2,780 |
| Central heating | 2,245 | 2,457 | 1,868 | 1,890 | 1,909 | 1,928 |
| Community Safety and Environmental Improvements | 178 | 661 | 281 | 284 | 287 | 290 |
| Electrical Installations | 1,589 | 1,476 | 1,290 | 907 | 917 | 926 |
| External Improvement Programme | 7,097 | 8,409 | 7,134 | 7,473 | 7,550 | 7,628 |
| Insulation | 25 | 164 | 164 | 170 | 172 | 174 |
| Minor Works | 3,735 | 4,297 | 4,135 | 3,785 | 3,825 | 3,865 |
| Internal Improvement Programme | 2,170 | 3,813 | 2,818 | 3,408 | 3,443 | 3,478 |
| New Council Housing | 2,118 | 1,201 | 1,677 | 1,141 | 1,152 | 1,164 |
| Tenants Association | 77 | 126 | 81 | 82 | 83 | 84 |
| Office Accommodation | 250 | 0 | 0 | 0 | 0 | 0 |
| Void Property Improvements (| 13,486 | 11,488 | 9,488 | 9,605 | 9,705 | 9,808 |
| Grand Total | 35,517 | 36,814 | 31,629 | 31,470 | 31,795 | 32,125 |

Resources

| | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Borrowing | 0 | 0 | 0 | 0 | 0 | 0 |
| Major repairs allowance | 21,487 | 21,425 | 21,461 | 21,400 | 21,338 | 21,277 |
| Revenue contribution to capital | 12,887 | 11,210 | 8,962 | 8,822 | 9,328 | 9,673 |
| Usable capital receipts | 1,602 | 4,651 | 1,543 | 1,598 | 1,438 | 1,497 |
| Less usable capital receipts transferred to support private sector housing capital | -666 | -472 | -337 | -350 | -309 | -322 |
| Other | 207 | 0 | 0 | 0 | 0 | 0 |
| Grand Total | 35,517 | 36,814 | 31,629 | 31,470 | 31,795 | 32,125 |

Detail of the proposed provisional five year housing capital programme 2013/14 to 2017/18

Adaptations

The programme continues to deliver improvements and adaptations to the Council owned homes of persons with disabilities, following referral from occupational therapists.

At current levels of referrals the budget would maintain existing waiting times and would provide around 400 larger adaptations (level access showers, stair lifts, vertical lifts ramps and a limited numbers of conversions) in each year. In addition the budget will provide for around 900 to 1,000 minor adaptations per annum for grab rails, handrails and the like.

The budget for adaptations to void properties is maintained at around £100,000 per annum and will also assist in reducing waiting times and make best use of adapting suitable available properties.

Total budget: £13.7m over the 5 years 2013/14 to 2017/18

Central Heating

Improving energy efficiency and reducing fuel poverty is a major priority for the Council, with the added benefit of also addressing climate change. The Central Heating programme delivers new and improved central heating systems to Council owned homes, providing modern efficient heating to unheated homes and replacing inefficient and costly systems

There are currently around 600 unheated homes in the Borough, all of which where the tenants have been offered central heating on more than one occasion. Budgetary provision has been made to provide heating for all tenants in unheated homes who wish to receive heating, and for installing heating in all unheated properties when they become empty; an estimated 350 homes in total. It is estimated that around 250 homes will remain unheated at the end of the five year programme.

The electric night storage heating replacement programme will continue replacing electric night storage heating with modern, efficient gas heating. Over the five years Council resources will replace around 1,600 storage heating systems where homes already have a gas supply. An additional £1m is allocated for 2012/14, and an additional £500,000 each year thereafter, resulting in around 850 more homes benefiting than previous plans provide for.

Around 750 homes will have a replacement boiler or system upgrade to deal with those gas boilers and systems that cannot be repaired when they break down. These will be replaced with modern energy efficient boilers to ensure heating is made as affordable as possible for tenants.

Total budget: £10m over the 5 years 2013/14 to 2017/18

Community Safety & Environmental Improvements Programme

This programme continues the work commenced in previous years dealing with local environmental schemes and community safety schemes for improvements and refurbishment of Housing (HRA) assets.

The programme will complete schemes already approved to address fire safety issues in flatted developments and dealing with works arising from the Fire Risk Assessments that are being undertaken. From 2013/14 budgets will address local community and environment projects prioritised by Area Panels.

Total budget: £1.8m over the 5 years 2013/14 to 2017/18

Electrical Installations

The budget will continue to address electrical works in domestic dwellings and common / communal areas.

The programme of periodic electrical inspections will continue with subsequent electrical works being undertaken to ensure that electrical installations do not fail the Decent Homes Standard. A budget of around £400,000 per year will deal with full rewires where required but the majority of homes, including empty properties, will only require partial electrical upgrade works.

The programme will also complete the rewiring of communal areas at Tenbury, Malvern and Worcester Houses.

Provision is also made to continue the programme of remedial repairs, upgrades and improvements to lifts in high rise flatted developments with over £1m of expenditure over the 5 years.

The remainder of the programme budget also targets investment in the planned replacement of specialist electrical systems that are beyond economic repair. Limited budgetary provision is made

- To deal with any potential required replacement door entry and high rise fire alarm systems.
- To ensure warden call equipment purchased remains compatible with new Telecare technology to allow wardens to provide the essential Homecall service for vulnerable residents of the community;

Total budget: £5.5m over the 5 years 2013/14 to 2017/18

External Improvement Programme

The programme continues to address Decent Homes' investment and deals with necessary planned maintenance to the external façade of Council owned homes, predominantly replacement windows and re-roofing.

The programme will fund over £4m each year replacing windows and external doors that are in significant need of replacement and pose a health and safety danger. This will continue to address a current investment need of around £2m for windows.

Over £2m each year is proposed to be invested in re-roofing homes to ensure that they remain sound and watertight to the Government's Decent Homes Standard. This work is either replacement of roof coverings such as tiles or slates and/or replacement and/or upgrade of the structural timbers as necessary. The budget will also continue work on a planned programme to replace flat roof coverings on flatted developments with modern energy efficient materials. The budget will also be used for planned improvement works associated with roofing such as fascias and soffits.

As with the central heating budget this programme will be used where possible to match fund any Energy Service Providers' funding obligations received by Dudley under ECO (Energy Company Obligations) which flow from the Government's Energy Act flagship; the Green Deal. This delivers carbon saving schemes such as external wall insulation similar to the Community Energy Savings Programme (CESP) schemes already delivered. ECO is made up of three parts aimed at helping people in certain circumstances to save energy and money. The two areas where the Council's stock can benefit are:

- **Carbon Savings Communities Obligation (CSCO)** - CSCO replaces CESP and is restricted to eligible postcodes in areas of high deprivation. Measures will include solid wall, cavity wall and loft insulation.
- **Carbon Emissions Reduction Obligation (CERO)** - This focuses on properties that are typically harder to heat and is not restricted to deprived areas. These properties must have solid wall or hard to treat cavity insulation installed under CERO, with other improvements such as loft insulation upgrade then available if required.

The match funding contribution is likely to deal with associated enabling and ancillary works not funded by energy companies such as canopies, gates and fencing where and if required. £500,000 provision has been made for this.

Total budget: £38.2m over the 5 years 2013/14 to 2017/18 plus any additional resources received from Energy Service Providers.

Insulation

The programme provides approved resources to supplement any further available match funding for additional measures of draught stripping, increased levels of loft insulation and other targeted carbon emission and energy efficiency programmes to:

- Improve fuel poverty by reducing energy bills by allowing properties to be insulated to meet the Decent Homes Standard, including offering cavity wall insulation where previous tenants have refused insulation.
- Improve the SAP (Standard Assessment Procedure) rating of the housing stock (which measures how energy efficient the housing stock is) and contributing towards reducing carbon emissions.

Total budget: £0.8m over the 5 years 2013/14 to 2017/18 plus any additional energy related resources received from Energy Service Providers

Internal Improvement Programme

This programme is proposed to continue internal improvements such as kitchen and bathroom replacements and plastering and replacement floors. The five year programme will mainly target maintaining the decent homes standard in kitchens and bathrooms and will therefore prioritise those properties where the kitchen and bathrooms fall into non-decency due to their age and where they are also in poor condition.

The programme is around £5m more each year than the previous 5 year programme and will continue to deal with the current investment need of around £2m.

Each year around 1,000 internal improvements will be carried out.

Total budget: £17m over the 5 years 2013/14 to 2017/18

Minor Works

This budget is used to deal with urgent repairs and health and safety issues that arise throughout the year.

Current arising investment need is estimated at over £1m for health and safety issues, communal paved areas, paths and un-adopted roads and other environmental type works.

Works already identified include dealing with high cost structural, subsidence and demolition etc works and works that are required as a result of high rise structural inspections and periodic surveys to flatted developments.

The budget also funds larger repair improvements costing over £1,000 each, to the value of over £1.7m each year.

Total budget: £19.9m over the 5 years 2013/14 to 2017/18

Tenants' Association

The budget is allocated in each of the five years to schemes identified by Tenants' and Residents' Associations, and prioritised by the Dudley Federation of Tenants' and Residents' Associations. Budgets are maintained at current levels which based on previous years is expected to fund around 40 projects each year.

Total budget: £0.5m over the 5 years 2013/14 to 2017/18

Void Property Improvements

This budget is used to fund improvement works to empty properties where the work is of a capital nature to ensure that they are re-let in a reasonable state of repair and have modern facilities for kitchens and bathrooms in accordance with the Decent Homes Standard.

£50m over 5 years will fund necessary improvements to homes when they become empty, dealing with asbestos, rewiring, kitchens, bathrooms, plastering and major re-plumbing.

Total budget: £50m over the 5 years 2013/14 to 2017/18

New Council Housing

A bid has been made to the Homes and Communities Agency (HCA) for grant towards providing 14 new homes for people with learning disabilities, and if successful the first two years of the new build programme will deliver this £2.1m scheme which also includes 3 two bedroom houses. The bids are for schemes utilising existing HRA land, as former DLO depots at:

- The Walk Sedgley – 6 apartments for people with learning disabilities and 3 two bedroom houses
- Norfolk Road, Wollaston – 8 apartments for people with learning disabilities

If the HCA bid is unsuccessful the resources required to match fund the HCA bid will be re-allocated to other new build schemes.

A further £1m per year is allocated from 2015/16 onwards to deliver around 30 more new homes over the remaining 3 years of the programme.

Total budget: £6.3m

Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) and Thirty Year Business Planning Strategy for Landlord Housing

Purpose

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) has set out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties. It relates specifically to the Housing Revenue Account (HRA) and the capital programme for improvement of the Council's own housing stock.
2. The MTFS(LH) should be read in conjunction with the Council's overall Medium Term Financial Strategy (MTFS). The underlying principles set out in the overall document apply equally to the MTFS(LH).
3. In the context of the introduction of Self-Financing for public sector housing, the abolition of the HRA subsidy system, the increased autonomy and flexibility that housing authorities will have to manage their stock and, in Dudley's case, the increased debt taken on, a Thirty Year Business Plan is being developed. This will take into account issues including investment need, treasury management strategy, financial projections and tenants' engagement.

Background

4. The previous financial strategy for landlord housing focussed on the period up to 2010/11 and was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving a range of stakeholders and culminated in a decision by the Council in April 2005. The key elements of this financial strategy were:
 - delivery of the Government's Decent Homes Standard by 2010 and maintenance of that standard in later years;
 - support to the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
 - identifying ongoing savings and efficiency gains, through the use of partnerships where appropriate;
 - the prudent management of reserves and other balances;
 - compliance with government policy on rent restructuring;
 - honouring the outcome of the Housing Stock Options Appraisal and the view of the majority of tenants and other stakeholders that the housing stock should remain under direct council control.

5. This strategy showed that, on the basis of financial trends and government policy known at the time, it would be possible to deliver the Decent Homes Standard and other priorities for council housing by 2010, and this was achieved on time. The Housing Stock Options Appraisal was signed off by the Government Office West Midlands on this basis.
6. A new financial strategy for landlord housing is currently being developed to take into account the delivery of the Decent Homes Standard and the new opportunities and challenges arising from the introduction of the self-financing system. This will be the subject of a consultation process that will include tenants and residents.

The key elements of this new financial strategy, which will cover a rolling five year period, are:

- maintain the Decent Homes Standard;
- Improve the energy efficiency of the housing stock and address fuel poverty;
- invest in housing stock and minimise the number of void properties;
- review the suitability of the housing stock and explore the feasibility of new build to increase stock and / or replace properties that are in poor condition or that do not meet modern requirements;
- support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
- identify ongoing savings and efficiency gains, through the use of partnerships where appropriate;
- continue to undertake prudent management of reserves and other balances;
- comply with government policy on rent restructuring.

The proposed budget 2013/14 and the MTFS(LH)

7. The Decent Homes Standard was delivered by the end of 2010. Resources remain to be required to maintain this standard, and deal with properties where the age of the fittings mean that a replacement is required, and non-decent properties as they become void.
8. This forecast has been based on recent financial trends and our current assessment of the Government's housing finance policy and, like any forecast, should be regarded with caution (risks to the forecast are considered later). In view of our commitment to stock retention and maintenance of the Decent Homes Standard, it is proposed that we continue when necessary to give consideration to the following:
 - ongoing review of spending and resource forecasts;
 - further efficiency and other savings, including those achievable from use of partnerships;

- addition to and replacement of the housing stock via new build programmes;
 - the level of housing debt;
 - service charges².
9. Whilst the volume of responsive repairs has increased since the back-log of routine repairs was eliminated over the past few years, efficiencies in the way these repairs have been delivered and also in the way that capital works are delivered have resulted in significant cost savings.
10. A proposed rolling five-year capital programme has been developed as a continuation of the existing programme to maintain current standards and improvements following the achievement of the Decent Homes standard.

Risks to the financial forecast

11. The main risks to the financial forecast are considered below:

| Risk | Impact |
|--------------------------------|---|
| Inflation higher than forecast | <p>While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through the rent formula under government guidance.</p> <p>If cost inflation is lower than general inflation as used to determine the rent increase, this will have a positive budgetary impact.</p> <p>However, if cost inflation is higher than general inflation as used to determine the rent increase, this will have a negative budgetary impact.</p> |
| Income levels not achieved | <p><u>Rent loss from void properties</u></p> <p>We have been very successful over the years in controlling rent loss on empty properties. We have previously allowed in our forecasts for a rent loss of 1.8% of total rent available.</p> <p>We have seen over recent years an increase in void properties owing mainly to greater tenant mobility and this has resulted in an increased rent loss of up to 2.5% of total rent available.</p> <p>Investment in void property works has been prioritised in the proposed five-year capital programme.</p> |

² Government subsidy calculations assume charges over and above the rent for special services to flats and for supported housing – the HRA is financially disadvantaged as a result of not applying these charges.

| | |
|--|---|
| | <p>The cost for each 1% void loss is around £1m per annum.</p> <p>.</p> <p><u>Rent loss from non-payment of arrears</u></p> <p>As part of the Government's proposed welfare reforms, it is proposed that many tenants will from 2013-14 onwards start to receive Universal Credit direct and will therefore be responsible for paying their own rent. Currently, tenants in receipt of benefit have their rent paid as a transfer from Benefits. This is likely to lead to an increase in arrears and potentially in bad debts.</p> <p>Around 4,000 tenants of working age in receipt of benefits may also be affected by benefit restrictions from April 2013 as they are deemed to be under-occupying their property.</p> <p>We estimate that around £2.7m rent, which was previously paid directly via Benefits, will now be collectable from tenants as a result of the new underoccupancy rules.</p> <p>The impact of Universal Credit on rent collection rates is difficult to assess at this stage, but initial estimates from the pilot projects suggest that the collection rate may fall from the current 98% to 80% - 90%.</p> |
| <p>Interest rates higher than forecast</p> | <p>Our debt on housing properties is around £465m following the introduction of self-financing. Hence, interest rate risk is much more significant than it was under the subsidy system.</p> <p>Risk will be mitigated by borrowing at fixed rates and spreading repayment dates to minimise refinancing risk.</p> |
| <p>Reduction in property values in the borough</p> | <p>A 10% reduction in property values would reduce the value of usable capital receipts and would reduce available resources by around £90k per year.</p> |
| <p>Reduction in council house and land sales</p> | <p>We have seen as a result of the "credit crunch" and the general economic situation a marked decrease in the number of council house sales (however, see Reinvigoration of Right to Buy, below) and also a diminution in the value received for sale of housing land.</p> |

| | |
|--|--|
| | <p>We have currently assumed that present numbers and levels of sales do not increase for the next few years.</p> <p>A reduction of 100 house sales in a year will lead to a loss of usable capital receipts of £1.8m.</p> <p>This would be partially offset by additional rental income of around £400k, but management and maintenance demands will continue.</p> |
| Reinvigoration of Right to Buy | <p>The Government has increased the cap on Right to Buy (RTB) discount from £26,000 to £75,000 per property. This may result in increased sales.</p> <p>New regulations have replaced the capital receipts pooling arrangements and require councils to build replacement homes for all extra homes sold under Right to Buy.</p> |
| Timing and amount of capital receipt | <p>We are expecting a substantial capital receipt for the sale of the North Priory estate to our developer partners. This has been built into our forecasts over the period 2009-10 to 2013-14.</p> <p>Any significant reduction in amount will reduce available resources. Any delay in receiving the funds will adversely affect cashflow and if the receipt is delayed there will be a significant adverse effect on the year-end balance on the HRA.</p> <p>A specific risk applies in relation to £700k of this anticipated receipt which is payable as Kickstart grant by the Homes and Communities Agency (HCA) to our developer partners on the successful completion of Phase 1 of the project. This will then be passed on to the Council. We are actively monitoring our developer partners' progress in claiming this grant.</p> |
| Unforeseen costs or costs greater than estimated | <p>Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year in which they arise or from any balances available in that year.</p> <p>Calculations indicate that any costs to the HRA arising from Single Status can be met within proposed budgets.</p> <p>We anticipate that any Equal Pay settlement costs would be capitalised through a government dispensation.</p> |

Prudential indicators

12. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code which specifically requires us to set a number of prudential indicators. The full range of prudential indicators are to be set as part of another report on this agenda. Those indicators that relate to HRA capital expenditure are set out below:

| | Latest budget 2012/13 | Forecast 2013/14 | Forecast 2014/15 | Forecast 2015/16 |
|--|------------------------------|-------------------------|-------------------------|-------------------------|
| Ratio of financing costs to net revenue stream: HRA | 20.8% | 20.4% | 19.2% | 18.3% |
| Estimated incremental impact of capital investment decisions on HRA weekly rents | N/A | N/A | N/A | N/A |
| Capital expenditure: HRA | 35.5 | 36.8 | 31.6 | 31.5 |
| Capital Financing Requirement: HRA | £467.1m | £467.1m | £467.1m | £467.1m |

13. The ratio of financing costs to net revenue stream shows the costs of servicing housing debt as a percentage of total HRA income. This is a measure of the affordability of debt.
14. The forecast debt charges resulting from anticipated borrowing are fully reflected in the Housing Revenue Account budget at Appendix 1 of the report. There are currently no proposals to undertake new borrowing as this is not possible within the limits imposed on the HRA CFR as part of self-financing. However, rents continue to be determined by government rent restructuring guidance and it is assumed that the Council will continue, as in previous years, to comply with this guidance.
15. The HRA Capital Financing Requirement is a measure of the share of the Council's overall portfolio of debt and investments that results from public sector housing capital expenditure. The limit on the HRA CFR imposed on implementation of self-financing is £467.1m. This is a new indicator.

Partnerships

16. Housing Services is continuing to deliver on its partnership working and currently has a number of such arrangements, for example:

- Funding partnerships with energy service providers to increase resources under the Government's CESP [Community Energy Savings Programme] and ECO (Energy Company Obligations) - which will replace CESP from spring 2013 - to deliver energy efficient whole house measures to combat climate change and CO2 emissions in Council Homes.
 - Strategic partnerships that are being delivered in accordance with the principles of Sir John Egan's report 'Rethinking Construction'. Through innovative payment mechanisms, incentivising good performance and modern methods of collaborative working, three partnerships (gas servicing, maintenance and repair; electrical rewires and upgrades; external painting) are delivering improved services at a measurably lower cost and have allowed valuable and limited resources to be re-invested in the housing stock.
17. Procurement consortia and other partnership arrangements will also be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.

Meeting of the Council – 25th February, 2013

Report of the Cabinet

Pay Policy Statement

Purpose of Report

1. To give an overview of the requirements in the Localism Act 2011 to prepare an annual pay policy statement and approve the annual updated statement. The draft policy statement sets out the anticipated position as at 1st April, 2013.

Background

2. Under provisions contained in the Localism Act 2011, the Council is required to prepare an annual pay policy statement setting out its policies for the financial year relating to the remuneration of chief officers; the remuneration of the lowest-paid employees; and the relationship between the pay of chief officers and that of other employees. These provisions came into force on 15th January, 2012.
3. The statement must cover the authority's policies relating to:
 - the level and elements of remuneration for each chief officer (including salary, bonuses and benefits in kind);
 - remuneration of chief officers on recruitment;
 - increases and additions to remuneration for each chief officer;
 - the use of performance-related pay for chief officers;
 - the use of bonuses for chief officers;
 - the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority; and
 - the publication of and access to information relating to remuneration of chief officers.
4. The pay policy statement has to be approved by a resolution of the Council. The first statement had to be approved no later than 31st March, 2012 and then on an annual basis. Following approval, the statement must be published as soon as possible on the Council's website (and in any other manner the authority thinks fit). The Council may amend its pay policy statement by passing a resolution.
5. The Act's provisions add to the range of transparency obligations already placed upon local authorities. This includes the data required to be published under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that these are separate data publication requirements.

6. The Council's draft pay policy statement, as set out in the Appendix, has been produced on the basis of a model document from West Midlands Councils. The information contained in the draft policy statement refers to the anticipated position at 1st April, 2013 and makes reference to the other terms and conditions, such as Health, with the transfer of the Public Health function to the Council.
7. The statutory guidance states that pay policy statements should be used to explain the Council's approach to the reward of chief officers/directors who were previously made redundant from the authority, or later engaged as chief officers under a contract of service. There are currently no such arrangements in Dudley. Any such proposals would require the approval of the Appointments Committee. Authorities are permitted to include any additional information in the pay policy statement if they consider it appropriate to do so.
8. On 12th February, 2013, the Cabinet considered a report on the pay policy statement and recommended that the document be submitted to the Council for approval.

Finance

9. The production of the pay policy statement and the associated work arising from the Localism Act 2011 will be undertaken within existing resources.

Law

10. The provisions relating to pay accountability are contained in Chapter 8 (Sections 38 to 43) of the Localism Act 2011 and associated guidance.
11. For the purposes of the pay policy statement, senior management is taken to mean 'chief officers' as defined in Section 43 of the Localism Act 2011.
12. The Act specifies that the functions relating to pay accountability are not executive functions. Section 101 of the Local Government Act 1972, which gives local authorities powers to arrange for the discharge of their functions by committees, officers or other local authorities, does not apply to these functions. This means that full Council must approve the document. In complying with the duties in respect of pay accountability, the Council must also have regard to any guidance issued or approved by the Secretary of State.

Equality Impact

13. In determining the pay and remuneration of all employees, the Council is required to comply with all relevant employment legislation and its own policies on equality and diversity. The pay policy statement includes appropriate references to the legislative framework.

Recommendation

14. That the pay policy statement 2013, as set out in the Appendix, be approved and adopted.

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Leader of the Council

Dudley Metropolitan Borough Council

Pay Policy Statement 2013

Introduction and Purpose

The purpose of this policy is to clarify the Council's strategic stance on pay in order to provide direction for members and officers making detailed decisions on pay and to provide the citizens of Dudley with a clear statement of the principles underpinning decisions on the use of public funds.

The purpose of the pay is to encourage staff with the appropriate skills to seek to work for the Council and then to reward them appropriately for the tasks they undertake in order to maintain their motivation and retain their services.

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

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. 'chief officers', as defined by the relevant legislation;
- the persons or bodies responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

The full Council approved the policy statement in February 2012 and this has now been subject to the annual review and has been updated.

Legislative Framework

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

Pay Structure

Based on the application of the Job Evaluation process, the Council uses the nationally negotiated pay spine as the basis for its local grading structure (see table 1) Table 2 shows the distribution of staff across the pay points. This determines the salaries of the large majority of the non-teaching based workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009. There have been no increases to the pay rates for the Chief Executive or Chief Officers/Directors/ Assistant Director's since April 2008. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

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

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

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within Section 43 of the Localism Act 2011. In Dudley this is interpreted as posts at Assistant Director level and above. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1st April 2013:

The list of 23 senior officer posts that make up 0.20% of the 11,189 people employed by the Council (excluding 657 Soulbury scale & youth workers. This 11,189 also excludes teachers & tutors who are on national terms and conditions and the public health staff who will transfer to the Council in April 2013. Staff at VA, Foundation & Academy schools are not included as they are not employees of the Council

- (a) Chief Executive
The current salary of the post is £157,000. This includes payment for returning officer duties in connection with local elections.
- (b) Directors
The salaries of posts designated as Directors are as follows:
 - Director of Adult, Community and Housing Services - £104,604
 - Director of Children's Services - £104,604

- Director of Corporate Resources- £104,604
- Director of the Urban Environment- £104,604
- Director of Public Health (non clinical) - £100,395

(c) Treasurer and Assistant Directors

The salaries of these posts are as follows:

- Treasurer – £78,547 to £88,700 (3 point incremental range with progression by yearly increments)
- Assistant Director of Corporate Resources (Human Resources and Organisational Development) - £78,547
- Assistant Director – Chief Executive’s Directorate - £70,049
- Assistant Directors of Corporate Resources (2 posts) - £70,049
- Assistant Directors of Adult, Community and Housing Services (4 posts plus one post currently seconded to Corporate project) – £70,049
- Assistant Directors of Children’s Services (3 posts) - £70,049
- Assistant Directors of the Urban Environment (4 posts) - £70,049

Recruitment of Chief Officers/Directors

The Council’s policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as contained in Part 4 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equality and Diversity, Recruitment and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer/director will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.

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

At this time there are no market forces supplements paid to any senior managers listed above

Additions to Salary of Chief Officers/Directors

The Council does not apply any bonuses or performance related pay to its chief officers/directors.

In addition to basic salary, set out below are details of other elements of ‘additional pay’ which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties:-

- Fees are paid for deputy returning officer duties in accordance with the rates approved by the Council’s Cabinet and increased in line with national pay

awards. Employees who act as deputy returning officers at local elections are currently paid a fee of £65.50 per ward.

- Car allowances are payable in accordance with the casual user rate of 46.9p per mile and otherwise in accordance with the rules applied to staff. None of the chief officers/directors are designated as lump sum reimbursement car users at 1st April, 2013
- The Council may consider granting an honorarium (of an amount dependent upon the circumstances of each case) to Senior Officers, Directors and Assistant Directors) who perform duties outside the scope of their role over an extended period. These cases will be decided by the Appointments Committee. Such a temporary arrangement would be in the interest of efficient administration of a service(s) and would normally produce a short term financial saving.

Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of staff, prior to reaching normal retirement age, is set out within policies on managing employees at risk of redundancy, the discretionary severance payments scheme and any policies adopted in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

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

Publication

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

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

Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1st April 2012, this is £12,312 per annum and is one point higher than the National pay spine minimum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the terms and conditions and pay rates applicable to the relevant apprenticeship scheme. The relationship between the rate of pay for the lowest paid and chief officers/directors is determined by the

processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act 2011 recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton review was asked by the Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

The 2012 pay levels within the Council defined the multiple (rounded to the nearest whole number) between the lowest paid full time equivalent employee and the Chief Executive as 1:13 and between the lowest paid employee and average chief officer as 1:6. The multiple between the median (average) full time equivalent earnings and the Chief Executive is 1:9 and between the median (average) full time equivalent earnings and average chief officer is 1:5.

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

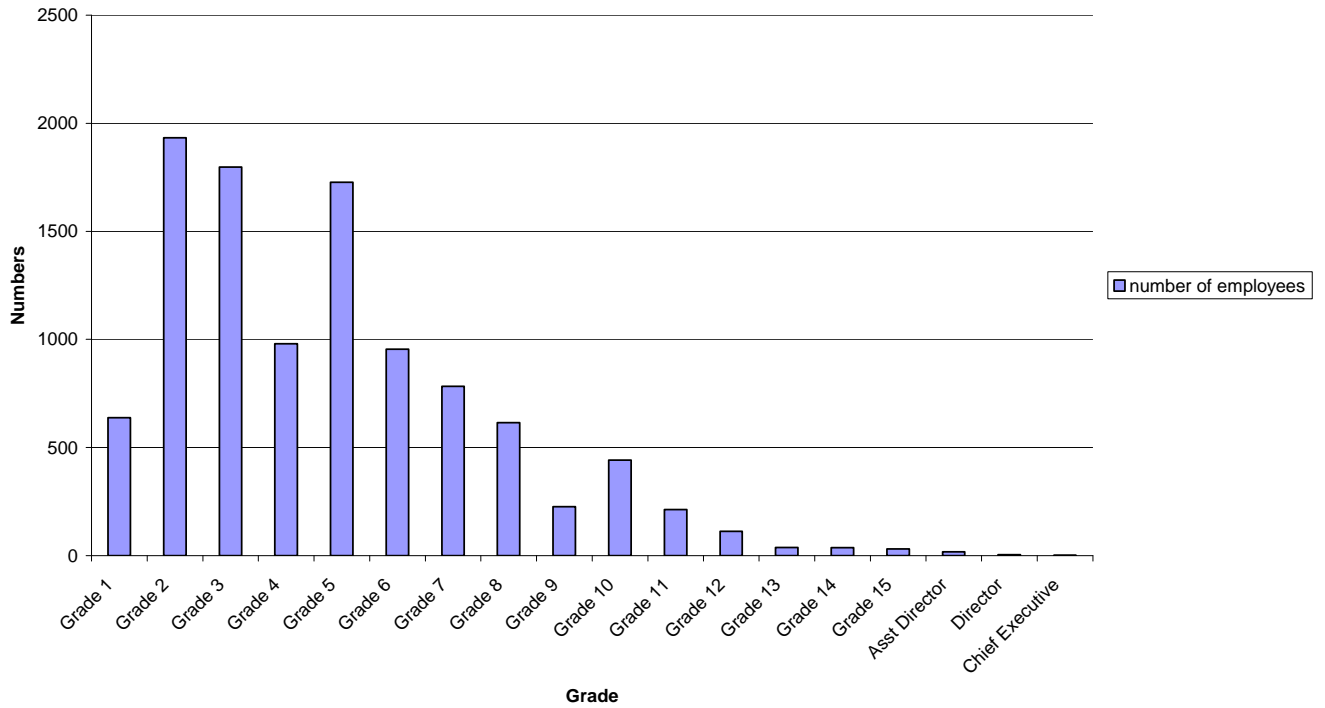
Accountability and Decision Making

In accordance with the Constitution, the Council, the relevant Committee, elected members or officers with delegated authority are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

Main Salary Grades:

| Grade | Pay range minimum | Pay range maximum | National Pay spine Points |
|--------------|--------------------------|--------------------------|----------------------------------|
| Grade 1 | £12,312 | £12,489 | 5 – 6 |
| Grade 2 | £12,787 | £13,589 | 7 – 9 |
| Grade 3 | £13,874 | £15,444 | 10 – 13 |
| Grade 4 | £15,725 | £16,830 | 14 – 17 |
| Grade 5 | £17,161 | £19,126 | 18 – 21 |
| Grade 6 | £19,621 | £21,519 | 22 – 25 |
| Grade 7 | £22,221 | £24,646 | 26 – 29 |
| Grade 8 | £25,472 | £27,849 | 30 – 33 |
| Grade 9 | £28,636 | £30,851 | 34 - 37 |
| Grade 10 | £31,754 | £34,549 | 38 - 41 |
| Grade 11 | £35,430 | £38,042 | 42 - 45 |
| Grade 12 | £38,961 | £41,616 | 46 - 49 |
| Grade 13 | £42,384 | £45,527 | 50 - 53 |
| Grade 14 | £46,717 | £49,859 | 54 - 57 |
| Grade 15 | £51,716 | £57,323 | 58 - 61 |

Staff distribution across grades



Document History:

Approved by Council – 27th February 2012

Updated – 29th January 2013

To be approved by Cabinet – 12th February and Council – 25th February 2013.

Meeting of the Cabinet – 25th February 2013

Report of the Cabinet

Ernest Stevens Trusts Management Committee

Purpose of Report

1. To consider governance arrangements for the future management and administration of the Ernest Stevens Trusts.

Background

2. On 26th November, 2012, the Council approved a report on the annual review of the Constitution. The report contained reference to the need for consideration of the arrangements for the future administration of the Ernest Stevens Trusts within the Council's overall Constitution and governance arrangements.
3. The Council is the Trustee and, in recent years, the four Ernest Stevens Trusts have been combined under the delegated powers and terms of reference of the Stourbridge Area Committee. The Area Committees have now been replaced by Community Forums.
4. Ernest Stevens made various donations of property, which were to be used for specified purposes. These have been identified as individual Trusts and detailed below:
 - i. Stevens Park, Quarry Bank.
 - ii. Mary Stevens Park, Recreation Ground and Park, Norton.
 - iii. Stevens Park and Recreation Ground Foundation, Wollescote
 - iv. Mary Stevens Maternity Home and Public Park Charity
5. Only the Stevens Park and Recreation Ground Foundation, Wollescote, has investments, which generate income for disbursement resulting from the decision to exchange the Hob Green Farm gifted in the original deed dated 29th September 1930 for Jordan Field and £88,500.
6. The original deed of gift was to the Urban District Council of Lye and Wollescote and was varied by a scheme dated 24th May 1966. This allows the net income of the Stevens Park and Recreation Ground Foundation to be applied in the following ways:
 - a) Maintenance of the Stevens Park and Recreation Ground Foundation property.
 - b) Acquiring property for the Stevens Park and Recreation Ground Foundation.

- c) Maintenance of property in gifts dated:-
 6th December 1929 Mary Stevens Park
 13th February 1931 Mary Stevens Home and Public Park.
- d) The provision of facilities for recreation or other leisure time occupation, being facilities provided with the object of improving the conditions of life for persons resident in the Borough of Stourbridge (see paragraph 9).
- e) If the net income of the Trust cannot be applied in accordance with a)-d) above, it can be applied for other charitable purposes for the benefit of persons resident in the Borough of Stourbridge.
7. In 2001, the Charity Commission confirmed the opinion that because the Council uses its mainstream budget to maintain all the property in the trusts, it is permitted to give grants under paragraph (e) above.
8. In applying the money the Trustees shall give a preference to the area of the former Urban District of Lye and Wollescote and to meeting the needs of the people resident therein.
9. The Borough of Stourbridge relates to the boundaries in 1966, which currently covers the wards of Pedmore & Stourbridge East, Norton, Wollaston and Stourbridge Town, Lye and Stourbridge North and Cradley and Wollescote. Stevens Park, Quarry Bank is geographically located in the Quarry Bank and Dudley Wood ward.
10. Before the creation of Area Committees, under the provisions of the Local Government Act 2000, the delegated powers for the administration of the Trusts were the responsibility of the former Finance Committee. A Sub-Committee of the Finance Committee was established to administer the affairs of the Trusts. Members may now wish to consider reverting to a similar position to that which existed prior to the establishment of the Area Committees, by the establishment of a separate Management Committee to administer the affairs of the Ernest Stevens Trusts.
11. Any such Committee established by the Council will be subject to the proportionality rules set out in the Local Government and Housing Act 1989. To reflect the geographical areas covered by the Trusts, it is recommended that the Management Committee comprise six elected members, one each from the six wards referred to in paragraph 9 above.
12. Attached as Appendix 1 are the proposed terms of reference for the Ernest Stevens Trusts Management Committee based on the terms of reference of the former Finance Sub-Committee that existed prior to the Area Committee structure being adopted.
13. On 12th February, 2013, the Cabinet considered a report on the proposed establishment of the Management Committee and the recommendations are set out below.

Finance

14. This report sets out proposals for the future administration of the Ernest Stevens Trusts, including the financial affairs of the Trust.

Law

15. The Council is successor to the former Stourbridge Council by virtue of the Local Government Act 1972.
16. Section 139 of the Local Government Act, 1972 empowers the Council to accept, hold and administer gifts of property, where it enables them to discharge any of their functions, and where the gifts are for the purposes of benefiting the inhabitants of their area.
17. The conditions under which a gift is to be administered, are contained in the Deeds creating the Trusts, and any subsequent schemes made by the Charity Commission.
18. The law relating to Trusts, which are charitable, is contained in various Acts, the main ones being the Charities Act, 1960, the Charities Act 1992 and 1993, and the Trustee Investment Act, 1961.
19. The power to appoint Committees and to delegate functions to Committees and Officers is set out in Sections 101 and 102 of the Local Government Act 1972. The rules on proportionality are contained in the Local Government and Housing Act 1989 and associated regulations.

Equality Impact

20. The Trusts were set up to benefit members of the public living in certain geographical areas of the Borough as outlined in the Deeds of Gift. There are no specific implications for children and young people arising from this report.

Recommendations

21. That an Ernest Stevens Trust Management Committee be established with the terms of reference set out in Appendix 1.
22. That the Committee comprise a total of six Members, with one Councillor being appointed to represent each of the following wards in accordance with the overall political balance requirements of the Local Government and Housing Act 1989 (currently Labour 4; Conservative 2) :-

Cradley and Wollescote
Lye and Stourbridge North
Norton
Pedmore and Stourbridge East
Quarry Bank and Dudley Wood
Wollaston and Stourbridge Town

- 23. That the Chair and Vice-Chair and Members be appointed to serve on the Committee for the remainder of this municipal year based on the nominations submitted to the Director of Corporate Resources by the two Group Leaders.
- 24. That no special responsibility allowances be paid to the Chair and Vice Chair of the Committee pending a review of the Members Allowances Scheme during 2013.

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Leader of the Council

Ernest Stevens Trust Management Committee

Terms of Reference

1. To consider and determine all matters that are the responsibility of the Trustee and which fall within the following terms of reference: -
 - (1) The administration of the Mary Stevens Park Trust (Quarry Bank) as regulated by the Deed of Gift dated 29th January, 1921.
 - (2) The administration of Mary Stevens Park Trust (Norton) as regulated by the Deed of Gift dated 6th December, 1929.
 - (3) The administration of the Stevens Park and Recreation Ground Foundation Trust Wollescote as regulated by Deed of Gift dated 29th September, 1930 and by the Scheme of the Secretary of State under Section 18 of the Charities Act, 1960 on 24th May, 1966.
 - (4) The administration of the Mary Stevens Maternity Home and Public Park Charity as donated by the Deed of Gift dated 13th February, 1931, and regulated by the scheme of the Secretary of State under Section 18 of the Charities Act, 1960 on 3rd October, 1989.
2. To make recommendations to the Council on any matters relating to the Ernest Stevens Trusts which do not fall within the above terms of reference and which are not delegated to the Committee.

Note:

It is important to note that the Treasury Strategy Statement is adopted by the Council, based upon advice from its external Treasury advisors, and accordingly the Strategy is tailored to meet the specific and unique needs of the Council. All financial information contained within this Report and Statement should not be used by any individual or organisation as a basis for making investment or borrowing decisions. The Council and its Treasury advisors will not accept any liability on behalf of any individual or organisation that seeks to act on the financial information contained within this Report and Statement.

Meeting of the Council – 25th February 2013

Report of the Audit Committee

Treasury Management

Purpose of Report

1. The purpose of this report is:
 - to outline treasury activity in the year 2012/13 up to the end of December;
 - to seek approval of the Treasury Strategy Statement 2013/14

Background

2. Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks
3. The Council undertakes treasury management activity on its own behalf and as administering authority for the West Midlands Debt Administration Fund (*WMDAF*). We are responsible for administering capital funding of £759m on our own account and another £198m on behalf of the *WMDAF*. The treasury function is governed by the Council's Treasury Policy Statement and Treasury Management Practices.
4. Our borrowing and investment activities in the current year have been undertaken in the context of historically low interest rates. The Bank Rate has remained at 0.5% since March 2009 and is considered likely to stay at that level in the medium term.

Treasury Activity 2012/13 - Dudley fund

5. Treasury activities in the current year have been undertaken in the context of the Treasury Strategy Statement 2012/13 approved by Audit Committee and Full Council in February 2012. In that document we anticipated that long term borrowing would be required in the next 12 months due to cashflow need.
6. Our investments up to the middle of January have averaged £36.9 million (with significant day to day variation as a result of cash flow). The average return on these investments was 0.61%. All investments were placed with institutions that satisfied the criteria for credit-worthiness set out in the Treasury Strategy Statement 2012/13. The performance of our investments is largely dependent on movements in short-term (up to one year) rates. The average 7-day LIBID¹ for the year to the end of December has been 0.50%. Our investment activity for 2012/13 (to date) is set out in more detail in **Appendix 1**.
7. The returns outlined above have been achieved without compromising on the security of the Council's investments. We have maintained and continue to maintain an approved investment list that sets the highest rating standards. We have an account with the Government's Debt Management Office which provides maximum security but low returns. We are only using this account where we cannot place funds with a bank that meets our strict criteria. The majority of short-term investments are in variable rate call accounts with approved counterparties, which offer a relatively good rate of return compared to fixed term deposit accounts as well as higher liquidity.
8. The Council set up a custody account with the city investment firm King & Shaxson in September 2012. This enables the Council to use a number of approved investment instruments as outlined in the Treasury Strategy and diversify the investment portfolio. Investment instruments requiring a custodian facility include Treasury Bills, Certificates of Deposit, Gilts, Corporate Bonds and Supranational Bonds. By establishing custody arrangements, the Council will be better placed to consider the use of alternative investment instruments in response to evolving credit conditions. Up to the middle of January, this account had been used once to invest in a Certificate of Deposit of £3m with Nationwide Building Society for one month at an interest rate of 0.40%.
9. The average value of long-term borrowings up to the end of December 2012 was £543.9 million. The average rate of interest on these borrowings was 4.10% and they were due to mature on dates ranging from the current year to 2061.
10. The rate for a 50-year loan from the Public Works Loan Board (PWLB) has fluctuated during 2012-13 from 3.96% to 4.44% and was standing at 4.32% in early January.
11. From 1 November 2012, the Government reduced by 20 basis points (0.2%) the interest rates on loans from PWLB to local authorities who provided the required information on their plans for long-term borrowing and associated capital spending (the certainty rates). Dudley is eligible to apply for these certainty rates at 0.2% below the rates quoted in paragraph 9.

¹ 7-day LIBID is a measure of the average return from a 7-day investment on the London money market.

12. In December 2012 the Government announced the introduction of the “Project Rate” for PWLB borrowing from November 2013. It has been set at 40 basis points below standard PWLB rates. The amount offered at this discounted rate will be capped at £1.5bn (outside London) and is linked to single projects identified by Local Enterprise Partnerships (LEPs).
13. It has not as yet been necessary to undertake any new long-term borrowing due to favourable cash flow, but we are monitoring interest rates and cash flow closely.
14. It has not been necessary to undertake any short-term borrowing in the current year to date. Daily cash flow has been managed through the use of call accounts.

Treasury activity 2012/13 - WMDAF

15. Having consulted with our advisors at Arlingclose, we did not identify any opportunities to improve our position by restructuring of debt. The latest estimate of interest payable by members of the WMDAF in 2012/13 is 6.5%.

Treasury Strategy Statement 2013/14

16. The Treasury Strategy Statement covers our latest capital funding requirements, our view of interest rate movements and our strategy for borrowing and investment in the light of that view. As such, it needs to be reviewed annually. The proposed Treasury Strategy Statement for 2013/14 is attached as **Appendix 2**.
17. Our expectations for interest rates over the next twelve months, which will be subject to continuous review with our treasury advisors, are as follows (standard PWLB rates are generally about 1% above Government gilts while certainty rates are about 0.8% above gilts):
 - **Short-term rates.** The Bank Rate will remain at 0.5% through 2013/14 and probably until the end of 2015/16.
 - **Long-term rates.** 20-year Government gilt rates will rise in 2013/14 from 2.80% to 2.90%
 - **Very long- term rates.** 50-year Government gilt rates will rise in 2013/14 from 3.30% to 3.40%
18. The Local Government Act 2003 introduced a system of “prudential borrowing” allowing councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code which specifically requires us to set a number of prudential indicators. The proposed indicators that relate to treasury management are set out in the Treasury Strategy Statement.

19. Councils' investment activities are regulated by government guidance issued under Section 15(1)(a) of the Local Government Act 2003. Section 5 of the Treasury Strategy Statement constitutes an "Annual Investment Strategy" produced in accordance with the government guidance and revised CIPFA Code of Practice on Treasury Management in the Public Services 2011.
20. In order to protect the Council's position if an individual or organisation were to act upon the views expressed in this report, we have deemed it necessary to produce a disclaimer which is shown as a note at the head of the report and Appendix 2.
21. The Audit and Standards Committee at their meeting held on 14th February, 2013 will consider this matter and be recommended to approve the recommendations in paragraph 25 below. Any changes to the recommendation will be reported to this meeting.

Finance

22. Forecasts of performance against budget for treasury management activities are highly sensitive to movements in cash flow and interest rates. Budgets were amended in October to reflect a surplus of £1.8m compared to the original budget for 2011/12. This surplus was mainly due to variations in cash flow. .

Law

23. These matters are governed by Part IV of the Local Government and Housing Act 1989 and Section 111 of the Local Government Act 1972, which empowers the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its various statutory functions.

Equality Impact

24. The treasury management activities considered in this report have no direct impact on issues of equality.

Recommendation

25. That the Council:
 - notes the treasury activities in 2012/13 outlined in this report;
 - approves the Treasury Strategy 2013/14 attached as Appendix 2;
 - authorises the Treasurer to effect such borrowings, repayments and investments as are appropriate and consistent with the approved Treasury Strategy and relevant guidance;



.....
Chair of the Audit and Standards Committee

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Email: amarjit.uppal@dudley.gov.uk

List of Background Papers

- Treasury Policy Statement, Treasury Management Practices and Schedules to the Treasury Management Practices.
- The Local Government Act 2003
- The Prudential Code for Capital Finance in Local Authorities (CIPFA)
- Guidance on Local Government Investments Issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003
- Code of Practice for Treasury Management in the Public Services (CIPFA)

Investment Activity 2012/13 to 7th January 2013

| Counterparty name | Number of investments | Average value £ million | Average rate % | Average duration (days) |
|-------------------------------|------------------------------|------------------------------------|---------------------------|------------------------------------|
| Barclays Treasury Direct | 18 | 5.5 | 0.41 | 20 |
| Debt Management Office | 61 | 8.4 | 0.25 | 11 |
| Nationwide Building Society | 7 | 3.2 | 0.40 | 23 |
| Bank of Scotland Call Account | N/A | 9.3 | 0.75 | Call |
| Yorkshire Bank Call Account | N/A | 0.01 | 0.50 | Call |
| Santander Call Account | N/A | 0.7 | 0.80 | Call |
| Nat West Call Account | N/A | 1.6 | 0.80 | Call |
| HSBC Call Account | N/A | 7.7 | 0.32 | Call |
| Salford City Council * | 1 | 0.5 | 11.25 | Matures in 2020 |

The table above includes investments that commenced during 2011/12 and were due to mature in the current financial year.

* This is a fixed term deposit that was made in 1985 and is due to mature in 2020.

Appendix 2

Note:

It is important to note that the Treasury Strategy Statement is adopted by the Council, based on advice from its external Treasury advisors, and accordingly the Strategy is tailored to meet the specific and unique needs of the Council. All financial information contained within this Report and Statement should not be used by any individual or organisation as a basis for making investment or borrowing decisions. The Council and its Treasury advisors will not accept any liability on behalf of any individual or organisation that seeks to act on the financial information contained within this Report and Statement.

DUDLEY METROPOLITAN BOROUGH COUNCIL TREASURY STRATEGY STATEMENT 2013/14

1.0 Introduction

1.1 This Treasury Strategy Statement details the expected activities of the treasury function in the financial year 2013/14. The suggested strategy is based upon officers' views of interest rates as advised by external advisors, supplemented with leading market forecasts. It should be noted that the use of expert external advisors does not remove the responsibility of Members and officers for treasury management functions and that those functions cannot be delegated to any outside organisation. The strategy covers:

- the current portfolio position
- prudential and treasury indicators
- prospects for interest rates
- temporary investment strategy
- requirements and strategy for long-term borrowing
- debt rescheduling and premature repayment opportunities
- treasury implications of HRA Self Financing

2.0 Current Portfolio Position

2.1 The Council's estimated debt position as at 1st April 2013 is as follows:

| | £m |
|----------------------------|--------------|
| Long-term debt: | |
| - PWLB fixed rate | 535.0 |
| - PWLB variable rate | 13.0 |
| - Market fixed rate | 6.8 |
| - Market LOBO ² | 10.0 |
| Short-term debt | <u>50.2</u> |
| Total debt | <u>615.0</u> |

2.2 The average rate of interest on the above debt is expected to be 3.81%.

² Lenders Option Borrowers Option (LOBO). This loan was at a fixed rate of 4.6% until February 2009 after which the rate may be varied at the lender's option. If the lender exercises this option to vary the rate then we, as the borrower, have the option to repay the loan.

- 2.3 The average level of investments held by the Council during 2012/13 to early January 2013 was £36.91m. Cash flow monitoring indicates that long term borrowing may be required in the next 12 months.
- 2.4 The Council also administers the debt of the former West Midlands County Council on behalf of the West Midlands districts. The estimated debt position at 1st April 2013 is as follows:

| | £m |
|----------------------------|--------------|
| Long-term debt: | |
| - PWLB fixed rate | 177.7 |
| - Market fixed rate | 6.8 |
| - Market LOBO ³ | 10.0 |
| Short-term debt | 0 |
| Total debt | <u>194.5</u> |

- 2.5 The average rate of interest charged to the West Midlands fund is expected to be 6.5%.

3.0 Prudential & Treasury Indicators

- 3.1 Under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, local authority capital spending and its borrowing to fund that spending is limited by what is affordable, prudent and sustainable. The Prudential Code sets out a number of indicators that enable the authority to assess affordability and prudence. The following indicators are relevant for the purposes of setting an integrated treasury management strategy.

3.2 Treasury Indicators in the Prudential Code

- 3.3 The Prudential Code requires that the total external debt does not exceed the Authorised Limit for external debt and only exceeds the Operational Boundary for external debt temporarily on occasions due to variation in cash flow.

These external debt indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The authorised limit for external debt is a statutory limit (section 3 of the Local Government Act 2003) that should not be breached under any circumstances. It has been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. The operational boundary for external debt has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant. Actual external debt represents the closing balance for borrowing and other long-term liabilities.

³ Lenders Option Borrowers Option (LOBO). This loan was at a fixed rate of 4.6% until February 2007 after which the rate may be varied at the lender's option. If the lender exercises this option to vary the rate then we, as the borrower, have the option to repay the loan.

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|------------|------------|------------|------------|------------|
| | | Revised | Revised | Revised | |
| | £m | £m | £m | £m | £m |
| Authorised limit for external debt: | | | | | |
| Borrowing | n/a | 946 | 951 | 935 | 914 |
| Other long term liabilities | n/a | 37 | 45 | 48 | 51 |
| Total | n/a | 983 | 996 | 983 | 965 |
| Operational boundary: | | | | | |
| Borrowing | n/a | 839 | 842 | 830 | 822 |
| Other long term liabilities | n/a | 37 | 45 | 48 | 51 |
| Total | n/a | 876 | 887 | 878 | 873 |
| Actual External Debt: | | | | | |
| Borrowing | 750 | n/a | n/a | n/a | n/a |
| Other long term liabilities | 36 | n/a | n/a | n/a | n/a |
| Total | 786 | n/a | n/a | n/a | n/a |

Gross Debt and the Capital Financing Requirement:

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

The Council has met this requirement in 2012/13, and expects to do so in future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3.4 Treasury Indicators in the Treasury Management Code

CIPFA Code of Practice for Treasury Management in the Public Services

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Interest rate exposures

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for fixed interest reflects the fact that it is possible to construct a prudent treasury strategy on the basis of using only fixed rate debt and investments, so long as the maturity dates of these debts and investments are reasonably spread. The same does not apply to variable rates where a 100% exposure could lead to significant year on year fluctuations in the cost of debt. The upper limit for variable rate exposure allows for the use of variable rate debt to offset our exposure to changes in short-term rates on our portfolio of investments. This limit reduces over time as our strategy is to gradually reduce our level of investments.

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|---------|
| Upper limit for fixed interest rate exposure | 100 | 100 | 100 | 100 |
| Upper limit for variable rate exposure | 10 | 10 | 10 | 10 |

Maturity structure of borrowing and investments

The maturity structure of fixed rate borrowing is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

| | Upper limit | Lower limit |
|--------------------------------|-------------|-------------|
| | % | % |
| under 12 months | 10 | 0 |
| 12 months and within 24 months | 10 | 0 |
| 24 months and within 5 years | 15 | 0 |
| 5 years and within 10 years | 25 | 0 |
| 10 years and above | 100 | 40 |

Upper Limit for total principal sums invested over 364 days

The purpose of the limits for principal sums invested for periods longer than 364 days is to contain the Council's exposure to the possibility of loss that might arise as a result of having to seek early repayment of principal sums invested. On the basis of prudent treasury management the proposed upper limit on principal maturing in any one year for sums invested for over 364 days is £10m.

4.0 Prospects for Interest Rates

4.1 The Council has appointed Arlingclose as its treasury advisor and has made use of their services in formulating a view on interest rates.

4.2 Our expectations interest rates over the next twelve months, which will be subject to continuous review with our treasury advisors, are as follows (standard PWLB

rates are generally about 1% above Government gilts while certainty rates are about 0.8% above gilts):

- **Short-term rates.** The Bank Rate will remain at 0.5% through 2013/14 and probably until the end of 2015/16.
- **Long-term rates.** 20-year Government gilt rates will rise in 2013/14 from 2.80% to 2.90%
- **Very long-term rates.** 50-year Government gilt rates will rise in 2013/14 from 3.30% to 3.40%

5.0 Economic Background

- UK growth is unlikely to return to above trend for the foreseeable future. Q3 GDP was strong at 0.9% but this momentum is unlikely to be sustained in Q4 or in 2013. The rebalancing from public-sector driven consumption to private sector demand and investment is yet to manifest, and there is little sign of productivity growth. Further contraction in the Eurozone, including Germany's powerful economy, and slower forecast growth in the emerging economies (Brazil/Mexico/India) are exacerbating the weakness.
- Consumer Price Inflation has fallen to 2.7 % from a peak of 5.2%. Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated. Real wage growth (i.e. after inflation) is forecast to remain weak.
- The fiscal outlook for bringing down the structural deficit and stabilise debt levels remains very challenging. Weakened credibility of the UK reining in its levels of debt poses a risk to the AAA status, but recent history (US, France) suggests this may not automatically result in a sell-off in gilts.
- In the absence of large, unexpected decline in growth, Quantitative Easing (QE) is likely to remain on hold at £375bn for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.
- The US Federal Reserve's shift in its rate guidance from a date-based indication to economic thresholds (6.5% unemployment, inflation 1 – 2 years out projected to remain below 2.5%, longer term inflation expectations remain well anchored) is likely to increase market uncertainty around the highly volatile US employment data releases.
- The Eurozone is making slow headway which has curtailed some of the immediate risks although peripheral countries continue to struggle. Fully-fledged banking and fiscal union is still some years away.
- In the US, the issues of spending cuts, reducing the budget deficit and raising the country's debt ceiling remain unresolved. A failure to address these by March 2013 could lead to a similar showdown and risks a downgrade to the US sovereign credit rating by one or more agencies.
- A reversal in market risk sentiment from current "risk on" to "risk off" could be triggered by economic and/or political events – impending Italian and German elections, US debt ceiling impasse, difficulty surrounding Cyprus' bailout, and contagion returning to haunt the European peripheral nations – could inject renewed volatility into gilts and sovereign bonds.

Our overall strategy will be based on the projections above. However, we will maintain flexibility to take account of unexpected variations from our forecast.

6.0 Annual Investment Strategy

- 6.1 Our investment activities are subject to government guidance issued under Section 15(1) (a) of the Local Government Act 2003. This section of the Treasury Strategy Statement constitutes an “Annual Investment Strategy” produced in accordance with the guidance.
- 6.2 In accordance with Investment Guidance issued by the Department of Communities and Local Government (DCLG) and best practice the Council’s primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Council’s investments followed by the yields earned on investments is important but are secondary considerations.
- 6.3 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some countries the extent and implications of national debt built up have lead to a sovereign debt crisis and a banking crisis, with the outcome still largely unknown. It is against this backdrop of uncertainty that the Council’s investment strategy is framed.
- 6.4 *Strategy for “specified investments”*
- 6.4.1 The Council will make use of specified investments (as defined within the terms of the government guidance). These are investments that satisfy the following conditions:
- a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
 - b) The Council may require that the investment be repaid or redeemed within 12 months of the date on which the investment was made.
 - c) The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003.
 - d) The investment satisfies *either* of the following conditions:
 - I. The investment is made with the UK government, a local authority, a parish council or a community council. or
 - II. The investment is made with a body or in an investment scheme of high credit quality
- 6.4.2 For the purpose of this strategy a body or investment scheme is deemed to be of high credit quality if it has minimum short-term ratings of F1 (Fitch), P1 (Moody’s), and A1 (Standard and Poors), and a support rating of 1 from Fitch.

6.4.3 As well as credit ratings the Council and its advisors (Arlingclose Ltd) analyse and constantly monitor the following factors in determining high credit quality when selecting countries and financial institutions for suitable investment :

- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense

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

6.4.4 Due to the current period of stress in financial markets, the Council's investments must also satisfy all the following more stringent conditions:

- The Council will not invest in non-UK institutions
- Investments of a maximum duration of 3 months are permitted with UK institutions which have the highest short term credit rating from all three main credit rating agencies
- Investments of a maximum duration of 1 month are permitted with UK institutions which meet the criteria of 6.4.2 above but do not have the highest short term credit rating from all three main credit rating agencies

6.4.5 If conditions in the financial markets worsen during 2013-14 or other factors indicate that increased security of Council funds is required, the Treasurer may impose tighter restrictions on the type of investments and institutions used by the Council, than those detailed in this strategy.

6.4.6 The Council banks with HSBC. At the current time, it does meet the minimum credit criteria and has the highest credit rating for a UK bank. Even if the credit rating falls below the Council's minimum criteria HSBC will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

6.5 *Strategy for "non-specified investments"*

6.5.1 Non-specified investments are those that do not meet the criteria in 6.4.1 above.

6.5.2 In determining which categories of non-specified investments may prudently be used, we will take account of:

- Advice from our treasury management consultants at Arlingclose.

- The views of experts at other councils.
- To the extent that investments are for a duration of 12 months or more, long-term credit ratings as determined by Fitch.

6.5.3 Due to the current period of stress in financial markets, the Council will not place its funds in non-specified investments.

6.6 *Liquidity of investments*

6.6.1 In determining the maximum period for which investments may be held, we will have regard to our most recent cash-flow forecast. We will not enter into an investment where our cash-flow forecast indicates that, as a result of that investment, we would be forced to borrow money in a future year that we would not otherwise have had to borrow.

6.6.2 We will ensure that, at the time of making a new investment, long-term investments (investments of one year's duration or more) constitute no more than 50% of our total pool of investments.

6.7 *Limit on investments with a single institution*

6.7.1 Investments with a single institution or group of banks should not exceed 20% of our total pool of investments or £5million (whichever is greater).

6.8 *Policy on the use of external service providers*

The Council uses Arlingclose Ltd as its external treasury management advisers. 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 subjected to regular review.

7.0 Policy on the Use of Financial Derivatives

7.1 A financial derivative is a contract whose value is based on, or "derived" from, an underlying financial instrument such as a loan. Local authorities have previously been able to make use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

7.2 The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

7.3 The Council does not intend to use standalone financial derivatives such as (swaps, forwards, futures and options). Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but no change in strategy will be made without full Council approval.

8.0 Requirements and Strategy for Long-Term Borrowing

8.1 The primary factor in determining whether we undertake new long-term borrowing will be cash flow need. Due to the current period of stress in financial markets, we will seek to minimise the time between borrowing and anticipated cash flow need, subject to the need to maintain day to day liquidity.

8.2 Our interest rate expectations (outlined in 4.2) provide a variety of options:

- that short-term variable rates will be good value compared to long-term rates, and are likely to remain so for potentially at least the next couple of years. Best value will therefore be achieved by borrowing short term at variable rates in order to minimise borrowing costs in the short term.
- that the risks intrinsic in the shorter term variable rates are such, when compared to historically relatively low long term fixed funding, which may be achievable in 2013/14, that the Council will maintain a stable, longer term portfolio by drawing longer term fixed rate funding at a marginally higher rate than short term rates.

8.3 Against this background caution will be adopted with the 2013/14 treasury operations. The Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

Sensitivity of the forecast - The main sensitivities of the forecast are likely to be the two scenarios below. In conjunction with the treasury advisers, we will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- If it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap
- If it were felt that there was a significant risk of a sharp fall in long and short term rates, due to growth rates remaining low or weakening, then long term borrowings will be postponed

8.4 With respect to the West Midlands Debt, variances due to timing differences between the maturity profile of the debt and repayments from authorities can be managed by short term borrowing in 2013-14. As a result, we do not anticipate that further long-term borrowing will be needed during 2013/14. We shall take

out long term borrowing on West Midlands debt when it is economically advantageous to do so.

9.0 Debt Rescheduling and Premature Repayment Opportunities

9.1 We may consider rescheduling or premature repayment with the following aims:

- the generation of cash savings at minimum risk;
- in order to help fulfil the strategy outlined in 8 above;
- in order to enhance the balance of the long-term portfolio (*by amending the maturity profile and/or the balance of volatility*).

9.2 Any rescheduling or premature repayment will be reported to an appropriate committee at the meeting following its implementation.

10.0 HRA Self Financing

10.1 Central Government completed its reform of the Housing Revenue Account Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.

10.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that authorities present this policy in their TMSS.

10.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account.

10.4 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. An average of this notional balance will be calculated annually and interest transferred between the General Fund and HRA at an internally determined rate of interest.

11. Training

11.1 CIPFA's Code of Practice requires the Treasurer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Relevant training is provided by Arlingclose to the members of the Audit Committee.

- 11.2 The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Treasurer will recommend and implement the necessary arrangements.

12 Treasury Management Advisors

- 12.1 The Authority uses Arlingclose as Treasury Management Advisors and receives the following services:
- Credit advice
 - Investment advice
 - Technical advice
 - Economic & interest rate forecasts
 - Workshops and training events for officers and members

The Authority maintains the quality of the service with its advisors by holding regular meetings and tendering periodically for the provision of treasury management advice

Meeting of the Council - 25th February, 2013

Report of the Audit and Standards Committee

Revised Wording of the Seven Principles in Public Life

Purpose of Report

1. To consider updating the Members' Code of Conduct and any other references in the Constitution or associated documentation to include revised wording of the seven principles in public life.

Background

2. The Committee on Standards in Public Life has published a report entitled "Standards Matter – A review of best practice in promoting good behaviour in Public Life" (January 2013). The full report is available on the internet at the following link:- http://www.public-standards.org.uk/Library/Standards_Matter.pdf
The report recommends changes to the descriptions of the Seven Principles in Public Life. The amended descriptions are set out in Appendix1. The Committee on Standards in Public Life has indicated that these descriptions will be used in all their future publications. Advice received from national professional bodies is that it would be appropriate to update the Council's local Codes of Conduct to reflect the new terminology.
3. The revised descriptions refer to 'holders of public office'. It is proposed that the Members' Code of Conduct be updated with the revised descriptions and that the Employees Code should also reflect the same principles when it is next reviewed in September 2013.
4. The Audit and Standards Committee at their meeting held on 14th February, 2013 will consider this matter and be recommended to approve the recommendation in paragraph 8 below. Any changes to the recommendation will be reported to this meeting.

Finance

5. There are no particular financial implications arising from this report.

Law

- 6 Section III of the Local Government Act 1972 enables the Council to do anything that is calculated to facilitate or is conducive or incidental to the discharge of any of its statutory functions.

Equality Impact

- 7 There are no equality impact implications arising from this report.

Recommendation

- 8. That the Council be recommended to authorise the Director of Corporate Resources to update the Members' Code of Conduct and any other references in the Constitution or associated documentation to include the revised wording of the seven principles in public life.



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Chair of the Audit and Standards Committee

Appendix 1

The seven principles of public life

| Principle | Revised description |
|-----------------------|---|
| <i>Preamble</i> | The principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services. |
| <i>Selflessness</i> | Holders of public office should act solely in terms of the public interest. |
| <i>Integrity</i> | Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships. |
| <i>Objectivity</i> | Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias. |
| <i>Accountability</i> | Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this. |
| <i>Openness</i> | Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing. |
| <i>Honesty</i> | Holders of public office should be truthful. |
| <i>Leadership</i> | Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs. |