



To: Chair and Members of the County Council

Date: 22 February 2012

Direct Dial: 01824712589

e-mail: dcc_admin@denbighshire.gov.uk

Dear Councillor

You are invited to attend a meeting of the **COUNTY COUNCIL** to be held at **10.00 am** on **TUESDAY, 28 FEBRUARY 2012** in **THE COUNCIL CHAMBER, COUNTY HALL, RUTHIN LL15 1YN.**

Yours sincerely

G Williams
Head of Legal and Democratic Services

AGENDA

1 APOLOGIES

To receive apologies for absence.

2 DECLARATIONS OF INTEREST

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS AS AGREED BY THE CHAIR

Notice of items which, in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 MINUTES (Pages 1 - 8)

To receive the minutes of the Council meeting held on the 7 February 2012 (copy enclosed).

5 ANNUAL IMPROVEMENT REPORT (Pages 9 - 12)

To consider a report by the Head of Business, Planning and Performance (copy enclosed) which outlines the Council's response to the WAO's Annual Improvement Report.

6 COUNCIL TAX 2012 / 13 AND ASSOCIATED MATTERS (Pages 13 - 20)

To consider a report by the Chief Finance Officer (copy enclosed) to consider the precepts received from the North Wales Police Authority and the Town / Community Councils and declare the Council Tax levels for the 2012 / 2013 financial year.

7 RECOMMENDATIONS OF THE STRATEGIC INVESTMENT GROUP
(Pages 21 - 28)

To consider a report by the Head of Finance and Assets (copy to follow) which contains information in the report and in a **confidential** appendix on the capital bids received for inclusion in the Council's 2012 / 2013 capital plan.

8 REVIEW OF THE NEW SCRUTINY SYSTEM (Pages 29 - 44)

To consider a report by the Head of Business, Planning and Performance (copy enclosed) which outlined the conclusions of a review of the new scrutiny system adopted by the Council in May 2011.

Comfort Break

9 CONSTITUTION REVIEW (Pages 45 - 78)

To consider a report by the Monitoring Officer (copy enclosed) to inform Members of the outcome of the consultation process to date and suggested areas of changes to the Council's Constitution.

10 TREASURY MANAGEMENT STRATEGY STATEMENT 2012 / 13 AND PRUDENTIAL INDICATORS 2012 / 13 TO 2014 / 15 (Pages 79 - 104)

To consider a report by the Head of Finance and Assets (copy enclosed) which shows how the Council will manage its investments and its borrowing for the coming year and seeks approval for the policies within which the Treasury Management function operates.

11 TIMETABLE FOR COUNCIL AND COMMITTEE MEETINGS FOR 2012 / 13

To consider a report by the Head of Legal and Democratic Services (copy to follow) for County Council to approve the timetable of meetings for 2012 / 2013 as detailed in appendix 1 of the report.

12 NOTICE OF MOTION

To consider the following Motion submitted by Councillor Brian Blakeley:

"The Council notes with concern the fact that the Local Development Plan Inspector has reached a preliminary conclusion that the County Council has made insufficient provision for housing.

This Council wishes to remind both Cabinet members and officers of the extent of authority delegated to them and recognise that it is for the full Council to decide upon any changes to plans and alterations which comprise the Local Development Plan.

This Council wishes to inform the Inspector that all Council members must be informed of any change to policy, proposals or strategy discussed by officers, at explanatory meetings, on behalf of Denbighshire County Council are matters that must first be subject of approval by full Council."

13 COUNCIL FORWARD WORK PROGRAMME (Pages 105 - 108)

To consider the Council's forward work programme (copy enclosed).

MEMBERSHIP

Councillors

Ian Armstrong
Raymond Bartley
John Bellis
Brian Blakeley
Joan Butterfield
June Cahill
Jeanette Chamberlain-Jones
William Cowie
Ann Davies
Carl Davies
James Davies
Meirick Davies
Pauline Dobb
Peter Duffy
Michael Eckersley
Christine Evans
Gwilym Evans
Hugh Evans
Bobby Feeley
Sharon Frobisher
George Green
Ian Gunning
Diana Hannam
Colin Hughes

Neville Hughes
Rhiannon Hughes
Rhys Hughes
Glyn Jones
Huw Jones
Morfudd Jones
Richard Jones
Gwyneth Kensler
David Lee
Paul Marfleet
Lucy Morris
Peter Owen
Dewi Owens
Allan Pennington
Barbara Smith
David Smith
David Thomas
Selwyn Thomas
Julian Thompson-Hill
Cefyn Williams
Eryl Williams
Glyn Williams
Jane Yorke

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COUNTY COUNCIL

Minutes of a meeting of the County Council held in the Council Chamber, County Hall, Ruthin LL15 1YN on Tuesday, 7 February 2012 at 10.00 am.

PRESENT

Councillors Ian Armstrong, Raymond Bartley, John Bellis, Brian Blakeley, Joan Butterfield, June Cahill, Jeanette Chamberlain-Jones, William Cowie (Chairman), Ann Davies, James Davies, Meirick Davies, Pauline Dobb, Michael Eckersley, Christine Evans, Gwilym Evans, Hugh Evans, Bobby Feeley, Sharon Frobisher, George Green, Ian Gunning, Diana Hannam, Neville Hughes, Rhys Hughes, Glyn Jones, Huw Jones, Morfudd Jones, Richard Jones, Gwyneth Kensler, Paul Marfleet, Lucy Morris, Peter Owen, Dewi Owens, Allan Pennington, Barbara Smith, David Smith, David Thomas, Selwyn Thomas, Julian Thompson-Hill, Cefyn Williams, Eryl Williams and Jane Yorke

ALSO PRESENT

Chief Executive (MM), Corporate Directors: Learning & Communities (HW); Demographics, Wellbeing & Planning (SE), and Business Transformation & Regeneration (BJ), Head of Legal and Democratic Services (RGW), Head of Finance and Assets (PM), Head of Planning, Regeneration and Regulatory Services (GB), Community Safety Enforcement Manager (RS) and Committee Administrator (KEJ)

POINTS OF NOTICE

- the Chairman conveyed the Council's condolences to Councillor C. Hughes on the sad loss of his mother
- the Leader, Councillor H.H. Evans referred to the recent Estyn Inspection of Education Services and although findings were still provisional, he was pleased to report upon the positive position of the authority and praised the way in which the council had approached the process. He also praised councillors' knowledge of education based services with particular mention of the Scrutiny Chairs. Finally he commended the work of the Lead Member for Welsh Language, Children, Young People and Leisure and the Lead Member for Education for leading the authority through some difficult circumstances. Special thanks were also extended to the Corporate Director Learning and Communities and his staff
- the Head of Legal and Democratic Services read out a notice of motion which had been received immediately prior to the meeting concerning the preliminary conclusion reached by the Local Development Plan (LDP) Inspector; the extent of delegated authority relating to the LDP and the need to inform the Council of related matters requiring approval by full Council. His advice was that the matter should not be considered at today's meeting as it was not an emergency item but could be put on the next Council agenda if the relevant notice of motion was given

PRAYERS

Prayers were offered at the commencement of the meeting by Reverend Val Rowlands.

1 APOLOGIES

Councillors C. Hughes, R.W. Hughes, D.W. Lee and G. Williams.

2 DECLARATIONS OF INTEREST

Councillor I.A. Gunning raised a personal interest in agenda item 7 'Local Authorities (Alcohol Consumption in Designated Public Places) Regulations 2007' as he was a member of the North Wales Police Authority.

3 URGENT MATTERS AS AGREED BY THE CHAIR

No urgent matters had been raised.

4 CHAIRMAN'S DIARY

The Chairman referred to the civic engagements he had undertaken on behalf of the Council in January 2012 (diary previously circulated).

***RESOLVED** that the events attended by the Chairman in January 2012 be noted.*

5 MINUTES

The minutes of the Council meeting held on 10 January 2012 were submitted.

Accuracy – Councillor E.R. Jones advised that his submitted apologies had not been recorded in the minutes.

***RESOLVED** that, subject to the above, the minutes of the meeting held on 10 January 2012 be confirmed as a correct record and signed by the Chairman.*

6 2012 / 13 BUDGET

Councillor J. Thompson-Hill, Lead Member for Finance and Efficiency presented the report (previously circulated) seeking Council's approval of the 2012/13 budget and agreement to the resulting 2.8% increase in the level of Council Tax.

The Lead Member referred to the greater member involvement within the budget process compared to previous years and the review of the process by the Performance Scrutiny Committee which had found the system successful. Members were advised of the final settlement from the Welsh Government which showed an increase of 0.7% in revenue grant but a 6.9% reduction in the capital settlement. The implications on the Medium Term Financial Plan were highlighted together with the savings required over the next three years and the latest forecasts in terms of budget assumptions. Reference was also made to the allocations for investment in priority areas and Cabinet's recommendation that the unspent

contingency funds be allocated to 21st Century Schools and Town Plans & Communities (the exact allocation would be subject to a full business case to Cabinet). The budget proposals would result in a Council Tax rise of 2.8% and indicative figures suggested Denbighshire would probably be the second lowest rise in North Wales for 2012/13. Comparisons with other North Wales authorities indicated that Denbighshire had closed the gap to approximately £10 on a Band D property.

In conclusion Councillor Thompson-Hill emphasised that the budget needed to be sustainable and had been developed with a view to protecting front line services as much as possible. The proposals would deliver in excess of £3m savings with an investment of £1.3m in priorities and an additional £1.4m to schools. The proposed budget would be delivered with a Council Tax increase below the rate of inflation and would hold the authority in good stead for the future.

Councillor J. Thompson-Hill proposed the recommendations contained within the report which were seconded by Councillor M.J. Eckersley.

For clarity Councillor E.W. Williams advised that Cabinet had recommended the unspent contingency funds be allocated to Modernising Education of which 21st Century Schools was a part and for consistency he asked that Council allocate that funding to Modernising Education. Members accepted the amendment and upon being put to the vote it was –

RESOLVED that –

- (a) *subject to the above amendment the budget proposals for 2012/13 as detailed in the appendix to the report be approved, and*
- (b) *the resulting 2.8 % increase in the level of Council Tax for 2012/13 be agreed.*

The Head of Finance and Assets highlighted that it was a sensible budget which would stand the authority in good stead for the medium term. He had tried to involve members as much as possible within the budget setting process which he believed had been reflected by the absence of questions prior to approving the budget. He hoped to continuously improve the process with a view to securing a unanimous decision for next year's budget.

7 LOCAL AUTHORITIES (ALCOHOL CONSUMPTION IN DESIGNATED PUBLIC PLACES) REGULATIONS 2007

Councillor I.A. Gunning raised a personal interest in this item as he was a member of the North Wales Police Authority.

The Head of Planning, Regeneration and Regulatory Services (H:PR&RS) submitted a report (previously circulated) asking members to consider implementing an order regarding the consumption of alcohol in all public places delineated within the 30mph speed limit of Rhyl, Prestatyn, St. Asaph, Rhuddlan, Denbigh, Ruthin, Llangollen, Corwen, Dyserth and Bodelwyddan. Statistical information regarding the number of alcohol related offences in the proposed areas (Appendix A);

consultation responses to the proposals (Appendix B) together with Public Notice (Appendix C) had been attached to the report.

The H:PR&RS and Community Safety Enforcement Manager (CSEM) –

- emphasised the intention of the Order was not to impose a drinking ban but would give discretionary powers to the Police to effectively tackle public nuisance and disorder linked to the consumption of alcohol in Denbighshire
- recommended an extension to the areas currently subject to an Order and introduced new areas where evidence indicated problems of crime, public nuisance, disorder and anti social behaviour linked to the consumption of alcohol in public places
- provided some background history to the report detailing the areas in which such Orders were already in force and the benefits derived but a consequence of that success having led to displacement to other areas
- provided examples of when the Police could exercise their discretion under the Order including curtailing the activities of underage drinkers and drinkers congregating in particular areas which could be disruptive to the community
- confirmed that the proposed areas had been identified following a strategic assessment of crime and disorder which would be reviewed on an annual basis.

Members considered the results of the consultation together with the evidence provided in terms of alcohol related offences in the proposed areas. Overall members welcomed the report and supported the introduction of an Order to address the issues linked to the consumption of alcohol in public places. The successful introduction of the Order in Rhyl was highlighted which had been evidenced by the reduction in the number of alcohol related offences and it was hoped this could be replicated in other areas. Reference was also made to the successful partnership working between the Council and the Police which provided an excellent example of joint working to benefit the community. However a number of reservations were raised in terms of proportionality with assurances sought regarding the Police's application of such powers in particular circumstances and the implications of introducing the Order. A number of concerns had also been raised regarding the lack of detailed statistics to support the widespread proposals.

The officers responded to members as follows –

- confirmed that alcohol related crime had reduced in Conwy and Denbighshire against an increase in other neighbouring authorities and highlighted the work of the Community Safety Partnership and enforcement measures to tackle the issue
- the expectation that the introduction of the proposals would help sustain and improve future performance by providing powers to control anti social drinking
- the Police had provided detailed statistics and an overview had been produced within the report; the full detail could be submitted to the relevant scrutiny committee and member area groups for further consideration if necessary
- the statistics produced within the report had formed the basis for consultation although further statistics from April 2010 onwards could be provided if requested

Members also discussed a number of issues with the officers associated with their particular town and communities as follows –

- in welcoming an extension to the existing Order, Councillors D. Hannam, J. Butterfield and B. Blakeley had been pleased to note the reduction of alcohol related crime in Rhyl and paid tribute to the hard work of all those involved. They reported upon the problems associated with hardened street drinkers and people congregating outside particular premises together with the difficulty in managing those problems. In response to questions the CSEM reported that it was the Police's role to manage anti social behaviour and the Council provided assistance through the provision of CCTV and engaging with licensees in addressing the conduct of their customers
- Councillor J.R. Bartley welcomed the introduction of an Order for Denbigh but voiced his concern over the delay in reaching this stage of the process and highlighted the need for better communication between collaborative partners. The CSEM advised that Denbigh Town Council had not confirmed their support for the Order until December 2010
- Councillor E.R. Jones advised that the crime figures for Bodelwyddan were misleading as they included incidents relating to Glan Clwyd Hospital together with 41 crimes recorded in August which related to one incident. The CSEM confirmed that the Police recorded the number of crimes as opposed to the number of offenders and agreed to provide a further breakdown of the crime figures to Councillors E.R. Jones and M.Ll. Davies. The H:PR&RS also agreed to ask the Police to separate crime figures for the town and hospital in the future
- Councillor B. Smith referred to instances where the Police had been over zealous in the way they had dealt with young people and she felt problems may be caused if innocent youngsters were being challenged. The Chairman indicated that it was a matter for the Police as to how they handled such situations. The H:PR&RS suggested that the Member Area Groups may be interested in scrutinising individual cases arising from the annual strategic assessment of crime, disorder and anti social behaviour
- Councillor J.M. Davies highlighted that consultation on the Order for Prestatyn had not been brought before the Town Council or Member Area Group but had been dealt with by the Town Clerk and the then Mayor, Councillor M.J. Eckersley. [Councillor M.J. Eckersley referred to a number of anomalies on the consultation response from Prestatyn Town Council which should have clearly confirmed support for an Order in Prestatyn.] Councillor Davies felt that the Order may be too draconian a measure and expressed reservations that the crime statistics provided did not correlate with street drinking and that more evidence was required. The officers agreed that proportionality was important and provided assurances that action would only be taken when appropriate and that events benefiting from a Temporary Event Notice would be excluded from the Order
- Councillor T.R. Hughes stated that he did not wish for numerous signs to be erected in Llangollen identifying areas subject of the Order. In response to his

concern and further questions the CSEM reported upon the Police's powers to deal with anti social drinking and the reasoning behind the extension to deal with displacement and road safety issues. There was no requirement to erect signage but it was deemed good practice to have signs in key places

- Councillor B. Feeley referred to Ruthin Festival and queried the benefit of an Order to deal with anti social behaviour. She also highlighted the inadequate CCTV in the town and the closure of Llangollen and Ruthin Police Stations and subsequent implications on crime and disorder issues. The CSEM advised that benefits had been seen in other areas and the matter could be subject to review via the scrutiny process. Although limited, CCTV had been beneficial in pinpointing problems in certain parts of Ruthin. In terms of Ruthin Festival a premises licence had been obtained which would supersede the Order but those drinking and causing concern outside the designated area could be controlled.

Councillor I.A. Gunning reassured members that Denbighshire was a safe place to live and visit but recognised there were anti social problems linked to drinking. He welcomed the Order as a valuable tool in reducing crime and disorder and anti social behaviour associated with drinking and provided a number of statistics which highlighted the good work being undertaken and the strong partnership approach between the Council and North Wales Police. In terms of the potential closure of Police Stations and cutbacks, Councillor Gunning advised that no decisions had been made on station closures and the Police were currently recruiting. He provided assurances that a strong police presence would be maintained.

Councillor S. Frobisher proposed, seconded by Councillors I.A. Gunning that the recommendations contained within the report be approved. Upon being put to the vote it was –

RESOLVED that –

- (a) *members note the results of consultation with North Wales Police, Town and Community Councils and with owners of any land that may fall within the order, and*
- (b) *based on the evidence provided a Designated Public Place Order be made and delegated authority be granted to the Head of Planning, Regeneration and Regulatory Services to –*
 - *make an order identifying the areas as detailed within the report as Designated Public Places for the purposes of the Criminal Justice and Police Act 2001*
 - *publish a notice of making of such an order*
 - *erect signage identifying the scheduled areas as Designated Public Places*
 - *ensure that a copy of the Order is sent to the Secretary of State for the Home Office.*

8 COUNCIL FORWARD WORK PROGRAMME

The Head of Legal and Democratic Services submitted the Council Forward Work Programme for consideration advising that the next County Council meeting would be held on 28 February. He also referred to the possibility of a special County Council meeting in March dependent upon business to be transacted.

In response to a question from Councillor T.R. Hughes, the Corporate Director Business Transformation and Regeneration confirmed that she would be including an item on the Foryd Harbour project within the future Work Programme.

RESOLVED that the Council Forward Work Programme be received and noted.

The meeting concluded at 11.25 a.m.

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Report To: Council, February 28th 2012

Lead Member: Hugh Evans, Leader of the Council.

Report Author: Alan Smith, Head of Business Planning and Performance

Title: Council Response to the Annual Improvement Report

1. What is the report about?

The Council's response to the WAO's Annual Improvement Report.

2. What is the reason for making this report?

To comment on the Council's progress and to inform Members of the actions proposed in response to the 'proposals for improvement' made in the Annual Improvement report.

3. What are the Recommendations?

That the contents are noted.

4. Background

4.1. Under the Local Government Measure, the Wales Audit Office produces an annual report (AIR) measuring the Council's progress against its improvement objectives and which brings together the work of other regulatory bodies, in particular ESTYN and CSSIW. The AIR assesses progress and builds on the work of the annual Improvement Assessment work, which assesses the Council's likelihood of improving.

4.2. The overall conclusion this year is that the Council is delivering improved outcomes for residents and has made good progress in addressing those areas previously highlighted as needing improvement. The Council has come a long way from 2008 when regulators had serious concerns about the ability of the council to improve. Denbighshire is now one of the highest performing councils in Wales.

4.3. For the second year running, Denbighshire has been identified as achieving the best overall performance in Wales across the full set of national indicators. In terms of the vision we set out in 2009, Denbighshire is undoubtedly a 'high performing' Council.

4.4. Some of our services are recognised as amongst the best in Wales, for example: Waste collection; Council tax collection and Street Lighting. We are in line to achieve the Welsh Housing Quality Standard for all our Council houses, where many Councils have made little progress. For older people, we've opened two Extra Care Housing schemes in

the last year, and the new re-ablement service is delivering really positive outcomes to help people stay independent in their own community.

- 4.5. In Education, a weak area in the past, our performance has improved significantly and is mostly in the top quartile for Wales. This has been recognised by ESTYN at the recent inspection and although the outcome of this will not be published until later in the year, informal feedback places Denbighshire as one of the top performing education services in Wales.
- 4.6. The changes to the structure of the Council during the last twelve months – in particular changes to the roles of the senior management team and to the Scrutiny system – have also been acknowledged by the Wales Audit Office as positively contributing to the improvement of the Council.

5. Recommendations from the Auditor General.

- 5.1. If the WAO have significant concerns about the progress made by the Council or the direction it is taking, an Annual Improvement report will contain formal recommendations for action. The AIR for Denbighshire does not have any formal recommendations this year (there were none last year either) reflecting the WAO's positive view of the Council's progress.
- 5.2. This is not to say that we are getting everything right though, inevitably, some things need more work and both last year's and this year's Annual Reports make some proposals for improvement. We have made good progress with all the proposals made in the 2009/10 report and this year the Inspectors have made two further proposals which they feel will help the Council continue to progress. These are:

P1. The Council, in common with other authorities in Wales, should use its annual review of governance arrangements to provide a more robust self-assessment of their effectiveness.

P2. By September 2012 the Council should establish how it will support the Rhyl Going Forward delivery plan including:

- *Showing how it fits with the county regeneration programme*
- *confirming the staff and financial resources that will be available to support delivery; and*
- *arrangements for the periodic evaluation of progress.*

5.3. Response to P1.

The Council has been developing the self assessment element of its performance management systems over recent years, and the current framework is reasonably robust. It includes twice yearly Service self

assessments through the Performance Challenge system, plus an annual overarching corporate self-assessment. This is complemented by discrete work in Social Services and for ESTYN. Increasing the element of critical self analysis in the annual governance review and the resulting annual governance statement has been identified as an opportunity to strengthen this system further.

- 5.4 Accordingly, we will strengthen the self assessment element in the review of effectiveness in the Annual Governance Statement. With the key elements of Corporate Governance now in place, this will increase the emphasis on testing the effectiveness of the Council's arrangements. This work will be completed by May 2012 and will form part of the 2011/12 Annual Governance Statement.

Response to P2

- 5.5. The County Regeneration Strategy is currently in development. However, already the background work analysing economic and social issues across the county demonstrate the significant problems that exist in Rhyl as opposed to other parts of the County. On this basis, it is fully anticipated that the County Regeneration Strategy will recognise and prioritise the need for the regeneration of Rhyl. It will enable "common themes" to be identified and addressed in a more comprehensive manner across the County as well as more focussed consideration of the role of all our towns in the County, and how these roles might compliment rather than compete with each other. The County Regeneration Strategy will have been adopted by September 2012.
- 5.6. A new Programme Manager was brought in to lead the team in January 2011 leading to an increased focus on the work in Rhyl. The team now consists of:
- Programme Manager
 - Principal Officer
 - Senior Project Officer
 - Neighbourhood Management Coordinator
 - Support Officer
 - Project Manager from corporate team for Foryd Harbour
 - Housing Needs Officer from Housing Services to support West Rhyl project

This team will shortly be further enhanced by the addition of the West Rhyl Project Manager who will be responsible for coordinating the delivery of the proposals in West Rhyl.

- 5.7. As part of its commitment to the priority of regeneration, the Council has provided an additional £175,000 per annum to support the regeneration of Rhyl. The Delivery Plan itself contains a mix of committed projects which have funding in place, and aspirational

projects for which funding needs to be identified and secured. That said, already some of the key projects are funded and committed including:

- £10 million for the Foryd Harbour Bridge and harbour development – scheduled to start on site in June 2012;
- £16 million for West Rhyl (£10 m from the Centrally Retained Capital Fund and £6 m from the North Wales Coast Regeneration Area) to enable the delivery of the proposals for West Rhyl – including the creation of the new green space and associated housing refurbishments and new developments;
- £1.3 million to develop a new managed office development in the town centre (former Bee & Station pub)

5.8. The Rhyl Going Forward Neighbourhoods and Places Programme Board has been established. A key element of the Board's work will be to evaluate progress and ascertain whether real change is being delivered. To aid this, we will be developing a range of indicators to measure the impact our activity is having. These will have been developed and agreed by the programme Board by September 2012.

6. How does the decision contribute to the Corporate Priorities?

The proposed actions support the Council's aim to be high performing and our Improvement Objective to Regenerate our Communities.

7. What will it cost and how will it affect other services?

There are no additional resource implications.

8. What consultations have been carried out?

The Head of Internal Audit, Rhyl Going Forward Programme Manager, Head of Planning Regeneration and Regulatory Services and Corporate Director Business Transformation and Regeneration have been consulted on the proposed actions.

9. Chief Finance Officers Statement

The Annual Improvement Report is positive with no recommendations, consequently there are no direct cost implications as a result of this report.

10. What risks are there and is there anything we can do to reduce them?

There are no risks generated by the actions proposed in the report.

REPORT TO	COUNCIL
DATE	28 February 2012
REPORT BY	Chief Finance Officer
SUBJECT	COUNCIL TAX 2012/2013 AND ASSOCIATED MATTERS

1.0 SETTING THE COUNCIL TAX FOR 2012/2013

1.1 Background.

At the Council meeting on the 7 February 2012 members considered and approved Cabinet's budget proposals and resulting impact on Council Tax for next financial year.

The main features of the proposals included

- An increase in WAG revenue funding of 0.7%%
- A reduction in WAG general capital funding of 6.9%
- The provision of additional resources for the impact of some inflationary pressures
- Protection of schools budgets
- Increases for residential homes fees
- Savings of £3.5m
- Investment of £1m in priority areas

1.2 Section 151 Officer's statement

In accordance with the requirements of the Local Government Act 2003 the observations of the Section 151 Officer on the budget for 2012/13 are required to be presented to members.

a) Robustness of Budget Estimates

The budget proposals for 2012/13 contain a level of financial estimates. This is due to the uncertainty around the future impact upon the Council of current economic events. A considered view has been taken on the level of funding that services require and on the amount and timing of savings. The requirement to make £3.5m of savings is clearly a risk to the Council as it follows on from £6.4m of savings made in 2011/12.

However, the process of service challenges has been thorough and robust and proposals have been reviewed several times by officers and councillors. The budget depends upon the delivery of the proposed savings which will also be closely monitored and reported regularly to Cabinet.

I consider the budget proposals for 2012/13 to be sensible and robust.

b) Adequacy of Reserves

The level of general balances has improved and I consider they are broadly appropriate given the financial risks that the council faces. The 2012-13 Budget assumes a budgeted contribution, which will be phased out from 2013/14. Adequate general balances are vital to protect the Council from unforeseen problems or in year emergencies.

1.3 In adopting the resolutions of the Council meeting of the 7 February it will be necessary for the Council to pass certain further resolutions in a particular form so as to ensure that the Council Tax and its associated matters are legally valid. I attach a copy of the required resolutions and request that these be approved.

1.4 The average percentage increase for Council Tax bills (based on Band D) payable is:-
County Council increase 2.80%
Town / Community Councils average increase 5.17%
Police Authority increase 2.49 %

2.0 COUNCIL TAX RESOLUTION

It is necessary for the County Council, as the Billing Authority, to consider the precepts received from the North Wales Police Authority *and* the Town/Community Councils and declare the Council Tax levels for the 2012/2013 financial year.

2.1 TOWN/COMMUNITY COUNCILS – PRECEPTS

The following precepts have been received:-

	2012/13	2011/12
	£	£
Aberwheeler	1,950	1,950
Betws Gwerfil Goch	2,325	2,004
Bodelwyddan	54,800	31,955
Bodfari	3,075	2,525
Bryneglwys	3,300	3,000
Cefn Meiriadog	2,802	2,250
Clocaenog	4,026	3,990
Corwen	25,000	24,500
Cyffylliog	5,526	3,960
Cynwyd	2,863	2,841
Denbigh	159,838	137,004
Derwen	6,000	6,000
Dyserth	27,400	27,300
Efenechtyd	4,020	3,679
Gwyddelwern	3,440	3,424
Henllan	6,642	6,624
Llanarmon yn Ial	13,500	12,000
Llanbedr D C	5,000	5,000
Llandegla	5,508	5,508
Llandrillo	5,238	5,166
Llandyrnog	9,869	9,869
Llanelidan	3,075	2,904
Llanfair D C	5,000	4,500
Llanferres	7,500	6,300
Llangollen	82,860	67,860
Llangynhafal	2,500	1,500
Llanrhaeadr Y C	11,760	9,800
Llantysilio	7,100	6,860
Llanynys	6,522	5,232
Nantglyn	4,600	4,266
Prestatyn	350,505	349,650
Rhuddlan	43,150	55,000
Rhyl (1)	407,000	401,000
Ruthin	105,700	103,664
St. Asaph	48,875	45,000
Trefnant	6,350	4,500
Tremeirchion/Cwm/Waen	9,750	9,270
Total	1,454,369	1,377,855

3.0 DENBIGHSHIRE COUNTY COUNCIL/TOWN AND COMMUNITY COUNCILS - INCOME AND EXPENDITURE

It is recommended that the amounts calculated by the Council for the 2012/2013 financial year, in accordance with Sections 32 to 34 (1) of the Local Government Finance Act 1992 (the Act) and Alteration of Requisite Calculations (Wales) Regulations 2008 be as follows:-

£	
(a) The aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act.	277,540,64 9
(b) The aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act.	100,153,64 9
(c) The amount by which the aggregate of Section 32 (2) above, exceeds the aggregate of Section 32 (3) above, calculated in accordance with Section 32 (4) of the Act, as its budget requirement for the year.	177,387,00 0
(d) The aggregate amount which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates and revenue support grant less cost of discretionary non-domestic rate relief's.	137,371,66 3
(e) The amount at (c) above less the amount at (d) above, divided by council tax base for the year, 38,002 calculated by the Council in accordance with Section 33 (1) of the Act, (i.e. basic amount Council Tax).	1,052.98
(f) The aggregate amount of all special items referred to in Section 34 (1) of the Act (Town/Community Council Precepts).	1,454,369

4.0 DENBIGHSHIRE COUNTY COUNCIL/TOWN AND COMMUNITY COUNCILS - COUNCIL TAX

It is recommended that the amounts calculated by the Council for the 2012/2013 financial year, in accordance with Sections 34 (2) to 36 (1) of the Local Government Finance Act 1992 (the Act) be as follows:-

(a) the amounts calculated in accordance with Sections 34 (2) and (3) of the Act as the basic amounts of its Council Tax for the year for dwellings in part of the Council's area :-

COUNCIL TAX 2012/2013 BAND 'D'

<u>Community</u>	<u>Community Precept</u>	<u>County Precept</u>	<u>Total</u>
	£	£	£
Aberwheeler	11.54	1052.98	1064.52
Betws G G	15.00	1052.98	1067.98
Bodelwyddan	66.67	1052.98	1119.65
Bodfari	16.27	1052.98	1069.25
Bryneglwys	19.88	1052.98	1072.86
Cefn Meiriadog	13.80	1052.98	1066.78
Clocaenog	35.01	1052.98	1087.99
Corwen	26.29	1052.98	1079.27
Cyffylliog	25.00	1052.98	1077.98
Cynwyd	11.50	1052.98	1064.48
Denbigh	49.00	1052.98	1101.98
Derwen	27.91	1052.98	1080.89
Dyserth	26.73	1052.98	1079.71
Efenechtyd	14.01	1052.98	1066.99
Gwyddelwern	16.00	1052.98	1068.98
Henllan	18.00	1052.98	1070.98
Llanarmon yn Ial	23.68	1052.98	1076.66
Llanbedr D C	11.06	1052.98	1064.04
Llandegla	21.02	1052.98	1074.00
Llandrillo	18.00	1052.98	1070.98
Llandyrnog	20.73	1052.98	1073.71
Llanelidan	20.50	1052.98	1073.48
Llanfair D C	9.09	1052.98	1062.07
Llanferres	19.18	1052.98	1072.16
Llangollen Town	49.26	1052.98	1102.24
Llangynhafal	7.74	1052.98	1060.72
Llanrhaeadr Y C	23.90	1052.98	1076.88
Llantysilio	28.40	1052.98	1081.38
Llanynys	20.01	1052.98	1072.99
Nantglyn	28.93	1052.98	1081.91

Prestatyn	46.85	1052.98	1099.83
Rhuddlan	27.89	1052.98	1080.87
Rhyl	44.97	1052.98	1097.95
Ruthin	46.46	1052.98	1099.44
St. Asaph	35.94	1052.98	1088.92
Trefnant	9.65	1052.98	1062.63
Tremeirchion/ Cwm/Waen	15.19	1052.98	1068.17

(b) The amounts calculated in accordance with Section 36 (1) of the Act as the amounts to be taken into account for the year in respect of dwellings listed in different valuation bands. (Annex A)

5.0 NORTH WALES POLICE AUTHORITY - PRECEPT

The precept for the North Wales Police Authority for 2012/2013 is £8,153,688

In accordance with Section 40 of the Local Government Finance Act 1992, it is noted that the amounts applicable for the year in respect of dwellings listed in different valuation bands are as follows :-

Valuation Bands

A	B	C	D	E	F	G	H	I
143.04	166.88	190.72	214.56	262.24	309.92	357.60	429.12	500.64

6.0 AGGREGATE COUNCIL TAX - 2012/2013 (including North Wales Police Authority)

Having calculated the aggregates in each case of the amounts at 4.0 and 5.0 above in accordance with Section 30 (2) of the Local Government Finance Act 1992, it is

RECOMMENDED

That the amounts of Council Tax for the 2012/2013 financial year for each of the categories of dwellings be as shown in Annex B.

Annex B

**2012/13
DENBIGHSHIRE COUNCIL COUNCIL**

	<u>COUNTY</u> <u>PRECEPT</u>	<u>COMMUNITY</u> <u>PRECEPT</u>	<u>POLICE</u> <u>PRECEPT</u>	<u>TOTAL</u>	<u>BAND A</u>	<u>BAND B</u>	<u>BAND C</u>	<u>BAND D</u>	<u>BAND E</u>	<u>BAND F</u>	<u>BAND G</u>	<u>BAND H</u>	<u>BAND I</u>
ABERWHEELER	1052.98	11.54	214.56	1279.08	852.72	994.84	1136.96	1279.08	1563.32	1847.56	2131.80	2558.16	2984.52
BETWS G G	1052.98	15.00	214.56	1282.54	855.03	997.53	1140.04	1282.54	1567.55	1852.56	2137.57	2565.08	2992.59
BODELWYDDAN	1052.98	66.67	214.56	1334.21	889.47	1037.72	1185.96	1334.21	1630.70	1927.19	2223.68	2668.42	3113.16
BODFARI	1052.98	16.27	214.56	1283.81	855.87	998.52	1141.16	1283.81	1569.10	1854.39	2139.68	2567.62	2995.56
BRYNEGLWYS	1052.98	19.88	214.56	1287.42	858.28	1001.33	1144.37	1287.42	1573.51	1859.61	2145.70	2574.84	3003.98
CEFN MEIRIADOG	1052.98	13.80	214.56	1281.34	854.23	996.60	1138.97	1281.34	1566.08	1850.82	2135.57	2562.68	2989.79
CLOCAENOG	1052.98	35.01	214.56	1302.55	868.37	1013.09	1157.82	1302.55	1592.01	1881.46	2170.92	2605.10	3039.28
CORWEN	1052.98	26.29	214.56	1293.83	862.55	1006.31	1150.07	1293.83	1581.35	1868.87	2156.38	2587.66	3018.94
CYFYLLIOG	1052.98	25.00	214.56	1292.54	861.69	1005.31	1148.92	1292.54	1579.77	1867.00	2154.23	2585.08	3015.93
CYNWYD	1052.98	11.50	214.56	1279.04	852.69	994.81	1136.92	1279.04	1563.27	1847.50	2131.73	2558.08	2984.43
DENBIGH	1052.98	49.00	214.56	1316.54	877.69	1023.98	1170.26	1316.54	1609.10	1901.67	2194.23	2633.08	3071.93
DERWEN	1052.98	27.91	214.56	1295.45	863.63	1007.57	1151.51	1295.45	1583.33	1871.21	2159.08	2590.90	3022.72
DYSERTH	1052.98	26.73	214.56	1294.27	862.85	1006.65	1150.46	1294.27	1581.89	1869.50	2157.12	2588.54	3019.96
EFENECHTYD	1052.98	14.01	214.56	1281.55	854.37	996.76	1139.16	1281.55	1566.34	1851.13	2135.92	2563.10	2990.28
GWYDDELWERN	1052.98	16.00	214.56	1283.54	855.69	998.31	1140.92	1283.54	1568.77	1854.00	2139.23	2567.08	2994.93
HENLLAN	1052.98	18.00	214.56	1285.54	857.03	999.86	1142.70	1285.54	1571.22	1856.89	2142.57	2571.08	2999.59
LLANARMON YN IAL	1052.98	23.68	214.56	1291.22	860.81	1004.28	1147.75	1291.22	1578.16	1865.10	2152.03	2582.44	3012.85
LLANBEDR D C	1052.98	11.06	214.56	1278.60	852.40	994.47	1136.53	1278.60	1562.73	1846.87	2131.00	2557.20	2983.40
LLANDEGLA	1052.98	21.02	214.56	1288.56	859.04	1002.21	1145.39	1288.56	1574.91	1861.25	2147.60	2577.12	3006.64
LLANDRILLO	1052.98	18.00	214.56	1285.54	857.03	999.86	1142.70	1285.54	1571.22	1856.89	2142.57	2571.08	2999.59
LLANDYRNOG	1052.98	20.73	214.56	1288.27	858.85	1001.99	1145.13	1288.27	1574.55	1860.83	2147.12	2576.54	3005.96
LLANELIDAN	1052.98	20.50	214.56	1288.04	858.69	1001.81	1144.92	1288.04	1574.27	1860.50	2146.73	2576.08	3005.43
LLANFAIR DC	1052.98	9.09	214.56	1276.63	851.09	992.93	1134.78	1276.63	1560.33	1844.02	2127.72	2553.26	2978.80
LLANFERRES	1052.98	19.18	214.56	1286.72	857.81	1000.78	1143.75	1286.72	1572.66	1858.60	2144.53	2573.44	3002.35
LLANGOLLEN TOWN	1052.98	49.26	214.56	1316.80	877.87	1024.18	1170.49	1316.80	1609.42	1902.04	2194.67	2633.60	3072.53
LLANGYNHAFAL	1052.98	7.74	214.56	1275.28	850.19	991.88	1133.58	1275.28	1558.68	1842.07	2125.47	2550.56	2975.65
LLANRHAADR Y C	1052.98	23.90	214.56	1291.44	860.96	1004.45	1147.95	1291.44	1578.43	1865.41	2152.40	2582.88	3013.36
LLANTYSILIO	1052.98	28.40	214.56	1295.94	863.96	1007.95	1151.95	1295.94	1583.93	1871.91	2159.90	2591.88	3023.86
LLANYNYS	1052.98	20.01	214.56	1287.55	858.37	1001.43	1144.49	1287.55	1573.67	1859.79	2145.92	2575.10	3004.28
NANTGLYN	1052.98	28.93	214.56	1296.47	864.31	1008.37	1152.42	1296.47	1584.57	1872.68	2160.78	2592.94	3025.10
PRESTATYN	1052.98	46.85	214.56	1314.39	876.26	1022.30	1168.35	1314.39	1606.48	1898.56	2190.65	2628.78	3066.91
RHUDDLAN	1052.98	27.89	214.56	1295.43	863.62	1007.56	1151.49	1295.43	1583.30	1871.18	2159.05	2590.86	3022.67
RHYL	1052.98	44.97	214.56	1312.51	875.01	1020.84	1166.68	1312.51	1604.18	1895.85	2187.52	2625.02	3062.52
RUTHIN	1052.98	46.46	214.56	1314.00	876.00	1022.00	1168.00	1314.00	1606.00	1898.00	2190.00	2628.00	3066.00
ST ASAPH	1052.98	35.94	214.56	1303.48	868.99	1013.82	1158.65	1303.48	1593.14	1882.80	2172.47	2606.96	3041.45
TREFNANT	1052.98	9.65	214.56	1277.19	851.46	993.37	1135.28	1277.19	1561.01	1844.83	2128.65	2554.38	2980.11
TREMEIRCHION	1052.98	15.19	214.56	1282.73	855.15	997.68	1140.20	1282.73	1567.78	1852.83	2137.88	2565.46	2993.04

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Report To: Council

Date of Meeting: 28 February 2012

Lead Member: Lead Member - Finance and Efficiency

Report Author: Head of Finance and Assets

Title: Recommendations of the Strategic Investment Group

1. What is the report about?

Capital Bids received for inclusion in the 2012/13 Capital Plan.

2. What is the reason for making this report?

- 2.1 The Strategic Investment Group, which includes representatives from the three scrutiny committees, has met on a number of occasions over the last few weeks to consider bids prepared by each department.

3. What are the Recommendations?

The projects shown in appendix 1 are included in the 2012/13 capital plan.

4. Report details

- 4.1 The Welsh Government's capital settlement for 2012/13 has seen a reduction of 7.8% (£489k) over 2011/12. This continues the very poor capital settlements provided by the Welsh Government over the past five years. In addition to this, future specific grants are likely to be set at a lower level than in previous years.
- 4.2 With the lack of capital investment from the Welsh Government, the Council has no choice but to rely on its own resources to invest in key projects. This means either selling assets to generate receipts or using Prudential Borrowing.
- 4.3 The Council is aiming to dispose of a number of sites over the three year time frame of this report. Asset disposals can, however, be slow with values uncertain and the timing of receipts difficult to predict. The current economic conditions also add further risk and will put downward pressure on values. For the purposes of this report no new capital receipts have been assumed and the only funds allocated are those that have already been received.

- 4.4 The Council also builds a £1m contingency into the capital plan each year to ensure it can deal with any unforeseen circumstances, and also to ensure it can deal with any problems with specific projects that overspend. An additional £500k contingency has been agreed by Council on 15 November 2011 to provide for any potential problems that should occur with the Foryd Development. At the end of each financial year any unspent contingency is released back into the following year's capital plan.

The available funding for 2012/13 is shown below:

Source	Amount £000
General Capital Grant	1,934
Unhypothecated Supported Borrowing	3,820
Prudential Borrowing - Highways	3,650
Prudential Borrowing – Regeneration/Schools	4,000
Capital Receipts	1,059
Unspent Contingency b/f	647
Earmarked Reserves	450
Welsh Government Education Grant	318
Total	15,878
Funds already committed	5,230
Funds Available 2012/13	10,648

- 4.5 Funds already committed are from previous decisions made by members and consist of:

- Capital contingency £1.5m.
- Grants for SME's £30k.
- 21st Century Schools Reserve - Cash £200k.
- 21st Century Schools – PB £3.0m.
- Foryd Development £500k.

- 4.6 The Capital Plan spends money on two types of project. Firstly there are one-off projects such as a new school or refurbishment of a leisure centre, the second type of expenditure is a 'block allocation'. These are ongoing programmes of work that stretch over several years (and may never be complete) e.g. schools maintenance. Elements of this work may be paid for from repair and maintenance budgets but a significant part is funded through the capital plan.

Recommendations of the Strategic Investment Group

- 4.7 In the light of continued cuts to the capital resources available to the Council, it was agreed by the Strategic Investment Group to invite bids in line with previously agreed block allocations from departments. The Strategic Investment Group has reviewed 16 bids over a number of meetings. It was not deemed necessary to apply the Council's scoring mechanism to the review process.
- 4.8 Each bid was presented by a head of service. Some issues that arose from this process are detailed below:
- The Strategic Investment Group has noted that significant investment will be required to progress 21st Century schools proposals over the next few years. In support of this initiative, Council on 7th February 2012 approved £200k as part of the revenue budget process to support capital expenditure of around £3.0m through Prudential Borrowing. It is acknowledged that this spend is not likely occur until 2013/14.
 - Due to the late receipt of a £318k Welsh Government grant for Education, there has not been sufficient time to bring proposals for its use to the Strategic Investment Group. Given the grant needs to be claimed by 31 March 2012, existing planned expenditure in 2011/12 will be used to draw down the grant. This will release £318k into the 2012/13 capital plan. The Strategic Investment Group has recommended that this sum is set aside to support future schools 21st Century proposals.
 - Earlier in the year, Highways received a grant for additional salt. As this was not needed, it was held centrally. It is proposed that this money (£250k) be used to fund a programme of street lighting improvements, replacing approximately 1,650 units to cut energy consumption and release future budget savings.
 - The Strategic Investment Group have considered the Community Capital bid and the Strategic Regeneration Match Funding bid and recommended combining them and bringing them together with the priority funds in the revenue budget to create larger strategic fund that can support town plans, regeneration and communities.
 - Both the school and non school capital maintenance bids include provision for essential maintenance such as Asbestos Removal, Fire Risk Assessment Work, DDA etc. It is recommended that £1.725m be allocated to Schools Capital Maintenance Works and £500k to Non schools capital maintenance work. It is further recommended that the appropriate Heads of Service determine the precise allocations to the specific works required, in order of priority.

4.9 Highways have received £100k to support prudential borrowing as part of the revenue budget for 2012/13. This will allow approximately £1.4m of capital expenditure. In addition, Welsh Government have earmarked £162k of revenue funding for Denbighshire to fund prudential borrowing and this will generate Highways capital works of approximately £3.65m. The latter is subject to the approval of a business case by the Welsh Government. In addition to this, it is proposed to support flood alleviation works of £375k, the replacement of dangerous street lighting columns and units (£100k) and £1m in block allocation for structural and other repairs, including bridges. This gives a total proposed Highways capital programme of £5.3m for 2012/13.

4.10 Appendix 1 shows the projects listed with recommended funding for each. Each project that is being recommended for approval is shown under a different column in the appendix:

- PB Highways – This is the £3.65m prudential borrowing to be supported from the revenue budget as approved by Council on 7th February 2012.
- Council Funds – These are funds such as general grants, capital receipts, and unspent contingency. This funding is for one year only.

4.11 The membership of the Strategic Investment Group is as follows:

- Lead Cabinet Member – Finance & Efficiency
- Lead Cabinet Member – Modernising the Council
- Lead Cabinet Member – Regeneration & Tourism
- Scrutiny Chairs
- Corporate Director – Business Transformation & Regeneration
- Head of Finance & Assets
- Head of Planning, Regeneration & Regulatory Services

5. How does the decision contribute to the Corporate Priorities?

Projects have been reviewed to ensure that they satisfy the Council's corporate objectives.

6. What will it cost and how will it affect other services?

6.1 Cost Implications

The costs of the schemes are shown in Appendix 1. This appendix is exempt at present from public disclosure by virtue of paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972. The Prudential Borrowing costs will be met through the 2012/13 revenue budget.

6.2 Staffing/IT/Accommodation Implications

Each new project is required to complete a Project Proposal or Business Case form and any specific implications are discussed at that stage.

6.3 Assessment of Impact on Climate Change – Mitigation and Adaptation:

New capital projects are subject to scrutiny by the Strategic Investment Group. Each business case will show, where relevant carbon tonne emission pre and post project, thus identifying whether the project is carbon emission positive, negative or neutral. In addition, it is necessary to ensure new capital projects are future proof and able to adapt to climate change.

Increases/decreases in the usage of IT equipment will impact on electricity costs and carbon cost

Carbon emitted from the Council's property portfolio equates to over 70% of the total carbon footprint of the Council.

7. What consultations have been carried out?

7.1 Heads of Service presented the bids. Representatives of Cabinet and Scrutiny committees have been involved in the process.

All members have been informed of the bids, with hard copies of bids being located in the Members room and project bids available to view on the Members database.

7.2 Chief Financial Officer Statement

With the continuing reduction in the real value of Welsh Government funds, the Council is forced to rely on its own resources more and more.

8. What risks are there and is there anything we can do to reduce them?

8.1 Risks associated with not agreeing the recommendations

Possible risks would include schemes not progressing, loss of grant and disruptions to services. The condition of assets would continue to deteriorate if investment is not made, and this may lead to the loss of important services.

8.2 Risk associated with agreeing the recommendations

No capital project is without risk. However all schemes are reviewed by the Strategic Investment Group and are also subject to on-going monthly monitoring and reporting.

9. Power to make the Decision

Local Authorities are required under section 151 of the Local Government Act (1972) to make arrangements for the proper administration of their financial affairs.

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Report To: Council

Lead Members/Officers: Scrutiny Review Project Board

Report Author: Alan Smith, Head of Business Planning & Performance

Title: Review of the new Scrutiny system.

Date: Feb 28th 2012

1. What is the report about?

- 1.1. The conclusions of a review of the new scrutiny system adopted by the Council in May 2011

2. What is the reason for making this report?

- 2.1. When the Council voted to change the way scrutiny in the Council was organised in February 2011, it was agreed that the new system should be reviewed within the first twelve months. This was so that if further changes were required, these could be put in place in time for the new Council in May 2012.

3. What are the Recommendations?

- 3.1. That Council confirms the new structure is to continue in its current configuration.
- 3.2. That the Chairs and Vice-Chairs group is modified as proposed in paragraph 12.4 of this report.
- 3.3. That training for Members on the scrutiny system is included in the induction programme for the new Council.

4. Background

- 4.1. On 8th Feb 2011, Council agreed to change the way the Scrutiny system was organised. It resolved:

“That the four directorate based scrutiny committees are replaced with three ‘themed’ committees. These would be Partnerships, Communities and Performance.”

- 4.2. This decision followed a comprehensive review of the scrutiny system by Members and was a key part of the process of modernising the Council. This process included significant changes in the way the Council was organised; changes in the senior management team and

the establishment of clear goals for improvement. The intention was to modernise scrutiny by moving away from the directorate based system as it no longer reflected the organisation of the Council and was felt to encourage 'silo' thinking.

- 4.3. The Wales Audit Office view was also that change was required if the Council was to modernise, saying: "*The Council should further develop and implement its plans to streamline decision making and scrutiny to ensure that roles are clear and time is given to the matters that are considered the most important*".
- 4.4. The underpinning issues behind the change came from a workshop in April 2010, when Members had felt strongly that their time and energy could be better spent if the focus of scrutiny meetings was improved. Members were also concerned that key areas – in particular council performance and partnerships – were not being properly scrutinised.
- 4.5. In addition to the need for a focus on partnerships and on performance, the new Communities Scrutiny also emerged from this process, in order to create a forum for community wide issues away from the limitations of service based scrutiny. Council were keen for this committee in particular to develop strong links with the evolving Member Area Groups and the opportunities they offered to bring local issues and debate into the system.
- 4.6. Members wanted to be sure that the changes to scrutiny would be effective, so a review was planned to explore this. Although the system would not have been running for a full year by the time the review took place, it was felt important that it reported before the election of the new Council in May 2012. The Member/Officer group that developed the original proposals was charged with undertaking the review of the new system, and this work commenced in October 2011.
- 4.7. The review took as its basis both the original objectives of adopting the new system and the issues that Members raised as potential problems during the debate, the intention being to test these out. The method has been to:
 - Understand the views of people involved in Scrutiny; Members, Officers, Senior Managers; co-optees and partners;
 - Compare the work programmes under the new system with that of the old;
 - Find out what our regulators think.
- 4.7. To understand peoples' views we have:
 - Distributed a questionnaire to all Members, as well as holding face to face discussions with some who had raised particular concerns.
 - Met the education co-optees;

- Consulted key partners;
 - Asked officers who have taken reports to committee for their views
 - Discussed the new system with Heads of Service.
- 4.8. Members were keen to participate and have shown a genuine commitment to the Scrutiny process throughout, contributing a whole range of positive ideas and comments to the review. 31 Members responded to the questionnaire¹ and some gave up their time for face to face meetings as well.
- 4.9. The range of Members' comments and the variety of responses from all parties gave an indication of the number of issues involved. The task of reviewing the new system is clearly more complicated than simply asking the question: *'Is the new system better than the old one or not?'* Members decided in February 2011 that the old system was no longer fit for purpose and so going back to it is not an option. The review has attempted to deal with this complexity by exploring the issues that were brought up in that debate and trying to test whether what Members wanted to change has been achieved.
- 4.10. This report incorporates the results of that work, including many of the ideas proposed by Members and explores the key issues in turn.

5. Do Members have enough support and information to scrutinise effectively?

- 5.1. This was an important issue when the new system was being debated. Members wanted to be sure that if they were moving away from a system where 'everything' was scrutinised, to a more focused system that tried to look only at the important areas, that they had enough information and support to know what to focus on. This included support from officers, including Corporate Directors, and reports and information provided by HoS and by the Scrutiny Coordinator.
- 5.2. We asked Members if they thought they had enough information and support to perform their role and most were clear that they did (16 out of 31 agreed, 6 disagreed and 9 neither agreed nor disagreed). That Members have the right level of support and access to up to date information is a critical first step if Scrutiny is to be effective. This was recognised by Members at Council in February 2011, and so since then, officers have taken steps to improve the type and level of information available to Members, particularly on performance issues (from Ffynnon for example).

¹ See Appendix 1 for results from the 7 questions

- 6. Has the new Scrutiny System been able to scrutinise what's important?**
- 6.1. This was a key aim of the new system; responding to Members' wish to focus their time on where they could add the most value. We asked members if they felt this had worked: 12 agreed, 11 disagreed and 8 neither agreed nor disagreed. So although marginally more thought this aspect of the new system was working, clearly not everyone is sure yet.
- 6.2. Some Members were more comfortable with the old system because they felt it was clearer, whilst others felt that the new system was scrutinising areas that hadn't been looked at properly before. Most agreed that the new system gave Members a much wider picture of what was going on the Council, though some felt this made scrutiny more difficult. However, there is evidence that progress has been made:
- Performance scrutiny is now tackling important 'corporate' items that would not have had a formal place in the old system but are key areas for the Council: Corporate Performance; Project Performance; Risk management; the Corporate Plan and the budget setting process are all examples.
 - The Scrutiny forward work-plans demonstrate a shift to a more focused work pattern, with fewer of the repeat items and 'updates' that were a real problem in the old system.
 - There are now more 'information' reports being circulated outside of the meetings. Although these do not require a decision from Members, many would none the less have formed part of the agenda before.
 - The Chairs and Vice-Chairs group is becoming more effective in ensuring that items going to scrutiny reflect a real 'issue' and are coordinated across the three work-plans.
- 6.3. When we asked Heads of Service about the new system, they felt that both Service performance and Council performance were receiving a much more appropriate level of attention than under the old system. Significantly, senior managers felt that they were now accountable to a much wider group of Members than before, and that more Members were exposed to Education and Social Services issues than under the previous system.
- 6.4. A suggestion that came from Members was that there was potential to improve the system even further as Scrutiny starts to use the Council's new strategic risk system. This could enable Scrutiny to closely monitor high risk areas.
- 6.5. However, there is still further to go in ensuring that Scrutiny topics are always focused on clear 'issues'. The core aim of Scrutiny is to ensure that services are improved through effective oversight, and so simple,

accurate, information to support focused topic selection is critical. Officers supporting scrutiny can play a more active role in supporting members here, as could Heads of Service.

- 6.6. Because the new system deals with cross-cutting issues, topic allocation is less clear cut and some Members still found the new system confusing when considering which Scrutiny should look at which issue. Again, with the system still being relatively new, this is perhaps not surprising. More help needs to be available in this area too, so that Members feel confident about using the new system. This should form a key element of the induction training for Members in the new Council.

7. Have any important issues been ‘missed’?

- 7.1 When Members decided to adopt the new scrutiny system, they worried that if they hadn’t got the new arrangements right, important topics might be overlooked. When we asked them in the questionnaire, members overwhelmingly said that they didn’t know if anything had been missed or not (9 thought things had, 5 thought they hadn’t, and 17 neither agreed nor disagreed).
- 7.2. Clearly, Members want to make sure that the new system is working, but it does seem that there has been no real cause to worry about this aspect of the change. Examining the work-plans of the three committees ² demonstrates that Scrutiny is considering a broad and diverse spectrum across the full range of topics. Certainly each committee planned the areas it wanted to cover at the beginning of the year and has looked in detail at major service areas since.
- 7.3. In fact Scrutiny has covered a long list of important issues in the months since the new system started, including: 21st Century Schools; Fforyd Harbour; Supporting People services; Adult Protection; Regional Commissioning; Highways and Care Services for Older People. In addition, Heads of Service are now required to ensure that relevant issues are identified for potential scrutiny.
- 7.4. Reassuringly, no examples of issues that had been ‘missed’ were identified by Members. It seems that Members worried that they *might* miss something rather than that they actually *had* missed something. Given that the new system has only been in place since May, it is probably too early to be completely sure, but so far the evidence is that important issues are not being missed.

² Please see Appendix 2

8. Has the new structure improved the scrutiny of Partnerships and of Performance?

- 8.1. Improving the scrutiny of these two critical areas was a central aim of the new structure. Improving performance has been a key part of developing Denbighshire as a High Performing Council and continuing to manage performance effectively is a key part of maintaining that position. Equally, partnerships are a vital part of the external environment for the Council, and will be even more so in the future as signatories to the Compact with its commitments to regional working.
- 8.2. Members introduced these two new committees because it was felt that neither area was being scrutinised effectively under the old system. We asked Members whether they thought the scrutiny of Partnerships and Performance had improved: 12 members thought that it *had* improved, 8 thought that it hadn't and 11 neither agreed nor disagreed.
- 8.3. Senior Managers thought that the scrutiny of performance was much improved over the old system. It was felt that with the identification of 'lead' scrutiny members for each service, there was now much more scope for members to be fully informed about the performance of services.
- 8.4. Partners also felt that the scrutiny of Partnerships had improved, one partner commenting that: "...the system is better in that it gives Cllrs. a better understanding of partnership issues, which can be very different from service issues." Health partners said that their experience at scrutiny had sometimes been poor in the past, but that the approach adopted at Partnerships scrutiny had so far been very positive.
- 8.5. Although it has engaged successfully with local partners, the Partnerships Scrutiny committee has not been able to make as much progress in engaging with regional partnerships as had been hoped, and this area needs more work. Part of the problem is that the regional structures of strategic partnerships have still not fully developed. However, a joint committee with Conwy has already been set up and a shared work programme developed.

9. Is the new system making the most of member expertise?

- 9.1. The new structure has focused on issues in a different way to the old service based approach, giving Members a much more comprehensive insight into the Council's progress. The forward work programmes illustrate this:

Partnerships Scrutiny has considered, amongst other things:

- Health Services
- Crime and disorder
- Sustainable Social Services
- Regional Waste strategy

- Safeguarding

Performance Scrutiny has considered topics including:

- Review of the Council's Assets
- Impact of additional resources given to schools
- IT Strategy
- Arrangements for the Estyn inspection
- Annual Performance Review

Communities Scrutiny has had the widest range of topics and has been able to bring a 'community-wide' view to them. Examples are:

- Flood risks
- Control of caravan sites
- Review of schools in the Dee valley
- Roadside grass cutting
- Day care provision in North Denbighshire
- Leisure provision

9.2. Some Members worried about this though, especially those that had previously served on committees that matched their particular interest: Social Services or Education for example. More specifically, as the new system is based on themes, some worried that these would be too broad for Members to apply any expertise they might have. Others have seen the change as an opportunity, reflecting that the Performance scrutiny was a chance to apply their own skills from the world of business. So we asked Members if they thought the new structure captured and developed member expertise: 11 thought it did, 8 thought it didn't and 12 didn't have a view.

9.2. The new system also has the advantage of applying specialist Member expertise to a wider range of issues. Expertise in accessibility for example, or older people's issues, is relevant to the scrutiny of all Council services, not just Social Services.

9.3. Going forward, Members need to be able to understand and scrutinise the Council from a corporate point of view, and this will inevitably involve the development of new areas of expertise and interest. It should be remembered that the scrutiny system was changed precisely because it no longer reflected either the internal structure of the Council or the external environment in which the Council operates.

10. What has been the impact on the Educational 'co-optees'?

10.1. This was a concern from the beginning, as the new system looked as if it would disadvantage them. At the same time, their contribution is very important to the Council, as well as required by statute. The review group met with the co-optees (3 out of the 5 were able to attend) to get their view. They felt that the new system had not worked well for them: they had sometimes had to attend more than one meeting in a month,

and the education item had not always been first on the agenda. They felt that it was difficult for them to 'follow' the scrutiny of education through the new system.

10.2. However, they did recognise why the Council had wanted to change things, and they felt it was positive that a much wider group of Members were now exposed to education issues than before. They felt it would be reasonably simple to improve matters and asked for: an education forward work programme across all three committees; better coordination of education items across the committee agendas and better information about education performance (including access to Fynnon and the Education 'Moodle' database). These new arrangements have now been put in place and should improve the system significantly.

11. Has the new system coped with the workload?

11.1. In February last year, Members had been worried that with a reduction of committees from 4 to 3 and the fact that the frequency of meetings had already dropped from four weekly to six weekly, that there might not be time to cover all the topics. The three committees have largely stuck to a maximum of 4 items on each agenda and have covered the same number of topics overall as did the previous 4 committees, but they have none the less struggled to accommodate all the issues they wish to discuss. Performance Scrutiny in particular, has put on a series of extra meetings. Partnerships scrutiny has started quarterly joint meetings with Conwy to discuss shared service areas. Communities Scrutiny has a list of 'strategic' topics it would like to consider but has not yet had time to think about. These additional meetings are putting some pressure on the support staff called on to arrange and minute them.

11.2. However, when we asked Members about the frequency of meetings, 18 said they thought the meetings were often enough; 12 said that they should be more frequent and one respondent was undecided. Officers also generally felt that the meetings were frequent enough and were concerned that more would add unnecessarily to their workload.

11.3. It may be that what seems to be too many items is because the system has not yet 'settled down', or there may be a genuine lack of capacity. There could be an argument for Performance Scrutiny in particular meeting more frequently, as it is clearly taking on a range of extra 'corporate' issues. The timing of this committee's meeting has also not worked well with the timetable for performance reporting, which is quarterly.

11.4. If Members do not want to see more frequent meetings though, the answer might be to make more use of Task and Finish Groups as well as the links with Member Area Groups. Neither facility has been much used in the new system so far, the single exception being the Estyn

Task and Finish Group set up by Performance Scrutiny. This completed a useful piece of work to support the forthcoming inspection and is a potential model for the committees to better manage their workloads.

- 11.5. Although capacity in the new system remains an issue for now, the review group feel that the frequency of meetings should not be changed at this point, as the long term position is not yet clear.
- 11.6. The new scrutiny system also increased the number of Members on each committee from 9 to 11 so that with a reduced number of committees, every Member could still have a place. We asked Members in the questionnaire whether they felt that this was a change for the better. The answer was overwhelmingly that they did, with 22 agreeing, 3 disagreeing and 6 neither agreeing nor disagreeing.

12. Chairs and Vice-Chairs.

- 12.1. This group was intended as the lynch pin of the new system, enabling the effective coordination of work plans and scrutiny topics, as well as managing the links with Member Area Groups. This has only been partially effective, as the three committees have set their own work plans to a large extent. It has probably taken on too wide a range of tasks as well, at times functioning more like a fully fledged committee, with all the consequent support needs that brings.
- 12.2. The task of managing new topic allocation has worked well though, and it has demonstrated the ability of the new system to respond to 'hot potato' urgent items (Fforyd harbour). Links with the Corporate Governance Committee have been developed and could be strengthened further by adding its forward work plan to the meeting's agenda. Members of the public have been encouraged to submit suggestions of items for scrutiny through the publication of the 'Scrutiny @ Denbighshire' leaflet, and this has produced some results. There is still more to do in forging links with the Member Area Groups however, and this should be a priority for the group going forward.
- 12.3. The link between Scrutiny work plans and the Cabinet forward work plan could also be improved and it is proposed that the Cabinet work plan becomes a standard agenda item at the Chairs and Vice-Chairs meeting. This would strengthen Scrutiny's ability to monitor items going to Cabinet and its ability to hold the executive to account.
- 12.4. The current make-up of the committee consists of the chairs and vice-chairs of the three scrutiny committees, the chair and vice-chair of Corporate Governance and the chair and vice-chair of the Council. The committee will continue to have an important role in the new structure, but given the need to focus resources on the three main Scrutiny committees, it is proposed to 'slim down' the committee as it stands. The group's main focus should be on coordination of the scrutiny

programme, with shorter and more business-like meetings that should both improve effectiveness and also minimise the administrative impact. Membership of this coordinating group after May should just be the chair of each Scrutiny Committee plus the chair of Corporate Governance, with vice-chairs substituting where necessary.

13. Wales Audit Office View

13.1. The following is an extract taken from the Council's Annual Improvement Report, published in Jan 2012, and refers to the field work undertaken by the regulators in the autumn of 2011.

These new scrutiny arrangements were implemented in May 2011 and consequently it is too early to judge if they have been successful. Nonetheless, although there are some "teething problems" with the new arrangements, we consider them to be soundly based and developing satisfactorily, for the following reasons.

- *The move from 'service' focused scrutiny to a more cross cutting / broader focus fits with the overall corporate approach and changes to the management structure.*
- *Councillors have played a significant role in shaping the new scrutiny approach and many councillors, (including scrutiny chairs) are committed to making it a success.*
- *The Council has already planned a review of the new arrangements, which is due to report in March 2012. The Council needs to recognise that scrutiny arrangements do take some time to establish themselves and demonstrate impact.*
- *The process for identifying and choosing scrutiny work items has been developed by and involves both councillors and officers. The process is robust in that it has focused upon the corporate priorities.*
- *To address the potential loss of "councillor expertise" under the new arrangements, the Performance Scrutiny Committee has given a lead role for specific service areas to individual members to ensure they develop and maintain expertise. In addition, the twice yearly service review process and challenge process involved councillors in the individual service reviews, so that they can develop expertise.*
- *The information provided to the scrutiny committees is in a standard format and of good quality.*
- *The quality of questions asked by some Committees Members could be improved to ensure their questions are more consistently focused on the right issues, and concise and probing.*

14. Summary

- 14.1. The new system has been in operation since May 2011 and whilst the reasons for undertaking a review after so short a time are understandable, we probably haven't yet seen the full benefits of the change. Despite this, there are clear signs of progress, evident from the work-plans of the committees; from the views of senior officers, of our regulators and of our partners. Even after so short a time, overall, Members are more positive than negative on almost every issue.
- 14.2. This is not to say that some Members have not found the transition difficult, but it seems likely that as expertise and familiarity grow, this feeling will diminish. Certainly there is no sign of a negative impact on attendance at Scrutiny meetings, with attendance actually improving in the first 6 months of the new system as compared to the last 6 months of the old. For the few that would like to see a return to the old system, it is hard to see how this would help the Council continue to improve.
- 14.3. Clearly some things need to be better though, in particular:
- **Topic allocation:** the proposed additional Member training will help with this, as will increased support from Heads of Service;
 - **Links with the Member Area Groups** – Communities Scrutiny aided by the Chairs Coordinating Group, should consider how to improve these, perhaps through a Task & Finish group
 - **The effectiveness of the Chairs and Vice-Chairs group** - the proposals in the report for reviewing the structure of the group and making the meetings more 'business like' should improve this.
 - **Arrangements for the education co-optees;** their suggestions for improvement have already been put in place, but it will be important to monitor the impact of these changes to ensure they are sufficient.
- 14.4. These things are the 'teething troubles' referred to by the Wales Audit Office, and do not constitute a fundamental problem with the new structure. The new structure may also be considered during the Estyn Inspection, and any consequent recommendations would also need to be considered.
- 14.5. The Project Review Group consider that given these caveats, the new structure is fit for the Council and will carry on making a positive contribution to the Council's continuing improvement. To return to the question posed at the beginning: '*Is the new system better than the old one or not?*' it seems safe to say that overall, it looks like it is.

15. How does the decision contribute to the Corporate Priorities?

Improving the effectiveness of Scrutiny is a key element of Denbighshire's 'Modernising the Council' priority in the Corporate Plan.

16. What will it cost and how will it affect other services?

There is no additional cost arising from the recommendations

17. What consultations have been carried out?

Consultation has been carried out with all Members, the Council's partners, the Senior Leadership team, contributing middle managers and support officers and with the Wales Audit Office.

18. Chief Finance Officer Statement

The introduction of the new scrutiny system resulted in some marginal cost savings. There are no additional cost implications as a result of this report.

19. What risks are there and is there anything we can do to reduce them?

19.1. Abandoning the new structure would reduce the effectiveness of scrutiny and weaken the Council's ability to improve.

19.2. Not having a clear structure in place by the beginning of the new political year would threaten the new Council's ability to operate effectively.

20. Power to make the Decision

- Local Government Act 2000.
- Articles 4, 6, 13 and 16, Denbighshire County Council Constitution. Part III, Denbighshire County Council Constitution.
- Code of Corporate Governance, section 4.

Scrutiny Questionnaire Results
December 2011 – January 2012

Question	Agree	Neither agree nor disagree	Disagree
1 Generally, Scrutiny committees meet once every six weeks. Do you feel that this is often enough?	18	1	12
2 The membership of Scrutiny was increased from 9 to 11 to ensure that all councillors would have the opportunity to be involved. Do you feel that this was a change for the better?	22	6	3
3 Do you feel that Members have enough information and support to perform their role on Scutiny?	16	9	6
4 The new structure was intended to make better use of Members' time by focussing on what was important. Do you think this has worked?	12	8	11
5 The new structure was intended to improve the scrutiny of partnerships and performance issues. Has this been successful?	12	11	8
6 Do you think that topics are being missed within the new Scrutiny system?	9	17	5
7 Do you think the new Scrutiny structure captures and develops Member expertise, providing a broader view of the council's work?	11	12	8

Appendix II - Scrutiny Forward-Work Plans 2011-2012

Communities Scrutiny

Performance Scrutiny

Partnerships Scrutiny

Joint Partnerships Scrutiny

May

1. Ruthin Craft Centre

1. Crime and Disorder: Community Safety Partnership
2. Policing in the 21st Century
3. Partnerships Review and the Safer Communities Board

June

1. Allocation of additional resources for pupils with special educational needs
2. Preliminary flood risk assessment report – flood risk regulations 2009
3. Leisure strategy

* Information Report – Local Housing Strategy – update report

July

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1. Implications of the outcome of the V2 Appeal
2. Control of Caravan Sites
3. Management of Allocation of Section 106 Commuted Sums for open space provision and maintenance
4. 'Closer to the community'

1. Finance and Assets / Property / Asset Review

1. Guidance for engagement and consultation on changes to health services
2. The Betsi Cadwaladr University Health Board's 5 year plan
3. Dignified Care
4. Home enhanced care services (HECS)
5. North Denbighshire Locality Project
6. Ablett Unit
7. Communi

* Information Report – Implementation of the Children & Families (Wales) Measure

* Information Report – POVA case study update

* Information Report – North Wales procurement arrangements

* Information Report – Winter pressures 2011/12

August

September

1. 21st Century Schools Area Reviews
2. Modernising Education: Review of primary schools provision in the Edeyrnion area
3. Provision of music within schools
4. Development of a community engagement strategy

* Information Report – Review of Licensing Procedures

1. Arrangements for the Estyn Inspection of Spring 2012*
2. Evaluation of the impact of the use of the additional resources given to schools in 2010/2011 (Verbal preliminary report)

* Information Report – External Examinations and Teacher Assessments 2010-11

1. Home enhanced care services (HECS)
2. North Denbighshire Coastal Locality – Community Healthcare Services Project
3. Denbighshire 14-19 Learning Pathways and Network*
4. Issues arising from the Welsh Government's policy statement – sustainable social s

* Information Report – Evaluation of the Vale of Clwyd Transformation arrangements

October

1. Review of Day care provision for older people in North Denbighshire
2. Review of roadside grass cutting
3. Getting closer to the community
4. Denbigh Town Plan

* Information Report – Common Access Route to Housing

1. Evaluation of the impact of the use of the additional resources given to schools in 2010/2011
2. 'Your Voice' – Performance standards revealed through the complaints process
3. Annual Performance Review: 2010-11 and Quarterly Performance Report: Quarte

* Information Report – Provisional Exam Results for Rhyl Sixth

November		<ol style="list-style-type: none"> 1. The council's IT strategy 2. Children's Services 3. Financial Report 4. Budget Development Process 	<ol style="list-style-type: none"> 1. Regional School Effectiveness and Improvement Service Project 2. Progress in rationalising strategic partnerships 3. Annual report on Adult protection in Denbighshire 2010-2011 4. Conwy & Denbighshire Local Safeguarding Children's Board (LSCB) annual r 	
December	<ol style="list-style-type: none"> 1. Impact of the community youth worker structure 2. Denbighshire adult community education estyn inspection 3. 21st Century Schools 4. Allocation of additional resources to Special Education Needs (SEN) <p>* Information Report – Impact of cessation of free school transport for pupils living within Wrexham County Borough Council who attend Ysgol Dinas Bran, Llangollen</p>	<ol style="list-style-type: none"> 1. Self Evaluation Report for Estyn 2. Adult Services 3. Monitoring Performance against the Corporate Plan (QPR 2) 4. Corporate Project Register 	<ol style="list-style-type: none"> 1. Waste Strategy Update & Regional Procurement of Waste Treatment 2. Regional Commissioning, Procurement and Monitoring Hub 	<ol style="list-style-type: none"> 1. Regional and sub-regional partnerships, and the future role of partnerships 2. Progress with respect to the Joint Highways and Infrastructure Collaboration
January	<ol style="list-style-type: none"> 1. Foryd Harbour Mooring Fees and Charges 2. Day services provision for older people in the north of the county 3. Highway verge grass cutting 4. Local housing strategy <p>* Information Report – Review of Licensing Procedures</p>	<ol style="list-style-type: none"> 1. External Examinations and Teacher Assessments 2010-11 2. Schools in financial difficulties 3. Highways & Infrastructure 4. Energy Efficiency 5. Monitoring the Capital Programme <p>* Information Report – Your Voice complaints performance (including Social Services and Education complaints)</p> <p>* Information Report – Corporate Parenting Group</p>	<ol style="list-style-type: none"> 1. The BIG Plan 2. Families First Update (post Cymorth funding cessation) 3. Regional commissioning, procurement and monitoring hub for high cost low volume placements 	
February	<ol style="list-style-type: none"> 1. NHS Service review 	<ol style="list-style-type: none"> 1. Housing Services 2. Planning, Regeneration & Regulatory Services Performance 3. Monitoring Performance against the Corporate Plan (QPR3) 4. Welsh Public Library Authorities: Annual return 2010/11 and review of the housebound service. 5. Corporate Risk 	<ol style="list-style-type: none"> 1. NHS service reviews 2. Regional school effectiveness and improvement service project 	
March	<ol style="list-style-type: none"> 1. Supporting People Strategy Update and Operational Plan 2012-13 2. Residents' Survey 3. Review of heritage and arts assets 4. Monies allocated to Member Area Groups 5. Etape Cymru 		<ol style="list-style-type: none"> 1. Children and Adolescent Mental Health Progress (CAMHS) 2. Development of Localities (Health & Social Care) 3. Tourism 	<ol style="list-style-type: none"> 1. Community Safety Partnership 2. Planning and public protection 3. Conwy & Denbighshire mental health partnership
April	<ol style="list-style-type: none"> 1. 'Closer to the community' – Community engagement strategy 2. Getting closer to the community – action plan 3. Common access route to housing 4. Provision of music within schools 	<ol style="list-style-type: none"> 1. Monitoring the Capital Programme 2. Financial Report 2011/12 	<ol style="list-style-type: none"> 1. Annual audit of safeguarding children in education – quality assurance framework 	
May		<ol style="list-style-type: none"> 1. Your Voice complaints performance (including Social Services and Education complaints) 2. Monitoring performance against the Corporate Plan (QPR 4) 3. Financial Report 2010/12 4. Review of educational support services (building capacity in schools) 		

No. of Items:	33	32	30	5
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Report To: Full Council

Date of Meeting: 28th February 2012

Lead Member / Officer: Councillor Hugh Evans/Gary Williams, Monitoring Officer

Report Author: Gary Williams – Monitoring Officer
Lisa Jones – Deputy Monitoring Officer

Title: Constitution Review

1. What is the report about?

One of the Business Transformation Board's Workstreams is to review the Council's Constitution and within the Corporate Governance Committee terms of reference is the making of proposals for changes to the Constitution. The final adoption of the amended Constitution will be a decision for the full Council.

2. What is the reason for making this report?

To inform Members of the outcome of the consultation process to date and suggested areas of changes. Council is requested to consider the outline of the proposed amendments within this report, in advance of the Council meeting where the changes will be discussed in detail. Members will be provided with a copy of the draft new Constitution at this future meeting and have the opportunity to consider the detail therein. Drafting is currently underway, and Members have requested to be provided with a 'tracked changes' version when the amendments are considered in detail.

3. What are the Recommendations?

3.1 That Council:

- (i) note the contents of the report and feedback from Members at the Constitution review workshop held on 24th January 2012.
- (ii) to consider the proposed overview of changes to the Constitution and recommend that the Monitoring Officer proceed with drafting the changes in order that Members can have sight of the full draft at a proposed special Council meeting in March 2012.

4. Report details

- 4.1 The Corporate Governance Committee has received regular reports in respect of the review of the Constitution. The purpose of this report is to provide

members, in particular those Members who could not attend the workshop on the 24th January 2012, with an overview of the changes proposed.

4.2 At the Constitution review workshop on the 24th January there were twenty Members in attendance. A presentation was provided to the workshop, a copy of which is attached at Appendix 1.

4.3 There was a discussion amongst the Members present at the workshop on the topics raised by the presentation. The feedback from Members was as follows:

4.4 **Scheme of Delegation**

It was pointed out to Members that most officer delegations contained in the Constitution are delegations to the Chief Executive who then is able to pass authority down to other officers. It was proposed to Members, and they agreed, that the Constitution should be more transparent and that the scheme of delegations should include details of the Heads of Service to whom delegated powers have been granted.

4.5 It was put to Members that there should be generic delegations to the Chief Executive and the Corporate Directors with specific delegations being made to Heads of Service set out in either a table or list format in order that any officer, Member or member of the public would easily be able to identify which officer had authority to take which delegated action. It was stressed to Members that the purpose of such a scheme would merely be to make more open and transparent what currently existed and was not to in effect create a whole new raft of delegated powers. Members agreed that the scheme of delegation should be more transparent.

4.6 As part of the presentation examples were given to Members of delegated powers to Cabinet Members some of which were very clear and some of which may be prone to duplication between Cabinet portfolios. It was agreed by Members that work should be done to review the clarity of the description of portfolios in the Constitution to avoid the duplication of delegated powers.

4.7 **Description of Functions**

The current Constitution provides in Part 3 a description of the functions of the authority and describes those functions which are exercised by Council and those which are exercised by the Cabinet. The Constitution currently refers to regulations which have subsequently been updated and describes functions by reference to the regulations. It is not clear from the wording of the Constitution, to an officer, Member or member of the public which are functions of the Council and which are functions of the Cabinet without making reference to the regulations. It was proposed to Members that Part 3 of the Constitution should list those functions which are functions of Council, those functions which are "local choice" functions, those functions which are exercised by the Cabinet or Full Council depending on the circumstances and those functions which are the responsibility of Cabinet. This will make the Constitution lengthier but will provide greater clarity for officers, Members and members of the public.

Members agreed at the workshop that this part of the Constitution should be drafted in that format.

4.8 Committee Terms of Reference

Members were informed at the workshop of areas which required updating. The Licensing Committee list of powers needs updating in order to include references to the Gambling Act 2005. The Corporate Governance terms of reference need to be amended to include consideration of members' attendance and training. The terms of reference for the Planning Committee would need to be reviewed to ensure that the powers described in those terms were up to date. Members agreed with these proposed changes.

4.9 Contract Procedure Rules

As part of the presentation to Members, they were provided with information about the increased flexibility that may be available in respect of "Part B" services. Members were happy for the contract procedure rules to be amended accordingly. In respect of the Tender Opening Committee, Members were of the view that provided that independent oversight and safeguards were in place then it would not be a requirement that Lead Members be in attendance.

4.10 Freedom of Information

The concept of a Freedom of Information Panel made up of officers trained specifically to deal with freedom of information requests was explained to Members. The purpose of the Panel would be to provide a consistent approach to the application of exemptions from disclosure. In other authorities where a Freedom of Information Panel exists, the Panel is the only body entitled to exempt any information from disclosure. This results in publication of information being more likely as a consistent corporate approach would be taken to the application of exemptions. Members accepted that a Freedom of Information Panel would be a good idea and that such a Panel should be described appropriately in the Constitution.

4.11 Members

As part of the presentation Members at the workshop were informed of the views expressed by the Corporate Governance Committee at its previous meeting that there should be an expectation that Members would attend more than the statutory minimum number of meetings but that it was difficult to identify a figure. Members agreed that there should be an expectation of attendance at meetings, however, views were expressed as to the ability of Members from different backgrounds e.g. in full time employment to attend as many meetings as others. Members were informed that the Modern.gov system which was being introduced would automatically provide access to attendance figures in a public manner.

4.12 As part of the presentation Members were informed of Corporate Governance Committee's views regarding training in respect of planning and code of conduct

being mandatory. Members were asked for views on what other areas of training should or could be made mandatory. Members agreed that planning and code of conduct training should be mandatory. A further suggestion was made that some form of local government finance training should also be mandatory but did not suggest other areas.

- 4.13 There was a discussion regarding the requirements in the code of conduct to register gifts and hospitality. Members were informed that a number of authorities provide a financial limit in their code of conduct below which it is not necessary to register gifts and hospitality. The current code of conduct in Denbighshire does not have any figure which means that Members would technically be in breach of the code of conduct if they received any gifts and hospitality of whatever value and did not register it. The general view of the meeting was that it would be appropriate to amend the code of conduct to allow Members to receive gifts and hospitality up to a value of £25 without the need to register it.

4.14 Members role descriptions

At the workshop Members were provided with copies of draft role descriptions for a Member and a Group Leader. All proposed role descriptions are now attached as Appendix 2.

- 4.15 Members discussed the contents of the role description and raised a number of issues. The first of these issues was in respect of the requirement to attend all relevant meetings. The question was asked as to whether or not there was a definition of "relevant meetings". Another aspect of the role description which caused concern to some Members was the reference to an annual appraisal of Members. The Leader suggested to the meeting that the appraisal was not necessarily a process by which Members were judged as to whether or not they were effective but was also an opportunity for Members to identify areas of support or training or development that they would require to assist them in carrying out their duties. It was agreed that the issues raised by Members would be fed back to the Head of Modernising Education who had been drafting the role descriptions in readiness for the new Council.

4.16 Self Regulatory Protocol

There was a discussion amongst Members regarding the inclusion of the Self Regulatory Protocol to deal with sub threshold complaints under the code of conduct on a more local basis, where those complaints were made by a Member of the County Council against another Member. Members were of the view that this was a good thing and confirmed that the protocol should be included in the Constitution.

4.17 Cabinet

As part of the presentation Members were provided with information relating to the process by which appointments were made to Cabinet. Currently the Cabinet in Denbighshire is politically balanced. The Leader is able to appoint

Councillors to the Cabinet after consultation with the leaders of the political groups. In the event of a political group declining, at the time when Cabinet is being appointed, to take up any or all of its seats on the Cabinet, the Leader may appoint Councillors to fill the vacancy following further consultation with the leaders of the political groups. The rules of political balance will not apply to the filling of such vacancies.

- 4.18 There is no requirement in law for the Cabinet to be politically balanced. Section 24 of the Local Government Act 2000 exempts executive bodies from political balance.
- 4.19 Members were informed of a proposal that had arisen during consultation and been made to the Constitution Review Working Group which was that the rules of political balance should not apply to the Cabinet as this may provide an incentive for groups to splinter with a potential proliferation of smaller groups in an attempt to manipulate the rules on political balance. The proposal made to the Constitution Review Working Group was that the principles of political balance should apply to appointments to Cabinet, but should only apply to groups with a membership of 5 or more. This was considered to be consistent with the proposals of the Independent Remuneration Panel for Wales which has decided that Group Leader salaries should only be paid to leaders of groups with 10% or more of the membership of the authority, and with Denbighshire's current scheme of allowances which only pays a Group Leader's allowance to a leader of a group with 5 or more members.
- 4.20 The discussion at the meeting revealed a common view that this would promote political stability within the Council. There was general agreement amongst Members that this proposal should be included in the Constitution.
- 4.21 An area that has very recently emerged is the opportunity to update the thresholds for award of contracts by Cabinet from £250,000 to £1 million. The current thresholds were set back in 2004 and have not been updated since. The current thresholds are as follows:

Up to £100,000 by the Chief Officer
From £100,000 to £250,000 by the Lead Member
Over £250,000 by Cabinet.

A significant amount of Officer time is spent on the lower value contracts in getting the award approved, in addition increasing the Cabinet threshold will also free up Cabinet time to deal with higher value matters or any other matter. The proposals are:

- a) by the Head of Service having consulted with Chief Finance Officer if the contract value is under £250,000
- b) by the Cabinet Member in whose portfolio the service falls based on a report from the Chief Officer, if the contract value is between £250,000 and 1 million.
- c) following a report to Cabinet if the contract value is over 1 million.

This issue emerged after the Workshop, therefore in fairness Members have not had the opportunity to debate this issue. Feedback from the full Council on this proposal is welcomed however at this stage.

Members are assured that the legal obligation to comply with the EU Procurement regime remains and does not affect the Councils' internal award levels.

4.21 Public speaking

Members were informed at the workshop of the provisions of some other authorities which allowed members of the public to ask questions at meetings of Cabinet/executive and/or Full Council. The suggestion was that this process was consistent with the Council's ambition of getting closer to the community. It was explained to Members the limitations which are placed on this right to ask questions at executive and/or Council at other authorities e.g. the requirement to give 7 days notice of question, time limits for each member of the public seeking to speak and the criteria as to the subject matters which were to be the subject of the questions.

4.22 Members at the workshop were broadly in agreement that they did not wish to see such a scheme introduced in Denbighshire. Members felt particularly that Full Council was the only arena where a lot of Councillors were able to speak on issues and that members of the public could approach Councillors to raise matters on their behalf.

4.23 Protocols

There was a discussion amongst Members of the sort of protocols which should be included within the Constitution. Members were informed that a number of protocols exist, however they are not currently attached to the Constitution and therefore some officers/members or members of public may not know that they exist. One example of this was the planning protocol which had already been adopted by Full Council but did not appear in the Constitution.

4.24 Other areas which were suitable for inclusion as appendices to the Constitution would be guidance to Members in respect of their activities on outside bodies, a protocol and guidance to Members on their rights to access information. This document would go further than merely reciting the access to information rules. The Members self regulatory protocol in terms of the code of conduct was also considered to be a protocol that should be included as an appendix to the Constitution.

4.25 Members also raised issues around the liaison with local Members by officers and others in respect of issues affecting their wards. Members were informed that some authorities had a protocol for liaison with local Members appended to their Constitution and Members thought that this would be a good idea as it would provide clarity to officers and Members in this regard.

4.26 Members were also concerned about being notified when Ministers, MPs etc were visiting their ward and that there needed to be clarity in respect of the roles of representatives of the Council in attending such visits. It was suggested that a protocol relating to such matters be appended to the Constitution. This was further discussed with regard to the role of the Chair of the Council in greeting visiting dignitaries etc.

4.27 Local Government Wales Measure

Members were informed, as part of the presentation, of those issues in respect of which the Local Government Wales Measure 2011 would necessitate amendments to the Constitution. Members were informed at the workshop that many of these issues required guidance or regulation to be issued by the Welsh Government and such Draft Guidance has now been issued for consultation with this consultative period ending on the 30th March 2012. Members were informed that the Constitution would have to be amended to take into account changes introduced by the Local Government Wales Measure as and when they came into force.

It is proposed that a Briefing Note on the guidance will be available for Members in advance the meeting.

4.28 Continuous review of the Constitution

Members were informed as part of the presentation that officers believed that it would be appropriate to have a regular review of the Constitution and that any changes required to the Constitution to be made by Full Council if required on either a quarterly or annual basis. Members were in agreement with this suggestion.

5. How does the decision contribute to the Corporate Priorities?

The review forms part of the Business Transformation Programme of corporate improvements and contributes to the priority of a high performing Council.

6. What will it cost and how will it affect other services?

There are no implications for other services as a result of this report.

7. What consultations have been carried out?

A Member Workshop has been held, questionnaires have been sent by post to all Members individually, Officers have been consulted extensively and a Working Group and two sub-groups have met regularly.

No external consultation has been identified as being required.

8. Chief Finance Officer Statement

Not required.

9. What risks are there and is there anything we can do to reduce them?

There is greater risk in not updating the Constitution. The revised Constitution must reflect the law and the document will be quality assured by a number of officers from various disciplines.

10. Power to make the Decision

The Local Government Act 2000 requires the full Council to adopt a Constitution.

The Corporate Governance Committee can make proposals for changes to ensure the Constitution continues to enable the Council to provide clear leadership to the community in partnership with citizens, businesses and other organisations as outlined in the Council's Constitution. That Committee is now formally making recommendations for this report to be presented to Full Council.

Modernising the Constitution

MEMBERS' WORKSHOP

24th JANUARY 2012

Gary Williams Monitoring Officer

Lisa Jones Deputy Monitoring Officer

Scheme of Delegation – Officers

Currently: Most delegations are to CEO who then passes the authority down.

Proposal : -

Generic delegations to CEO, Directors.

Specific delegations direct to Chief Officers/Heads of Service.

Framework for each of the above

e.g. Corporate Director Demographics, Wellbeing

- 1. To act as the Council's Statutory Director of Social Services in accordance with Section 6 of the Local Authorities Social Services Act 1970 in relation to the Council's Social Services functions, including social services for children. Arrangements for the discharge of this responsibility in relation to children's social services are contained in.....
- 2. The strategic and operational delivery and/or securing by the Council of Personal Social Services for Adults.
 - Adult services, including mental health, learning disabilities, older people, physical disabilities;
 - Performance and Financial Management, including complaints and representations relating to personal social services for adults;
 - Support services, including Human Resources;
 - Inter-agency and Partnership Working;
- Commissioning and contracting across all services.
- 3. In particular, to exercise those functions of the Council which relate to personal social services for adults under the appropriate Sections of the following Acts as amended or re-enacted.
 - National Assistance Act 1948
 - Disabled Persons (Employment) Act 1958
 - Health Services and Public Health Act 1968
 - Chronically Sick and Disabled Persons Act 1970
 - Supplementary Benefits Act 1976
 - Mental Health Act 1983
 - Health and Social Services and Social Security Adjudication Act 1983
 - Public Health (Control of Disease) Act 1984
 - Housing Act 1985
 - Disabled Persons (Services, Consultation and Representation) Act 1986
 - National Health Service and Community Care Act 1990 etc etc etc

e.g. Head of Planning, Regeneration and Regulatory Services

- To have the power:-
- 1. To Authorise in writing all officers of the Planning and Public Protection Department who may from time to time be employed to discharge the specific duties and functions delegated to the Head of Housing and Public Protection, subject to such officers being suitably qualified for the discharge of those duties and functions.
- 2. To undertake inspections, investigations, interviews, sampling, prohibitions, seizures, detentions, recording, service of notices, (including suspension notices), notifications, waivers, transfers, authorisations, licensing, registrations and legal proceedings as are within the purview of the Housing and Public Protection Department under the legislation applicable thereto set out below, together with any regulations made thereunder, and any amendments or additions thereto and to exercise all other relevant powers, including powers of entry provided under such legislation.
- **Legislation**
- Accommodation Agencies Act, 1953
- Administration of Justice Act, 1970
- Agriculture Produce (Grading and Marking) Act, 1928
- Agriculture (Miscellaneous Provisions) Act, 1968, 1972 and 1976
- Agriculture Act, 1970
- Animal Boarding Establishments Act, 1963
- Animal Health and Welfare Act, 1984
- Animal Health Act, 1981
- Animal Health Act 1998
- Animal Health Act 2002
- Animal Welfare Act 2006
- Anti-Social Behaviour Act 2003
- Anti-Terrorism, Crime and Security Act 2001
- Protection of Animals Act 2000
- Banking Act, 1987
- Breeding of Dogs Act, 1973 and 1991
- Building Act, 1984
- Business Names Act, 1985
- Cancer Act, 1939
- Caravan Sites and Control of Development Act, 1960

Overall limitations

- The scheme will not delegate to Officers:
- Any decision reserved to Full Council
- Any decision which by law cannot be delegated to an Officer
- Any decision expressly withdrawn from the Scheme at any time or by Cabinet.

Delegations to members

- Greater clarity in some areas, but retaining flexibility.
- Cabinet portfolios – review clarity, avoid duplication.

Examples of Specific Member delegation:

- Good clear example:
- **Lead Member for Modernisation and Improvement**
- Disposals of freehold interest in land where the estimated market value is between £30k and £500k, with the power to approve sale at less than market value where the undervalue does not exceed £100k. This delegation does not include the power to approve an undervalue for sales in the Lead Member's electoral division.

Examples of Specific Member Delegation

- Not so clear:
- Leader – specific delegation to appoint school governors
- But this also lies within the Lead Member for Education portfolio. Reliance may be on a general delegation not a specific.
- **Lead Members general delegations:**
- To make appointments to external bodies whose remit lies wholly within the Cabinet Member's portfolio to fill any vacancies that occur before the next Ordinary election of Councillors. This delegation does not include appointments to joint committees with other local authorities under section 101 of the Local Government Act 1972.

Council or Cabinet?

- Constitution currently reiterates the Regulations – not user friendly!
- Proposal:

Schedule Format

Will be lengthier!

But should provide clarity for Officers,
Members and the public.

Suggested format:

- **Responsibility for Functions**
- **Introduction**
- 1.1 This Part of the Constitution specifies the various responsibilities for functions of the Council.
- 1.2 It has been prepared in tabular format for ease of reference as follows:
- 1.3 **Table 1**
- Those functions which are "local choice" functions (i.e. they may, but need not, be the responsibility of the Cabinet).
- 1.4 **Table 2**
- Those functions which are the responsibility of the Full Council to discharge.
- 1.5 **Table 3**
- Those functions which are exercised by the Cabinet or the Full Council, depending on the circumstances.
- 1.6 **Table 4**
- Those functions which are the responsibility of the Cabinet.
- 1.7 **Table 5**
- **Delegations to Officers**
-
- Sets out details of various powers or functions delegated to Officers of the Council.

Committee Terms of Reference

- Licensing – the list of powers needs updating due to Gambling Act
- Corporate Governance – receive reports on member attendance at meetings and training.
- Planning – a review of the powers to ensure up to date.

Contract Procedure Rules

Could be more flexible for 'Part B' services in particular Social Services procurement processes.

Clackmannanshire case has provided legal comfort that there are the flexibilities there which can aid efficiencies

Will avoid re-procuring a service just for the sake of it which may not produce any savings.

Contract Procedure Rules

- Tender Opening Committee – many Councils no longer have members in attendance.
- E- procurement will provide the safeguards against fraud/corruption.
- Feedback from Lead members is that they would welcome the option of attending or not, but providing there is independent oversight eg by another head of service or legal services.

Freedom of Information

- Formalised Panel
- Consistency of approach
- Knowledge of the legislation
- More likely to result in publication than individual departments making the decision not to disclose.

Members

- Attendance at meetings – steer from CGC that there should be expectations over and above the stat. minimum, but what?
- Modern.gov and publicity of attendance
- Mandatory training – CGC provided a steer on Planning and Code of Conduct as a minimum, member feedback suggests other areas also need to be mandatory, but what?
- Limit of gifts and hospitality

Members Role Descriptions

- Member

Members Role Descriptions

- Group Leader

Cabinet

- Appointments
- s.24 Local Government Act 2000

Self Regulatory Protocol

- Code of Conduct
- Clear breach = PSOW
- Sub threshold deal with locally via the Self Regulatory Protocol
- Copy has been provided in October to all Members
- Group Leaders also consulted.
- PSOW endorsed in principle.

Protocols

- Planning – already adopted by Full Council but should be incorporated within the Constitution. Principles are embedded.
- Outside Bodies (list to be reviewed)
- Members Access to Information
- Members Self Regulatory Protocol

Public Speaking

- At Cabinet and/or Full Council
- Outward looking Council
- Closer to the Community
- Notice period from the public eg 7 days
- Limitations – time limits and content
- Discretion on whether to allow

Wales Measure

- Will necessitate amending Constitution
- Duty to conduct a survey
- Remote attendance
- Annual reports by Members
- Timing of Council meetings/Family absence
- New Statutory post- Head of Democratic Services
- Democratic Services Committee
- Joint Overview and Scrutiny Committees

Continuous updating...

- A standing slot at Full Council/quarterly to update Council on changes.
- Continuous review
- Will deal with the Wales Measure as it is implemented.

Adoption

- Informal Council – was itemised on the 10th January but not dealt with due to time constraints.
- Full Council - aiming for 28th February but may be March date t.b.c

Group Exercise

- Each group will be given an issue.
- Each group to nominate a spokesperson
- As a Group consider your issues.
- One Spokesperson to report

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Report To: Council

Date of Meeting: 28 February 2012

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title: Treasury Management Strategy Statement 2012/13 and Prudential Indicators 2012/13 to 2014/15

1 What is the report about?

- 1.1 The report shows how the Council will manage its investments and its borrowing for the coming year and sets the policies within which the Treasury Management function operates.

2 What is the reason for making this report?

- 2.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (the "CIPFA TM Code") requires the Council to approve the Treasury Management Strategy Statement and Prudential Indicators annually. A decision is required therefore to approve the recommendations below.

3 What are the Recommendations?

- 3.1 That Council approves the Treasury Management Policy Statement for 2012/13.
- 3.2 That Council approves the Treasury Management Strategy Statement for 2012/13 (Appendix A).
- 3.3 That Council approves the setting of Prudential Indicators for 2012/13, 2013/14 and 2014/15 (Appendix B).
- 3.4 That Council approves the Minimum Revenue Provision Statement (Appendix A Section 6).
- 3.5 That Council approves the use of Specified and Non-Specified Investments (Appendices D & E).

4 Report details

Background

- 4.1 Treasury Management involves looking after the Council's cash which is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.

- 4.2 At any one time, the Council has at least £20m in cash so we need to make sure that we achieve the best rate of return possible without putting the cash at risk which is why we invest money with a number of financial institutions.

When investing, the Council's priorities are to:

- keep money safe (security);
- make sure that we get the money back when we need it (liquidity);
- make sure we get a decent rate of return (yield).

Treasury Management Strategy Statement 2012/13

- 4.3 The Treasury Management Strategy Statement (TMSS) for 2012/13 is set out in Appendix A. This report includes Prudential Indicators which set limits on the Council's treasury management activity and demonstrate that the Council's borrowing is affordable.

Prudential Indicators:

- 4.4 The Council Fund indicators are based on the latest proposed capital bids and block allocations.
- 4.5 The Housing Revenue Account indicators have been calculated in accordance with the budget approved by Cabinet at its meeting of 21 February 2012 and are based upon the Housing Stock Business Plan.
- 4.6 The individual Prudential Indicators recommended for approval are set out in Appendix B.

5 How does the decision contribute to the Corporate Priorities?

- 5.1 An efficient Treasury Management strategy allows the Council to minimise its borrowing costs and release funding for its investment priorities.

6 What will it cost and how will it affect other services?

- 6.1 There are no cost implications arising as a result of the setting of Prudential Indicators. The point of the Treasury Management Strategy is to obtain the best return within a properly managed risk framework.

7 What consultations have been carried out?

- 7.1 The Council's Capital Plan and Revenue Budget have been prepared in consultation with Heads of Service, Corporate Directors, Scrutiny Committees, Cabinet and Council.
- 7.2 The Housing Stock Business Plan, revenue and capital budgets have been presented to Social Services and Housing Scrutiny members. Denbighshire Tenants and Residents Federation will also be consulted on the proposals.
- 7.3 The Strategy Statement was reviewed by the Corporate Governance Committee on 08 February 2012.

Chief Financial Officer Statement

- 7.4 Treasury Management involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.
- 7.5 The 2012/13 revenue budget assumes that the Council will undertake £3.65m of new prudential borrowing to fund capital expenditure on Highways and £4m to support regeneration projects and schools. In addition, capital receipts and reserves will be used to fund specific schemes. The impact of this is equivalent to a Council Tax increase as shown in Appendix B Prudential Indicator No 5. However, the majority of capital costs are being financed from grants and borrowing supported through the Revenue Support Grant System.
- 7.6 Similarly, the Housing Stock Business Plan assumes prudential borrowing will be undertaken and will be financed through the equivalent of a rise in weekly housing rents as shown in Appendix B Prudential Indicator No 5.
- 7.7 Council needs to adopt the revised CIPFA Code of Practice on Treasury Management (Nov 11). It is a requirement of that Code for Council to approve a Treasury Management Strategy Statement each financial year.

8 What risks are there and is there anything we can do to reduce them?

- 8.1 Treasury Management is inherently risky as outlined in the Strategy Statement. The Council has a risk management policy but it is impossible to eliminate these risks completely.

9 Power to make the Decision

- 9.1 The Local Government Act 2003 determines the requirement for local authorities to set Prudential Indicators and requires the Council to comply with the Prudential Code of Capital Finance for Local Authorities that has been produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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TREASURY MANAGEMENT POLICY STATEMENT 2012/13

1 INTRODUCTION AND BACKGROUND

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 1.4 The Council approves the annual Treasury Management Strategy Statement and delegates responsibility for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.5 The Council nominates the Corporate Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

- 2.1 The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”
- 2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
- 2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yield earned on investments remain important but are secondary considerations.

Denbighshire County Council

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

Contents

- 1. Background**
- 2. Treasury Position**
- 3. Investments**
- 4. Borrowing**
- 5. Debt Rescheduling**
- 6. MRP Statement 2012/13**
- 7. Reporting Treasury Management Activity**
- 8. Other Items**

Appendices

- A. Treasury Management Strategy Statement
- B. Prudential Indicators
- C. Interest Rate Outlook
- D. Specified and Non-Specified Investments
- E. Recommended Sovereign and Counterparty List

Glossary

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

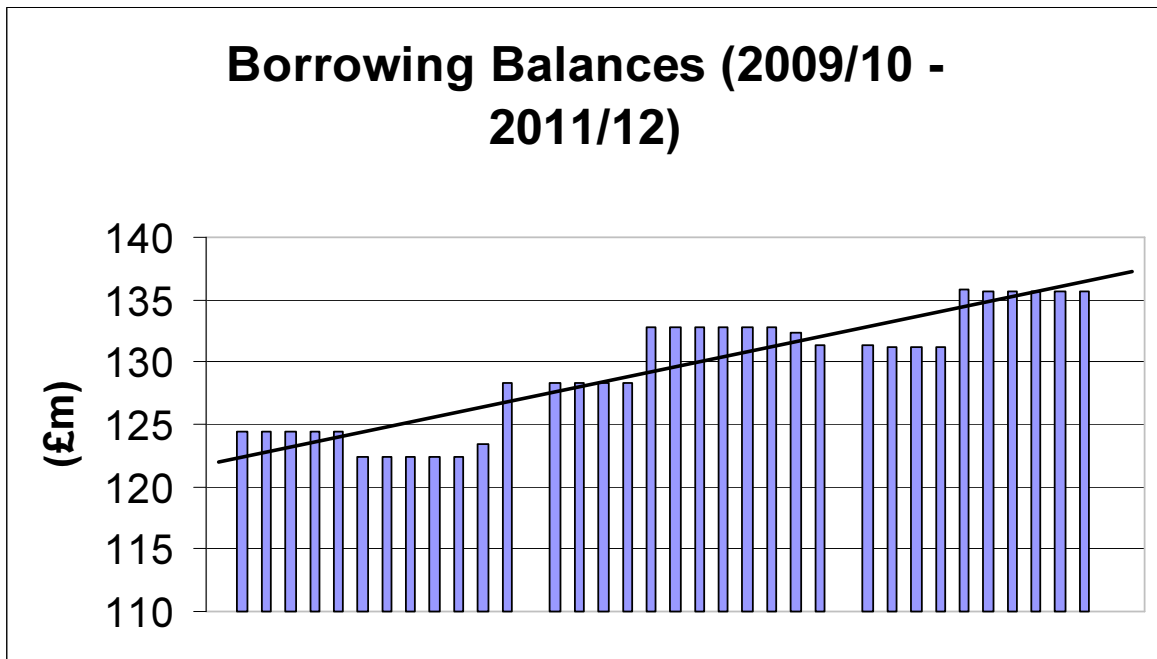
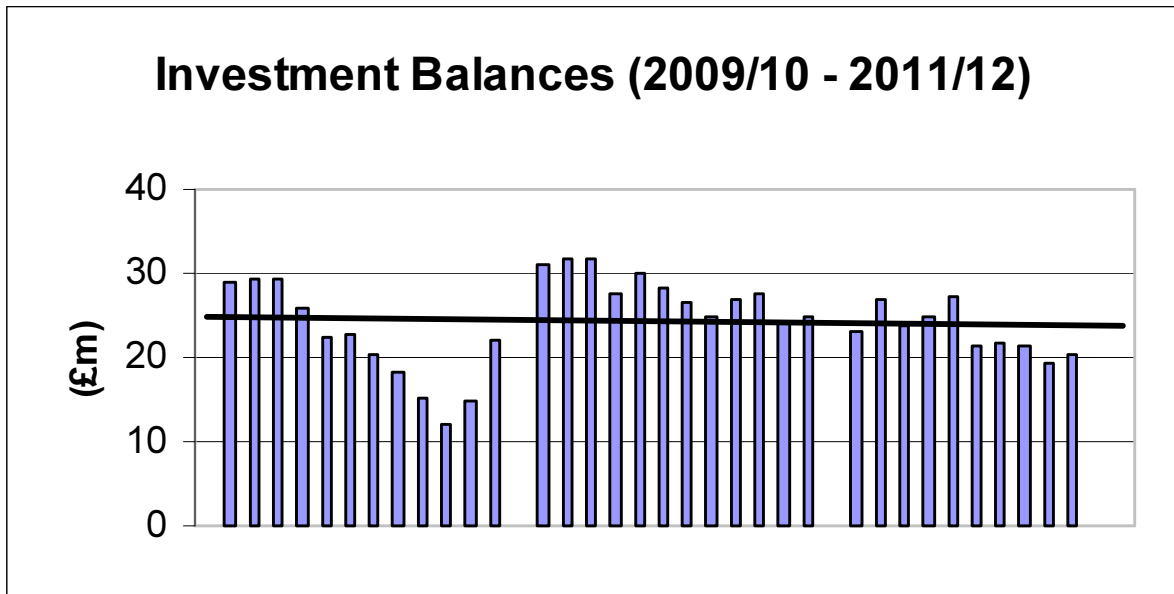
1. Background

- 1.1 The Council is responsible for its Treasury Management decisions and activity which involves looking after the Council's cash. This is a vital part of the Council's work because approximately £0.5bn passes through the Council's bank account every year.
- 1.2 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to produce the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the Welsh Government's (WG) Investment Guidance.
- 1.3 The strategy takes into account the current and projected Treasury position, the Prudential Indicators (**Appendix B**) and the outlook for interest rates (**Appendix C**).
- 1.4 The Council approved the adoption of the revised CIPFA Treasury Management Code (Nov 2009) at its meeting on 23 February 2010. CIPFA revised the Code again in Nov 2011. The Council has incorporated the changes from the revised Code into its treasury management policies, procedures and practices.

2. Treasury Position

- 2.1 The levels of the Council's investment and borrowing balances over the last three years are shown in the graphs below. It shows that the amount of money we have to invest has remained fairly constant over the last three years. The Council's borrowing has increased slightly over the course of the last three years as we have built up our borrowing levels by taking advantage of low interest rates.

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



3. Investments

- 3.1 In accordance with Investment Guidance issued by the WG 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 are important but are secondary considerations.
- 3.2 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have lead to a sovereign debt crisis

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

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.

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

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

- 3.4 The types of investments that can be used by the Council and whether they are specified or non-specified are listed in **Appendix D**.

- 3.5 A number of changes have been implemented to the investment strategy for 2012/13 in response to evolving conditions in financial markets.

- 3.6 The Council and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system.
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

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

The countries and institutions that the Council are permitted to use for term deposits, Certificates of Deposit (CDs) and call accounts are included in **Appendix E** unless there is a temporary suspension in place at the time. For example, European banks are temporarily suspended for new investments.

- 3.7 The Council banks with Natwest Plc. At the current time, it does meet the minimum credit criteria of A- (or equivalent) long term. Even if the credit

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

rating falls below the Council's minimum criteria Natwest Plc will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

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

4. Borrowing

- 4.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between investment and borrowing rates. The interest rate forecast provided in **Appendix C** indicates that an acute difference between investment and borrowing rates is expected to continue. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term issue since borrowing is often for longer dated periods (anything up to 50 years) it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Council's wider financial position.
- 4.2 The Council intends to reduce its investment balances and to rely on internal borrowing as much as possible instead of undertaking external borrowing from the Public Works Loan Board (PWLB). This is sustainable while the Council has sufficient balances and reserves to avoid the need for external borrowing. By essentially lending its own surplus funds to itself the Council is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances. If cash is required for short term cash flow purposes, the Council intends to access temporary loans through the market which are readily available at very attractive rates.

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

- 4.3 However, the level of internal borrowing in relation to the level of the Council's reserves and balances will be monitored throughout the year with a view to externalising borrowing if required. Capital expenditure levels, market conditions and interest rate levels will also be monitored throughout the year to ensure that external borrowing is undertaken at the right time if required.
- 4.4 While the Council can borrow from a number of banks, it normally only borrows from the Public Works Loan Board (PWLB) which is a Government body that lends to public sector organisations. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing sources:
- PWLB
 - Local authorities
 - Commercial Banks
 - European Investment Bank
 - Money Markets
 - Capital markets (stock issues, commercial paper and bills)
 - Structured finance
 - Leasing

5. Debt Rescheduling

- 5.1 The Council is able to pay off loans earlier than we have to and to replace them with cheaper loans if we want to in order to save money or to reduce the risk to the Council. Sometimes, we will replace these loans and sometimes not, depending on market conditions and interest rates.
- 5.2 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise.
- 5.3 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt rescheduling although occasional opportunities arise.
- 5.4 Borrowing and debt rescheduling activity undertaken during the year will be reported as part of the Capital Plan Monitoring Report.

6. Minimum Revenue Provision (MRP) Statement

- 6.1 The Council sets aside money each year to repay debt and this is known as the Minimum Revenue Provision (MRP). In 2012/13, this will be £8.2m.

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- 6.2 There are four different methods of calculating MRP and the Council needs to say each year which methods it will use. This is known as the MRP Statement.
- 6.3 The MRP Statement will be submitted to Council before the start of the 2012/13 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

6.4 MRP Statement

The Council will apply the Regulatory Method for supported capital expenditure which means that MRP is charged at 4% of the Council's Capital Financing Requirement.

The Council will apply the Asset Life Method for unsupported capital expenditure which means that MRP is determined by the life of the asset for which the borrowing is undertaken.

The different methods of calculation will affect how much money the Council sets aside for debt repayment. The above statement means that where the Welsh Government gives us the money to repay debt we will repay it at 4% of whatever is outstanding. Where we borrow through Prudential Borrowing we will charge an amount that lets us repay the debt over the expected life of the asset.

- 6.5 Adopting International Financial Reporting Standards (IFRS) has resulted in leases and Private Finance Initiative (PFI) schemes coming on the balance sheet. This affects how much it appears the Council has borrowed but this is effectively covered by grant payments. MRP in respect of leases and PFI schemes brought on the balance sheet under IFRS will match the annual principal repayment for the associated deferred liability. This is a technical accounting adjustment which is cost neutral for the Council.
- 6.6 MRP on Housing assets is made in accordance with statutory requirements (the General Determination of the Item 8 Credit and Item 8 Debit).

7. Reporting Treasury Management Activity

The Section 151 Officer (Head of Finance & Assets) will report to the Corporate Governance Committee on treasury management activity / performance as follows:

- (a) The Treasury Management Strategy Statement and Prudential Indicators will be submitted to the committee in February each year prior to approval by Council.
- (b) Two treasury management updates will be submitted to the committee in July and December each year.

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(c) An annual report on treasury activity will be submitted to the committee in September each year for the preceding year prior to approval by Cabinet.

A treasury update will also be included in the monthly Revenue Monitoring report and borrowing will be reported on in the Capital Plan to Council.

8. Other items

8.1 Member Training

The revised CIPFA Code of Practice on Treasury Management requires the Section 151 Officer 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.

The Council has nominated the Corporate Governance Committee as the committee which will have responsibility for scrutiny of the treasury management function, and this committee has been receiving appropriate training on a regular basis.

8.2 Treasury Management Consultants

The contract for Treasury Management advisers is tendered every five years but the Council has the option to replace its advisers at the end of the third year. Following a review at the end of the third year of the current contract with Arlingclose Ltd, it was decided to extend the contract for a further two years until 31 December 2013.

**Treasury Management Strategy Statement
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APPENDIX B

PRUDENTIAL INDICATORS 2012/13 TO 2014/15

1 Background

The indicators are calculated to demonstrate that the Council's borrowing is affordable and are underpinned by the following regulations. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2 Net Borrowing and the Capital Financing Requirement

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

The Section 151 Officer reports that the Council had no difficulty meeting this requirement in 2011/12 to date nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3 Estimates of Capital Expenditure

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

Capital Expenditure	2011/12 Approved £000	2011/12 Revised £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Council Fund	40,827	30,708	34,779	7,745	5,774
HRA	5,969	5,413	7,452	4,998	5,148
Total	46,796	36,121	42,231	12,743	10,922

NB The figures have been taken from the 2012/13 Capital Plan which will be presented to Council for approval on 28 February 2012. The 2012/13 figures include estimated grants as we have not yet received formal notification from the Welsh Government. Any changes will be reported in the outturn report in September.

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3.2 Capital expenditure will be financed as follows:

Capital Financing	2011/12 Approved £000	2011/12 Revised £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Council Fund					
Capital Receipts	1,049	2,802	1,147	0	0
Grants & Contributions	20,561	15,911	13,174	4,590	2,480
Revenue Contributions					
Supported Borrowing	8,151	3,090	9,721	3,152	2,994
Prudential Borrowing	11,066	8,905	10,737	3	300
Total	40,827	30,708	34,779	7,745	5,774
HRA					
Capital Receipts	16	65	17	17	18
Grants & Contributions	2,400	2,400	2,400	2,400	2,400
Revenue Contributions	1,341	1,341	565	1,054	606
Supported Borrowing					
Prudential Borrowing	2,212	1,607	4,470	1,527	2,124
Total	5,969	5,413	7,452	4,998	5,148

4 Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. It shows how much of its budget the Council uses to repay debt and interest.

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

Ratio of Financing Costs to Net Revenue Stream	2011/12 Approved %	2011/12 Revised %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Council Fund	6.67	6.61	6.91	7.48	7.35
HRA	24.32	22.90	22.31	23.46	23.58
Total	7.78	7.60	7.87	8.53	8.44

5 Capital Financing Requirement & Actual External Debt

5.1 The Capital Plan relies on various sources of finance i.e. grants, contributions and capital receipts. Once these are used up, we need to rely on borrowing and the Capital Financing Requirement (CFR) is the amount we need to borrow. Our borrowing shouldn't therefore go above the CFR. The Council's CFR and borrowing levels are compared in the table below for the current and future years.

Capital Financing Requirement	31/03/11 Actual £000	31/03/12 Estimate £000	31/03/13 Estimate £000	31/03/14 Estimate £000	31/03/15 Estimate £000
Council Fund	131,684	137,346	151,245	147,285	143,623
HRA	25,451	25,607	28,696	28,619	29,063
Total CFR	157,135	162,953	179,941	175,904	172,686

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Total Debt	131,280	134,890	158,197	161,258	160,585
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5.2 The move to International Financial Reporting Standards (IFRS) has resulted in the Council's Private Finance Initiative (PFI) being brought onto the Balance Sheet and this has resulted in an increase in the CFR as illustrated in the table below:

Capital Financing Requirement	31/03/11 Actual £000	31/03/12 Estimate £000	31/03/13 Estimate £000	31/03/14 Estimate £000	31/03/15 Estimate £000
Council Fund	131,684	137,346	151,245	147,285	143,623
HRA	25,451	25,607	28,696	28,619	29,063
PFI	11,264	10,993	10,676	10,564	10,475
Total CFR	168,399	173,946	190,617	186,468	183,161

6 Incremental Impact of Capital Investment Decisions

6.1 This indicator shows how much of the Council Tax income is spent on paying debt interest.

Incremental Impact of Capital Investment Decisions	2011-12 Approved £	2012-13 Estimate £	2013-14 Estimate £	2014-15 Estimate £
Increase in Band D Council Tax due to:				
Prudential Borrowing	22.33	10.12	0.00	0.00
Capital Receipts	0.40	0.46	0.00	0.00
Reserves	0.00	0.00	0.00	0.00
Total	22.73	10.58	0.00	0.00
Average Weekly Housing Rents	1.76	1.69	1.67	1.01

Between 2007/08 and 2012/13, the Council has budgeted to undertake a total of £32.0m prudential borrowing. The cumulative impact of this has been an increase in Council Tax of £70.08.

This indicator shows the equivalent impact on Council Tax of the decision to undertake Prudential Borrowing as well as the investment interest lost by using capital receipts and reserves to part fund the Capital Plan. The impact of supported borrowing has not been included because it is assumed that the Council would always spend its supported borrowing to fund its Capital Plan.

The increases in council house rents reflect the additional costs of financing the borrowing to be undertaken each year as part of the Housing Stock Business

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Plan with the aim to attain the Welsh Housing Quality Standard by 2012. The indicator illustrates the impact of each year's capital expenditure and new borrowing on weekly rents.

7 Authorised Limit and Operational Boundary for External Debt

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

7.2 The **Authorised Limit** sets the maximum level of external borrowing. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices. This is reported as a part of the Capital Monitoring Report.

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

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit) and if it is breached, this will be reported to the next Council meeting.

Authorised Limit for External Debt	2011/12 Approved £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Borrowing	175,000	180,000	180,000	180,000

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

Operational Boundary for External Debt	2011/12 Approved £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Borrowing	170,000	175,000	175,000	175,000

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8 Adoption of the CIPFA Treasury Management Code

8.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council adopted the original Code in March 2002. A revised Code was issued in November 2009 and another in November 2011. One of the recommendations is that the Code is adopted by Council.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council is due to approve the adoption of the revised CIPFA Treasury Management Code (Nov 2011) at its meeting on 28 February 2012.

9 Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need.

Gross and Net Debt	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000
Outstanding Borrowing (at nominal value)	134,890	158,197	161,258	160,585
Other Long-term Liabilities (at nominal value)	0	0	0	0
Gross Debt	134,890	158,197	161,258	160,585
Less: Investments	20,000	20,000	20,000	20,000
Net Debt	114,890	138,197	141,258	140,585

10 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on a net interest paid basis (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).

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

	2011/12 Approved %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100
Upper Limit for Variable Rate Exposure	40	40	40	40

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10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

11 Maturity Structure of Fixed Rate borrowing

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

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

Maturity structure of fixed rate borrowing	Actual %	Lower Limit %	Upper Limit %
under 12 months	1.20	0	5
12 months and within 24 months	1.20	0	5
24 months and within 5 years	9.04	0	20
5 years and within 10 years	9.42	0	25
10 years and above	79.14	50	100

12 Credit Risk

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

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

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

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

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

13 Upper Limit for total principal sums invested over 364 days

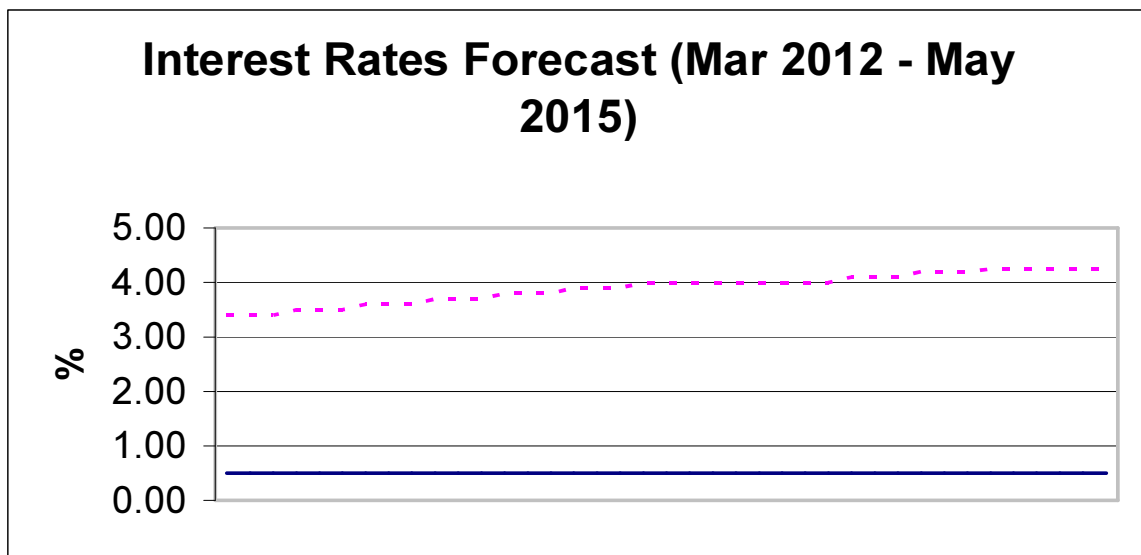
13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
	6.00	6.00	6.00	6.00

INTEREST RATES FORECAST

The graph below shows the interest rate forecast for the Official UK Bank Rate and the 50 year GILT rate from March 2012 to May 2015. The Official Bank Rate influences the rate at which the Council can invest. The GILT rate is the rate at which the Government borrows money and therefore this affects the rate at which we can borrow from the PWLB which is approximately 1% above GILT rates.

As the graph shows, it's much more expensive to borrow than to invest at the moment with the Official UK Bank Rate expected to remain at 0.5% for some time. The graph illustrates that the difference between investment and borrowing rates is approximately 3%. This means that the cost of carry referred to in paragraph 4.1 in **Appendix A** is approximately £30,000 for every £1m borrowed because the Council could borrow for 50 years at a rate of approximately 4% but could only invest at a rate of approximately 1%.



—— Official Bank Rate
----- 50-yr GILT Rate

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APPENDIX D

Specified and Non-Specified Investments

Investment	Specified	Non-Specified	Maximum Specified Counterparty Limit (£m)
Term deposits with UK banks and building societies	✓	✓	8
Term deposits with non UK banks and building societies	✓	✓	5
Term deposits with other UK local authorities	✓	✓	No limit
Certificates of deposit with UK banks and building societies	✓	✓	8
Certificates of deposit with non UK banks and building societies	✓	✓	5
Gilts	✓	✓	No limit
Treasury Bills (T-Bills)	✓	x	No limit
Bonds issued by Multilateral Development Banks	✓	✓	5
Local Council Bills	✓	x	No limit
Commercial Paper	✓	x	5
Corporate Bonds	✓	✓	5
AAA rated Money Market Funds	✓	x	*
Other Money Market and Collective Investment Schemes	✓	✓	5
Debt Management Account Deposit Facility	✓	x	No limit

* Investments in each Money Market Fund should be limited to 10% of the Council's total investments rounded up to the next £million e.g. if the total investments are £25m, then the limit in each fund would be £2.5m rounded up to £3m.

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APPENDIX E

Recommended Sovereign and Counterparty List

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit (£m)
Term Deposits / CDs / Call Accounts	UK	Santander UK Plc (Banco Santander Group)	8
Term Deposits / CDs / Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	8
Term Deposits / CDs / Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	8
Term Deposits / CDs / Call Accounts	UK	Barclays Bank Plc	8
Term Deposits / CDs / Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)	8
Term Deposits / CDs / Call Accounts	UK	HSBC Bank Plc	8
Term Deposits / CDs / Call Accounts	UK	Nationwide Building Society	8
Term Deposits / CDs / Call Accounts	UK	NatWest (RBS Group)	8
Term Deposits / CDs / Call Accounts	UK	Royal Bank of Scotland (RBS Group)	8
Term Deposits / CDs / Call Accounts	UK	Standard Chartered Bank	8
Term Deposits / CDs / Call Accounts	Australia	Australia and NZ Banking Group	5
Term Deposits / CDs / Call Accounts	Australia	Commonwealth Bank of Australia	5
Term Deposits / CDs / Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	5
Term Deposits / CDs / Call Accounts	Australia	Westpac Banking Corp	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Montreal	5
Term Deposits / CDs / Call Accounts	Canada	Bank of Nova Scotia	5
Term Deposits / CDs / Call Accounts	Canada	Canadian Imperial Bank of Commerce	5

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Term Deposits / CDs / Call Accounts	Canada	Royal Bank of Canada	5
Term Deposits / CDs / Call Accounts	Canada	Toronto-Dominion Bank	5
Term Deposits / CDs / Call Accounts	Finland	Nordea Bank Finland	5
Term Deposits / CDs / Call Accounts	France	BNP Paribas	5
Term Deposits / CDs / Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)	5
Term Deposits / CDs / Call Accounts	France	Credit Agricole SA (Credit Agricole Group)	5
Term Deposits / CDs / Call Accounts	France	Société Générale	5
Term Deposits / CDs / Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits / CDs / Call Accounts	Netherlands	ING Bank NV	5
Term Deposits / CDs / Call Accounts	Netherlands	Rabobank	5
Term Deposits / CDs / Call Accounts	Netherlands	Bank Nederlandse Gemeenten	5
Term Deposits / CDs / Call Accounts	Sweden	Svenska Handelsbanken	5
Term Deposits / CDs / Call Accounts	Switzerland	Credit Suisse	5
Term Deposits / CDs / Call Accounts	US	JP Morgan	5

NB Non-UK Banks - Investments with non-UK banks should be limited to £10m in total.

NB Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group will apply.

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GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

Bank of England	UK's Central Bank
Bank Rate	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
GILTS	Investments issued by UK Government which pay a fixed cash payment to the holder
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
Long term rates	More than 12 months duration
Short term rates	Less than 12 months duration

County Council Forward Work Plan

Meeting		Item (description / title)	Purpose of report	Council Decision required (yes / no)?	Author – Lead member and contact officer
Informal Council: 27 March					
17 April					
15 May (annual Meeting)	1	Joint Supplementary Planning Guidance on the Pontcysyllte Aqueduct and Canal World Heritage Site	To seek the adoption of the SPG	Yes	Eleri Evans / Graham Boase
	2	Annual Report of the Scrutiny Committees	To report the activities of the scrutiny committees during 2011 / 12.	No	Rhian Evans / Rhys Hughes
	3	Review of Political Balance	A statutory annual review of political balance arrangements	Yes	Gary Williams / Steve Price

Future Meeting

Date	Item (description / title)	Purpose of report	Council decision required (yes / no)?	Author – Lead member and contact officer
September	Annual Performance Review	To approve the Council's	Yes	Tony Ward / Alan Smith

County Council Forward Work Plan

Date	Item (description / title)	Purpose of report	Council decision required (yes / no)?	Author – Lead member and contact officer
2012 (tbc)	2010 / 2011	Annual Performance Review document.		
Council Briefing - Date tbc	Presentation by the Empty Homes Officer	Proposed by the Performance Scrutiny Committee on 1 December 2011 to inform of the post's roles and objectives	No	Tbc
Council Briefing – June / July 2012	Presentation on the North Wales Adoption Service, the Corporate Parenting Forum and councillors' corporate parenting responsibilities	To advise Members of their roles and organisation and performance information.	N/A	Julie Moss

Note for officers – Full Council Report Deadlines

<i>Meeting</i>	Deadline	<i>Meeting</i>	Deadline	<i>Meeting</i>	Deadline
<i>April</i>	3 April	<i>May</i>	1 May		

Updated 21/2/2012 - SP

Council Work Programme.doc