

## REPORT OF POLICY AND RESOURCES COMMITTEE

(Meeting held 5 July 2000)

### 1. PRIMARY CARE TRUST – CONSULTATION DOCUMENT (REPORT A) (MINUTE NO. 7.)

The Committee has received a presentation and considered proposals which will result in the formation of a health Primary Care Trust (PCT) which will cover the entire District. The District Council is regarded as a key partner in the health economy and the existing two Primary Care Groups (PCG) which represent the area have asked for the Council's support in the formation of a PCT.

Primary Care Trusts will be freestanding organisations accountable to, but not part of, a Health Authority, with greater freedom to purchase and provide a wider range of services. The key part of their development will be the maintenance of relationships with statutory and non-statutory organisations and the involvement of the local community.

The summary document attached to the report submitted to the Committee outlined the main details of the proposed PCT, which is subject to consultation between July and September this year. The consultation results will inform the application which will be returned to the Health Authority, which must then make a recommendation to the Secretary of State for Health for a possible start date of a new PCT of 1 April 2001.

The Committee has agreed to support the proposal to form the New Forest District Primary Care Trust and as a consequence, will support the PCT consultation process.

### 2. RECOMMENDATIONS FROM MODERNISATION WORKING PARTY – 5 MAY AND 30 JUNE 2000 (REPORT D) (MINUTE NO. 10.)

The Committee has considered extensive proposals on a wide range of issues relating to the Government's Modernisation Agenda.

#### **RECOMMENDED:**

- (a) ***That the revised Indicative Portfolios as set out in Appendix 2 to these minutes be approved (Appendix 1 to this Report);***
- (b) ***That, the draft constitution be approved in principle, together with the schedules and annexes subject to:-***
  - (i) ***The insertion of the word "eight" at paragraph 3(1) (number of members of Cabinet); and***
  - (ii) ***That deletion of the first two options at paragraph 4 (ii) to provide for the Council each year to determine the portfolios of individual members of the Cabinet and for the Leader of the Council to appoint the Cabinet members.***

- (c) ***That, in respect of community planning:-***
- (i) ***The draft timetable set out in paragraph 4.1 of Report C to the Modernisation Working Party on 5 May 2000 form the basis of future discussions and presentations with regard to community planning;***
  - (ii) ***Key partners be informed of the preliminary consideration that has taken place on the issue to date and the draft proposals for a seminar in July 2000;***
  - (iii) ***A review of the existing structure of liaison meetings with other bodies take place when the approach to community planning is known;***
  - (iv) ***A further report be prepared on how community planning might impact on the future operation of the organisation.***
- (d) ***That, in respect of Standing Orders for Meetings***
- (i) ***The Standing Orders for Meetings attached as Appendices 4 and 4(1) to Report D to the Committee be approved;***
  - (ii) ***The existing Standing Orders for Meetings be separated to provide for Standing Orders for meetings and a new set of Standing Orders for general procedures;***
  - (iii) ***The wording of Standing Orders for Meetings be revised to make them more easily understood;***
  - (iv) ***Further reports be submitted to the next meeting of the Working Party on:***
    - (1) ***The sound recording of meetings;***
    - (2) ***The implications of Councillors being required to stand to address meetings of the Council;***
    - (3) ***The process for the appointment of members of the Cabinet and the proposed Deputy Leader of the Council; and***
    - (4) ***The process for the circulation of agenda for meetings of the Cabinet.***
- (e) ***That the portfolios for Members, the Chairman of the Council, the Vice-Chairman of the Council, the Chairmen of Regulatory Committees, the Chairmen of the Portfolio Performance and Review Panels and of Opposition Leaders, attached as Appendices 6-11 to Report D to the Committee to these minutes, be approved;***
- (f) ***That the names of the Overview and Scrutiny Panels be changed to Portfolio Performance and Review Panels;***
- (g) ***That the number of Portfolio Performance and Review Panels be increased to six, with each Panel having a membership of nine;***

- (h) *That one Portfolio Performance and Review Panel be responsible for overseeing the work of the Leader's and the Resources' portfolios, and that the remaining five Panels be allocated responsibility for overseeing the work of the individual portfolio holders within the Cabinet;*
- (i) *That the allocation of discretionary functions between the Council and the Cabinet as shown in Annex 1 to Schedule 2 Appendix 2 to Report D to the Working Party to these Minutes be approved;*
- (j) *That the protocol for the resolution of disputes between the Cabinet and the Council, attached as Schedule 8 of Appendix 2 to Report D to the Working Party to these Minutes, be approved for incorporation within the recommended Constitution.*

### **3. BEST VALUE PERFORMANCE PLAN 2000/2001 – DISTRICT AUDITOR'S REPORT (REPORT E) (MINUTE NO. 11.)**

The Local Government Act 1999 and the Audit Commission's Code of Audit Practice require the District Auditor to audit the Council's Best Value Performance Plan.

The District Auditor attended Strategic Performance Review Sub-Committee on 20 June and presented his findings. He has issued an unqualified opinion that the Council has prepared and published its Performance Plan in all significant aspects. The District Auditor's views were extremely positive and noted that:-

- Our Best Value performance to date is among the best.
- There is a high level of commitment to improvement.
- Best Value is seen as an opportunity, not a threat.
- There is effective project management of Best Value.

The draft response to the statutory recommendations of the District Auditor has been approved.

The recommendations had already been identified as areas of future activity and the Best Value Project Team work programme reflected this.

### **4. MACPHERSON REPORT – IMPLICATIONS FOR THE COUNCIL'S EMPLOYEES AND POLICIES (REPORT F) (MINUTE NO. 15.)**

The Committee has considered a report on the employment implications for the Council of the MacPherson report which followed the death of Stephen Lawrence.

The implications for all services impacting on the public will be considered by the relevant service committees in due course.

It was noted that the Council's existing Equal Opportunities policies already cover many of the elements referred to in the MacPherson report and provided a useful foundation for further work.

The means to achieving a representative workforce and the training and development requirements needed to make a real difference in challenging racism were also outlined.

The MacPherson report definition of a racist incident as '...any incident which is perceived by to be racist by the victim or other person' has been adopted by Policy and Resources Committee, insofar as it refers to employment issues.

The Committee has adopted the Commission for Racial Equality's Standard for Racial Equality and will continuously strive to improve its position. Targets for 1% of jobs advertised locally and 7% for jobs advertised nationally have been set for a proportion of black, Asian and ethnic minority employers within the workforce, with appropriate monitoring against the targets to be carried out and reported annually to Policy and Resources Committee.

In addition, a pilot programme of diversity and cultural awareness training will be provided to a number of employees during 2000/2001 and a diversity policy will be developed and introduced. Further training will be provided to cover all employees in the next two years.

Finally, specific training will be provided to managers on an on-going basis to deal with racism issues. Any regulations relating to the selection of contractors will also be adopted when these are issued in the Local Government Act 1999.

**5. FINAL ACCOUNTS 1999/2000 – BAD DEBTS WRITE-OFF (REPORT G)  
(MINUTE NO. 16.)**

Members have noted the total bad debt write-off for 1999/2000 of £1.1m, which represented 0.7% of the total income due or related turnover. The bulk of this consisted of old irrecoverable accounts for Community Charge, National Non-Domestic Rates and Council Tax.

**6. TREASURY MANAGEMENT POLICY STATEMENT (REPORT K)  
(MINUTE NO. 20.)**

Under Section 45 of the Local Government and Housing Act 1989, Councils are required to determine several fundamental items of financial policy for at least the ensuing year. The CIPFA Code of Practice on Treasury Management in Local Authority also recommends that each Council gives formal approval to Treasury Management Policy Statement which is broader in scope than the specific requirements of the 1989 Act.

Once adopted, the Policy Statement becomes the key document for the Council and the Director of Finance in the operation, review and performance assessment of treasury management.

The existing Treasury Management Policy Statement has been reviewed and various amendments have been incorporated.

***RECOMMENDED:***

***That the revised Treasury Management Policy Statement attached as Appendix 2 be approved and implemented.***

**7. REVENUE AND CAPITAL EXPENDITURE 1999/2000 – PROBABLE ACTUALS (REPORT L) (MINUTE NO. 21.)**

The Committee has noted probable actual expenditure for 1999/2000, as compared with the original approved budget for the year in relation to the General Fund, Housing Revenue Account and Capital Expenditure Programme. The report also detailed the probable actual trading position for the Direct Services Organisation, Tax and Benefits, Catering and Housing Contractors.

The 'probable actual' figures are provisional and will remain so until they are audited by the District Auditor, with the final financial position 1999/2000 being reported to the Committee in September.

The Committee has agreed to note the position on the General Fund for 1999/2000 (£30,000 less than the original budget); note the position on the Housing Revenue Account for 1999/2000 (probable deficit of £57,000) noted the probable actual expenditure for 1999/2000 whilst carrying forward to 2001 Capital Expenditure for £587,000 for other services Capital Schemes and £276,000 for Housing Capital Schemes; agreed the trading position of the DSO, Tax and Benefits Catering and Housing Contractors for the year 1999/2000; deferred a decision on the strategic use of the Housing Capital Housing Contract Reserve to a later meeting and until such time as the full implications of the Housing Green Paper have been evaluated; and instructed service committees during the review of their expenditure plans to consider carefully the phasing of bids for Capital Expenditure to reduce slippage.

**8. FINANCIAL STRATEGY 2001/2002 TO 2004/2005 (REPORT N) (MINUTE NO. 23.)**

The Committee has considered a report which begins the process for development of a General Fund Financial Strategy for the four year period commencing 1 April 2001 and included consideration of strategic finance, the democratic process, national issues effecting the budget, Council Tax levels, Corporate Charging Policy, Financial Projections and various other issues.

The strategic approach to the allocation of resources has been endorsed and the new democratic arrangements will be used to develop both the Financial Strategy for the four year period commencing 1 April 2001 and the detailed budget guidelines for the year 2001/2002.

**9. EARLY TERMINATIONS OF EMPLOYMENT 1 APRIL 1999 TO 31 MARCH 2000 (REPORT P) (MINUTE NO. 26.)**

In addition to noting detail on early terminations of employment which had taken place during the period, the Committee has noted that further information will be provided in due course on one of the early terminations.

**Councillor M Kendal  
VICE-CHAIRMAN**

**PORTFOLIO FUNCTIONS**

1. Crime and Disorder – Crime and Disorder  
Road Safety
  
2. Environment - Environmental Health  
Refuse Collection  
Street Cleaning  
Car Park Management  
Ground Maintenance  
Transportation
  
3. Housing Services - Housing Strategy  
Housing Service Delivery  
Health  
Meals on Wheels
  
4. Economy & Planning - Planning Strategy  
Economic Development  
Building Control  
Highways  
Engineering
  
5. Leisure - Sports  
Art  
Museums and Heritage  
Open Space  
Tourism
  
6. Finances & Support - Finance Strategy including housing finance  
ICT  
Democratic and Legal  
Asset Management  
Council Tax and Benefits
  
7. Leader - Policy and Strategy  
Public Relations  
Modernisation  
Best Value  
Human Resources
  
8. Without Portfolio

**NEW FOREST DISTRICT COUNCIL**

**TREASURY MANAGEMENT POLICY STATEMENT**

**1. DEFINITION OF THE APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION**

- 1.1 Responsibility for the activities of the treasury management operation has been delegated to the Director of Finance.
- 1.2 The approved activities of the treasury management operation cover the following:
  - a. analysing internal and external information, cash flow management and methods of transmitting money, i.e. by cheques, bank transfers, Bank Automated clearing system (BACS), Clearing House Automated Payments System (CHAPS) and Direct Debit.
  - b. investing temporary surpluses in approved investments and financing capital expenditure by approved borrowing instruments.
  - c. ensuring that the repayment dates for the Council's borrowing are reasonably spread out. i.e. the borrowing profile.
  - d. dealing with other financial institutions such as brokers, banks, the Public Works Loan Board.(PWLB)
  - e. centralising the treasury management operation within the finance directorship.
  - f. reviewing and proposing strategies to Members on treasury management operations.
  - g. ensuring that effective security and controls are in place and an effective operation is reviewed and adhered to.
  - h. establishing and monitoring the performance of the treasury management operation.
  - i. ensuring that adequate banking arrangements are made and monitored for the Council.
  - j. selecting and appointing professional external investment fund managers and monitoring and reviewing the performance of the funds against agreed benchmarks.

**2. FORMULATION OF TREASURY MANAGEMENT STRATEGY**

- 2.1 The Council will formulate a strategy that covers the raising of capital finance, investment of surplus money and managing cash flow both externally and between the Council's funds as appropriate. Treasury management activities in the year should be conducted in accordance with the strategy

### **3. APPROVED METHOD OF RAISING CAPITAL FINANCE**

3.1 The following list specifies which borrowing instruments the Council may adopt:

PWLB  
Money Market Loans - Long Term  
Money Market Loans - Temporary (loans up to 364 days)  
Local temporary borrowing  
Local Bonds  
Bank Overdraft  
Negotiable Bonds  
Stock Issues  
Council's own internal funds (capital receipts and revenue balances)  
Commercial paper  
Medium term Notes  
Leasing  
Deferred Purchase  
Bills

3.2 No other instrument other than those listed above may be used.

### **4. DEFINITION OF APPROVED SOURCES OF BORROWING**

4.1 The following list specifies which borrowing instruments the Council will use:

PWLB	Council's own internal funds
Market long-term borrowing	Leasing
Market temporary borrowing	Charities or Individuals
Bank Overdraft	

4.2 Paragraph 12, Schedule 2 of the Banking Act 1987 exempts local authorities from the need for Bank of England authorisation to take deposits.

### **5. APPROVED INSTRUMENTS FOR INVESTMENTS**

5.1 The following instruments may be used for investments:

Externally Managed Funds	Internal Loans
Fixed Deposits	Gilts
Call/Notice Deposits	Certificates of Deposit

5.2 No other instruments other than those listed above may be used.

### **6. DEFINITION OF APPROVED ORGANISATIONS FOR INVESTMENTS**

The following organisations constitute the counterparties with whom temporary investments will be made. These are in line with treasury consultant's recommendations and in most cases are more restrictive.



## 6.1 Banks incorporated within the United Kingdom

Banks which are UK clearing banks or which are incorporated in the UK and which have at least a short term credit rating of F1, according to FITCH The International Rating Agency, will be used for temporary investments a short term credit rating of F1 and a long term credit rating of A can borrow up to £5M for 364 days a short-term rating of F1 only can borrow up to £3m for 185 days

### 6.1.1 Examples of the banks that meet the above criteria are as follows:-

Abbey National PLC	HSBC
Alliance & Leicester PLC	Lloyds Bank PLC
Bank of Scotland PLC	National Westminster Bank PLC
Barclays Bank PLC	Northern Rock PLC
Citibank International	Royal Bank of Scotland
HFC Bank PLC (GDS)	Standard Chartered Bank PLC
Halifax PLC	Woolwich PLC

## 6.2 Foreign Banks

Foreign Banks that have at least a short term credit rating of F1 and a long term credit rating of A+, according to FITCH The International Rating Agency, will be used for temporary investments of up to £3M for 185 days.

### 6.2.1 Examples of the banks that meet the above criteria are as follows:-

Allied Irish Banks	Dresdner Bank
Bank Austria	Hamburgische Landesbank
Banco Bilbao Vizcaya	Irish Intercontinental Bank
Bank of Ireland	KBC Bank
Banque Internationale a Luxembourg	Norddeutsche Landesbank Girozentrale
Bayerische Landesbank Giro.	National Bank of Canada
Commerzbank	National Australia Bank
Credit Agricole Indosuez	Svenska Handelsbanken
Depfa Bank Europe	Toronto Dominion Bank

## 6.3 Building Societies

The Council may invest in the top 40 Building Societies according to credit rating and asset size.

Building Societies with a short term rating of F1, according to FITCH The International Rating Agency, can borrow up to £5M for 364 days.

Other building societies in the top 25 by asset size can borrow up to £5M for 185 days.

Buildings Societies ranked 26 to 40 by asset size can borrow up to £3M for 95 days.

6.3.1 Examples of building societies that meet the above criteria are as follows:-

Bradford & Bingley	Market Harborough
Britannia	Marsden
Cambridge	National Counties
Chelsea	Newcastle
Cheshire	Nationwide
Coventry	Newbury
Cumberland	Norwich & Peterborough
Darlington	Nottingham
Derbyshire	Portman
Dunfermline	Principality
EBS	Progressive
Furness	Saffron Walden
Hinckley & Rugby	Scarborough
ICS	Skipton
Kent Reliance	Staffordshire
Lambeth	Stroud & Swindon
Leeds & Holbeck	West Bromwich
Leek United	Universal
	Yorkshire

6.4 Other Merchant Banks

Merchant banks which have at least a short term credit rating of F1, according to FITCH The International Rating Agency, will be used for temporary investments of up to £3M for 185 days.

6.4.1 Examples of the banks that meet the above criteria are as follows:-

Lazard Brothers & Co.	Morgan Grenfell & Co. Ltd
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6.5 Other Local Authorities

The Council may invest temporarily with all other local authorities. The maximum each one may borrow is £5M for up to 364 days.

6.6 Nationalised Industries and Public Corporations

The Council may invest with all bodies within this category. The maximum each one may borrow is £5M for up to 364 days.

6.7 Subsidiaries

The Council may invest with the wholly owned subsidiaries of those UK Clearing banks that have a short term rating of at least F1 and a long term rating of at least A according to FITCH The International Rating Agency.

The Council may invest with the wholly owned subsidiaries of any building societies and as such is guaranteed by the parent company under section 22 of the Building Societies Act 1986.

The maximum each one may borrow is £3m for 185 days.

6.7.1 Examples of the banks that meet the above criteria are as follows:-

Bank of Wales	HSBC Asset Management
British Linen Bank Ltd	Royscot Trust
Capital Bank PLC	TSB Scotland PLC
Girobank	Ulster Bank
Hong Kong Investment Bank	

6.8 Maximum Investment

No more than 20% of the current total sum temporarily invested may be deposited with any one organisation at any one time, unless the total temporary invested is less than £2.5m in which case the maximum investment is £0.5m.

6.9 Accidental Breach of Limits

The Council will operate “daylight exposure”. This is a technique that ensures that in no circumstances can limits be exceeded. Normally, in calculating the amount of investment for each day, treasury staff are entitled to assume that a sum due back from an organisation will be received on the due date before making a further investment with that organisation. If for some technical reason the repayment does not arrive in the Council’s bank account it is possible that, after a new investment is made with the same organisation, limits will be exceeded.

## **7. POLICY ON INTEREST RATE EXPOSURE**

7.1 Section 45 of the Local Government and Housing Act 1989 requires the Council to fix the maximum proportion of interest on borrowing which is subject to variable rate interest before the commencement of each financial year. This policy will be set in the light of current interest rate forecasts and the Treasury Management Strategy.

## **8. POLICY ON EXTERNAL MANAGERS**

8.1 The Council’s policy is to appoint full time professional external investment fund managers, if estimated interest earnings can be increased.

8.2 The question of delegation has been addressed by this Council given that the following steps have been taken:

- the contractual agreement and documentation has been agreed
- a performance target has been set
- the fee payment basis has been agreed
- the investment counterparty constraints have been set
- the asset allocation parameters have been set
- performance is reported quarterly and valuations given monthly
- meetings with investment managers occur six monthly

8.3 The existing agreements are regularly assessed and it is expected that the arrangements will be reviewed annually.

## **9. POLICY ON DELEGATION**

- 9.1 The Director of Finance is authorised by the Council to exercise the investment and borrowing powers of the Council in accordance with Council Policy, The CIPFA Standard of Professional Practice on Treasury Management and professional codes of practice.
- 9.2 The Director of Finance may delegate the operations of Treasury Management to the Assistant Director of Finance - Corporate & Client Services, and subordinate staff in connection with the approved activities of Treasury Management.
- 9.3 Any changes to delegated powers should be reported to Policy and Resources Committee and if necessary to full Council.

## **10. REVIEW REQUIREMENTS AND REPORTING ARRANGEMENTS**

- 10.1 The Director of Finance will report to the Policy and Resources Committee on Treasury Management as follows:-
  - JULY - For the annual report for the previous year.
  - DECEMBER - for the report for the first half year.
  - FEBRUARY - for the report for the first 9 months.
  - for the strategy report for the next financial year.
  - for the borrowing limits report for the next financial year.
- 10.2 The Director of Finance will report on the Treasury Management Code of Practice at the July Policy and Resources meeting each year.
- 10.3 Reporting requirements will need to be reviewed once the new democratic arrangements are formally adopted by the Council.

(PR050700)