

7 April 2006

Our Ref. IG/Council
Your Ref.
Contact. Ian Gourlay
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To: The Chairman and Members of North Hertfordshire District Council

You are invited to attend a

MEETING OF THE COUNCIL

to be held in the

**COUNCIL CHAMBER, COUNCIL OFFICES,
GERNON ROAD, LETCHWORTH GARDEN CITY**

on

THURSDAY, 20 APRIL 2006

at

7.30 p.m.

**[PLEASE NOTE THAT THERE WILL BE A PRESENTATION TO
MEMBERS FROM MOHAMMED ALAM OF THE NORTH HERTS
MINORITY ETHNIC FORUM ON 20 APRIL 2006, COMMENCING AT
6.45pm IN THE COUNCIL CHAMBER]**

Yours sincerely,



David Miley
Democratic Services Manager

AGENDA
PART I

ITEM	PAGE
1. APOLOGIES FOR ABSENCE	-
2. MINUTES To take as read and approve as a true record the Minutes of the meeting of the Council held on 1 March 2006.	-
3. NOTIFICATION OF OTHER BUSINESS Members should notify the Chairman of other business which they wish to be discussed by the Council at the end of the business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chairman will decide whether the item(s) raised will be considered.	-
4. DECLARATIONS OF INTEREST To receive from Members of the Council any declarations of interest in respect of any business set out in the agenda. Members should either declare a prejudicial or personal interest and are required to notify the Chairman of the nature of any interest declared. Members declaring a prejudicial interest should leave the Council Chamber and not seek to influence the decision on that particular item of business.	-
5. CHAIRMAN'S ANNOUNCEMENTS	-
6. PUBLIC PARTICIPATION To receive petitions, comments and questions from members of the public.	-
7. ITEM REFERRED FROM CABINET – 28 MARCH 2006 – SPORTS DEVELOPMENT STRATEGY	1
8. ITEM REFERRED FROM CABINET – 28 MARCH 2006 – TREASURY MANAGEMENT	9
9. QUESTIONS FROM MEMBERS To consider any questions submitted by Members of the Council, in accordance with Standing Order 10.4(a).	23
10. NOTICE OF MOTIONS To consider the following motion, due notice of which has been given in accordance with Standing Order 11.1., to be moved by Councillor Martin Stears and seconded by Councillor Deepak Sangha:-	25

“Sustainable Communities

That North Hertfordshire District Council expresses its concern at

- the decline of local services and facilities which affects local communities and in particular the elderly and people on the lowest incomes;

- the resulting decline of local jobs and local economies and the resulting extra traffic and pollution caused by the need to travel further.

It supports the concept of local sustainability as envisaged in the Sustainable Communities Bill, namely;

- the promotion of local economies
- the promotion of local services and facilities
- the protection of the environment
- the reduction of social exclusion, and
- measures to increase involvement in the democratic process

It therefore welcomes the Sustainable Communities Bill which, if passed, could have an extremely positive impact on the communities of North Hertfordshire by:

- requiring the government to assist councils and communities in promoting local sustainability in ways decided by those councils and communities; and
- setting up a participative process whereby councils and communities can drive the way in which government uses its power and influence to assist with the promotion of local sustainability; and
- taking an approach which does not impose any new duties on councils but instead enables them to influence how government uses its resources and influence to help councils and communities.

The Leader of the Council is therefore requested to write to the three local MPs asking them to support the Bill and to sign EDM (Early Day Motion) No. 641 if they have not already done so."

Future meetings of the Council have been scheduled to take place on:

Tuesday, 16 May 2006 (Annual Meeting)
Thursday, 27 July 2006
Thursday, 21 September 2006
Thursday, 2 November 2006
Thursday, 14 December 2006
Thursday, 18 January 2006
Thursday, 8 February 2007
Wednesday, 28 February 2007
Thursday, 29 March 2007

TITLE OF REPORT: ITEM REFERRED FROM CABINET – 28 MARCH 2006 – SPORTS DEVELOPMENT STRATEGY

The following is an extract from the Draft Minutes of the meeting of Cabinet held on 28 March 2006

197. SPORTS DEVELOPMENT STRATEGY

This item was considered with agenda item 6d, referral from Scrutiny Committee 21 March 2006 – Sports Development Strategy.

The Portfolio Holder for Community Engagement and Rural Affairs presented a report of the Head of Community Development and Cultural Services that sought Cabinet endorsement of the Sports Development Strategy.

Cabinet congratulated the Sports Development Team on achieving Quest accreditation and it was noted that currently North Herts District Council was the only local authority in Hertfordshire to achieve this award.

Cabinet supported the Scrutiny resolution that a report be submitted to a future meeting of Scrutiny on the performance of the new concessionary rates available for users of the Council's Easter Sports Programme for Children.

The Executive Summary to the Strategy was attached as Appendix 1 to the report, and the Strategy itself had been made available electronically and in the Members' Room.

RESOLVED: That the Sports Development Strategy 2006-2009 be agreed.

RECOMMENDED TO COUNCIL: That the Sports Development Strategy 2006-2009 be adopted.

REASONS FOR DECISION: The Sports Development Strategy helped the Council meet its strategic objectives to:

- Promote first class leisure and cultural facilities to contribute to healthy living for all our citizens;
- Target resources at areas of disadvantage in the district to reduce social exclusion and improve the quality of life for everyone.

The following is the report presented to Cabinet on 28 March 2006.

TITLE OF REPORT: SPORTS DEVELOPMENT STRATEGY

REPORT OF THE HEAD OF COMMUNITY DEVELOPMENT AND CULTURAL SERVICES

PORTFOLIO HOLDER: COUNCILLOR TRICIA GIBBS

1. SUMMARY

- 1.1 The purpose of this report is to seek Cabinet endorsement of the Sports Development Strategy.

2. FORWARD PLAN

- 2.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1st March 2006

3. BACKGROUND

- 3.1 This Sports Development Strategy (2006-2009) replaces the Council's Youth Sport Development Plan (1998-2005).
- 3.2 The aim of the Youth Sport Development Plan was that it would fit into the Council's wider Leisure and Community objectives and provide the Sports Development Team with an action plan that would drive their work for the next seven years. The plan identified four key programme areas to improve sports development in the district: increasing sports opportunities through children's play, providing youth sport programmes, coaching development and providing financial assistance and grant aid to individuals, clubs and sports.
- 3.3 The Sports Strategy for the next four years builds upon the progress that has already been achieved from the Youth Sport Development Plan. Areas that have been developed further include sports club development, improving sporting opportunities for disabled children, supporting schools with their sports programmes and promoting the use of school facilities to local sports clubs .
- 3.4 A key theme and priority of the new strategy is to enhance our partnership working with other agencies, such as local clubs, to develop their capacity to deliver sporting opportunities.
- 3.5 One immediate outcome of enhancing a new strategy has been the success in achieving Quest accreditation with a score of 70%. Quest is the only industry standard of the management of sports development services and is supported by Sport England. Currently the District Council is the only local authority in Hertfordshire to achieve this award for its sports development service.

4. SPORTS DEVELOPMENT STRATEGY

- 4.1 The Strategy identifies NHDC's vision 'to deliver excellent sporting opportunities to children, young people, and adults in North Herts'.
- 4.2 The Strategy links with many other NHDC strategies (Health Development Strategy; Leisure & Cultural Strategy; Pavilions, Playing Fields & Sports Pitches Strategy; Play Strategy; Rural Strategy and the Social Inclusion Strategy) indicating the desire to offer many different types of sporting activities to all ages in North Herts.

- 4.3 On a regional level the strategy also links into the North Herts & Stevenage and Royston, Buntingford & Bishop Stortford's PCT's Health Improvement Plans, the North Herts Community Safety Strategy and the County's Children and Young Peoples Plan. In addition it also links into the national strategies produced by the DCMS 'A Sporting Future for All' (2000) and 'Game Plan' (2002), as well as linking into the 'Enjoying and Achieving Outcome' of the Every Child Matters: Change for Children Programme (2003).
- 4.4 The Strategy outlines the actions that will be taken to meet the Council's strategic aims and objectives as well as the aims and objectives outlined by Sport England and the Government.
- 4.5 The Strategy has the following key aims:
- To develop a broad base of introductory physical activities for children and young people
 - To encourage the participation of all individuals in the pursuit of an active and healthy lifestyle
 - To develop opportunities for individuals to achieve their desired performance standards and to aspire to a level of excellence
 - To develop a sports link scheme between clubs and young people, especially in schools
 - To improve facilities for sports
 - To use sport as a means for social inclusion and regeneration.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications pertaining to this report.
- 5.2 The Cabinet Terms of Reference allow for the development of Council Policy in respect of various matters, including "leisure, sport, recreation and the arts".

6. FINANCIAL AND RISK IMPLICATIONS

- 6.1 There are no financial and risk implications pertaining to this report.
- 6.2 The cost to the authority to run the sports development service in 2006/07 is £54,280 (exclusive of internal recharges).
- 6.3 The Action Plan listed in the strategy will be undertaken within the existing Sports Development service budget and sourcing of external funds.
- 6.4 By raising awareness of sport and encouraging more active participation there may be a future need for an increase and improvement in local sporting facilities irrespective of who owns them.

7. HUMAN RESOURCE AND EQUALITIES IMPLICATIONS

- 7.1 There are no human resource and equalities implications.

8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 8.1 The draft Sports Development Strategy was discussed with the Spokesperson's for Community Engagement and Leisure and a summary of the Sports Development

Strategy was provided to members in MIS May 2005. No additional comments were received.

8.2 The following bodies have also been consulted:

- Hertfordshire Sports Development Officers Group
- Herts Sports Partnership (formerly the Hertfordshire Active Sports Partnership)
- North Hertfordshire District Sports Council
- Royston and District Sports Council
- Sports Clubs
- Sports Coaches
- Sport England, East

9. RECOMMENDATIONS

9.1 That Cabinet adopts the Sports Development Strategy 2006-2009.

10. REASONS FOR RECOMMENDATIONS

10.1 The Sports Development Strategy helps the Council meet its strategic objectives to:

- Promote first class leisure and cultural facilities to contribute to healthy living for all our citizens
- Target resources at areas of disadvantage in the district to reduce social exclusion and improve the quality of life for everyone

11. APPENDICES

Appendix 1: Sports Development Strategy Executive Summary

12. CONTACT OFFICERS

Rebecca Coates, Children's Services Development Manager (x 4333)
rebecca.coates@north-herts.gov.uk

Tim Stephen, Community Development Manager (x 4386) tim.stephen@north-herts.gov.uk

13. BACKGROUND PAPERS

Draft Sports Development Strategy – copies available in the Members' Room and electronic versions are available on request from the Committee Services Section.



Executive Summary

In line with the North Hertfordshire vision -

'making North Hertfordshire a vibrant place to live, work and prosper'

The Sports Development strategy comprises the vision that NHDC has 'to deliver excellent sporting opportunities to children, young people and adults in North Herts'. These opportunities can be facilitated by the good range of sporting facilities and the many sports clubs throughout the district.

The Sports Development strategy links with many other NHDC strategies including the Leisure and Cultural strategy and the Pavilion's Playing Fields & Sports Pitches strategy, indicating the desire to offer many different types of sporting activities to all ages in North Herts. This diverse range of sporting activity can be made available through partnership working with national organisations like Sport England and sports governing bodies, through to the county Herts Sports Partnership and local sports clubs. There is a concentrated aim to increase and encourage sporting activity within the district.

There is strong link between sports participation and general health. The balance of sport and health can work well together in developing individual achievement and excellence whilst also increasing activity amongst the more inactive populations. The other facet to sports involvement is the considerable impact that sport can bring to alleviating the problems associated with difficult behaviour, by engaging young people in pursuit of sport and building self-esteem. Targeting ethnic groups and providing a good range of sports for those with disabilities is fundamental to the objectives of an inclusive development strategy. School children in the North Herts District can access many sporting events as well as numerous sports courses to develop and enhance sporting interest and channel potential entry into high level sporting prowess.

This strategy demonstrates that NHDC values sporting achievement and increased physical activity for all.

The benefit of Sports Development and having a Sports Development strategy is that it provides a strategic framework over the next 3 years to support the enhancement of sporting opportunities, which contribute to the improved quality of life and health of our communities.

Our key aims and objectives are –

- To develop a broad base of introductory physical activities for children and young people
- To encourage the participation of all individuals in the pursuit of an active & healthy lifestyle
- To develop opportunities for individuals to achieve their desired performance standards and to aspire to a level of excellence
- To develop a sports link scheme between clubs and young people, especially in schools.
- To improve facilities for sports.
- To use sports as a means for social inclusion & regeneration

**THE NORTH HERTFORDSHIRE DISTRICT COUNCIL
SPORTS DEVELOPMENT STRATEGY 2005 – 2008**



We aim to achieve these objectives by the following actions –

- To develop a programme of sports activities for young people that is sustainable, progressive and challenging. These activities will be provided in leisure centres, schools and appropriate village facilities to satisfy the local demand.
- To continue implementing the Herts Sports Partnership programmes through out the district.
- Maintain a 'Coaches Audit' in order to offer advice and guidance for personal development and training.
- Support local schools wishing to make better community use of their facilities, or making funding applications for improved facilities.

A more detailed analysis of these actions can be found within the strategy and the action plan.

Full copies of the draft Sports Development strategy are available in the members' room and electronic versions are available on request from the Committee Services section.

TITLE OF REPORT: ITEM REFERRED FROM CABINET – 28 MARCH 2006 – TREASURY MANAGEMENT

The following is an extract from the Draft Minutes of the meeting of Cabinet held on 28 March 2006

197. TREASURY MANAGEMENT

A recommendation from the Finance Scrutiny Sub Group meeting of 24 March 2006 that had been tabled was considered with this item.

The Chairman of Cabinet presented a report of the Head of Financial Services presented a report that sought approval of the Treasury Strategy Statement for 2006/07 and its adoption by Council.

The report also sought approval of the Treasury Limits for 2006/07, which included the Treasury Management Prudential Indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.

Cabinet agreed to note the recommendation of the Scrutiny Finance Sub Group that at Appendix C of the report, paragraph 5.7 – if the amount exceeds £90 Million, Cabinet approval be sought to manage the increase in-house.

The following documents were appended to the report:
Appendix A - Treasury Management Policy Statement
Appendix B - Treasury Management Practices
Appendix C - Treasury Strategy Statement.

RESOLVED:

- (1) That the Strategy for 2006/07 as at Appendix C be approved;
- (2) That the Treasury Limits for 2006/07 be approved as follows:
 - (i) Interest Rate Exposure as at paragraph 3.4.3, Appendix C
 - (ii) Maturity Structure of Borrowing as at paragraph 3.5.3, Appendix C
 - (iii) Total Principal Sums invested for periods longer than 364 days as at paragraph 3.6.1, Appendix C;
- (3) That in future this matter be delegated to the Strategic Director of Finance & Regulatory Services in consultation with the Portfolio Holder for Finance.

RECOMMENDED TO COUNCIL: That the Strategy for 2006/07 as at Appendix C to the report be adopted.

REASON FOR DECISIONS: To comply with CIPFA's code of practice on Treasury Management.

The following is the report presented to Cabinet on 28 March 2006.

TITLE OF REPORT: TREASURY MANAGEMENT

REPORT OF THE HEAD OF FINANCIAL SERVICES

PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To seek Member approval of the Treasury Strategy Statement for 2006/07 and recommend it's adoption by Council.
- 1.2 To seek Member approval of the Treasury Limits for 2006/07, including the Treasury Management Prudential Indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.

2. FORWARD PLAN

- 2.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1st November 2004.

3. BACKGROUND

- 3.1 The Strategy Statement on Treasury Management in Local Authorities was revised by Cabinet on 15th March 2005.
- 3.2 The Code of Practice on Treasury Management requires that a report be submitted setting out four clauses which should be formally passed in order to approve adoption of the code.
- 3.3 The New Prudential Code, under the Local Government Act 2003, requires Local Authorities to set an authorised limit and an operational boundary for its total external debt. This replaced part IV of the Local Government and Housing Act 1989, which required Local Authorities to set the overall borrowing limit, the short term borrowing limit and the proportion of interest which is payable by them at variable rates. This is the third year (2006/07) where this act applies.

4. ISSUES

- 4.1 CIPFA recommends that public service organisations adopt as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

- 4.1.1 Clause 1

This organisation adopts the four key recommendations of CIPFA's Code of Practice on Treasury Management in the Public Sector as described in section 4 of that Code:

"Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities".

"Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities".

"They should acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for

responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this”.

“In order to achieve the above, the Council should adopt the four clauses, adopt a treasury management policy statement and follow the recommendations concerning the creation of treasury management practices”.

4.1.2 Clause 2

The creation and maintenance of:

a Treasury Management Policy Statement stating the policies and objectives of its treasury management activities (Appendix A). Unchanged to the Policy Statement approved by Cabinet on 15th March 2005.

Suitable treasury management practices 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. (Appendix B). There is a change to TMP1 – Risk Management and TMP4 – Approved Instruments, Methods and Techniques to allow investments to be made for longer than 364 days. This will enable the Council to take advantage of preferential interest rates when they arise.

4.1.3 Clause 3

Report annually on treasury management policies, practices and activities including an annual strategy and plan in advance of the year and an annual report after its close.

4.1.4 Clause 4

Delegate responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Strategic Director of Financial and Regulatory Services who will act in accordance with the Authority’s policy statement and treasury management practices and, CIPFA’s Standard of Professional Practice on Treasury Management.

4.2 Treasury Management Statement

4.2.1 The Treasury Management Statement for 2006/07 is attached in Appendix C. The statement includes changes to enable investments to be made for longer than 364 days.

5. LEGAL IMPLICATIONS

5.1 Section 151 of the Local Government Act 1972

“...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”

5.2 The proposed code of practice complies with this statutory provision.

5.3 The proposed Prudential Indicators comply with the Local Government Act 2003.

6. FINANCIAL RISK AND HUMAN RESOURCE IMPLICATIONS

6.1 There are no direct financial or human resource implications arising from the adoption of the Code and the Treasury Management Strategy.

- 6.1.1 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1 which was adopted by Cabinet in July 2003.

7. RECOMMENDATIONS

- 7.1 Members are requested to approve the Strategy for 2006/07 and recommend to Council its adoption (Appendix C).
- 7.2 Members are requested to approve the Treasury Limits for 2006/07.
- (iv) Interest Rate Exposure (see paragraph 3.4.3, Appendix C)
 - (v) Maturity Structure of Borrowing (see paragraph 3.5.3, Appendix C)
 - (vi) Total Principal Sums invested for periods longer than 364 days (see paragraph 3.6.1, Appendix C)

8. REASONS FOR RECOMMENDATIONS

- 8.1 Compliance with CIPFA's code of practice on Treasury Management.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 None

10. APPENDICES

- 10.1 Appendix A Treasury Management Policy Statement
Appendix B Treasury Management Practices
Appendix C Treasury Strategy Statement

11. CONTACT OFFICERS

- 11.1 Dean Fury – Corporate Support Accountant Tel 474509, email dean.fury@north-herts.gov.uk

12. BACKGROUND PAPERS

- 12.1 CIPFA Treasury Management in the Public Services Code of Practice.
- 12.2 CIPFA Prudential Code for Capital Finance in Local Authorities.

TREASURY MANAGEMENT POLICY STATEMENT

This organisation defines the policies and objectives of its treasury management activities as follows:

- 1 This organisation defines its treasury management activities as :
“The management of the authority’s cash flow, it’s 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 This organisation 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.
- 3 This organisation 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 best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

TREASURY MANAGEMENT PRACTICES

This organisation will prepare the following treasury management practices to which schedules will be attached to specify the systems and routines to be employed and the records to be maintained.

		Current Practice
TMP1	Treasury Risk Management	Yes (Updated)
TMP2	Best Value and Performance Measurement	Yes
TMP3	Decision-making and Analysis	Yes
TMP4	Approved instruments, methods and techniques	Yes (Updated)
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements	Yes
TMP6	Reporting requirements and management information arrangements	Yes
TMP7	Budgeting, accounting and audit arrangements	Yes
TMP8	Cash and cash flow management	Yes
TMP9	Money laundering	Yes
TMP10	Staff training and qualifications	Yes
TMP11	Use of external service providers	Yes
TMP12	Corporate governance	Yes

TREASURY STRATEGY STATEMENT FOR 2006/07

1. Introduction

1.1 This Treasury Strategy Statement details the expected activities of the Treasury function in the next financial year (2006/07). Its production and submission is a requirement of the Council's Treasury Management Policy. Its format and structure is as required by the Policy. The strategy covers:

- The current portfolio position
- Treasury limits in force which will limit the treasury risk and activities of the Council
- The borrowing strategy
- The investment strategy
- The extent of debt rescheduling opportunities
- Any extraordinary treasury issues

2. Current Portfolio Position

2.1 Loans Outstanding as at 31/01/06

	Amount £	Average Interest Rate %	Cumulative Rate %
Public Works Loans Board	4,728,763	8.200	8.9642
Over 1 year	1,000,000	10.125	10.08
"Disregarded" Debt	914,500	5.3906	5.355
Temporary Loans 364 Days and under	-		
	<u>6,643,263</u>	<u>8.103</u>	<u>8.5345</u>

2.2 Investments as at 31/01/06

	Amount £	Average Interest Rate %
Bank of Scotland (Ireland)	4,750,000	4.83
Bradford & Bingley	2,500,000	4.53
Britannia Bldg Soc	1,000,000	4.53
Cheshire Bldg Soc	2,500,000	4.61
Cumberland Bldg Soc	1,000,000	4.52
Derbyshire Bldg Soc	6,000,000	5.00
Furness Bldg Soc	3,000,000	4.58
Hinckley & Rugby Bld Soc	3,000,000	4.57
Kent Reliance Bldg Soc	1,750,000	4.70
Lambeth Bldg Soc	4,250,000	4.65
Leeds Bldg Soc	9,450,000	4.81
Leek United Bldg Soc	2,000,000	4.81
Nationwide Bldg Soc	6,000,000	5.13
Newcastle Bldg Soc	1,250,000	4.53
Northern Rock	5,450,000	4.61
Norwich & Peterborough Bldg Soc	4,000,000	5.04
Nottingham Bldg Soc	3,500,000	4.80
Principality Bldg Soc	1,600,000	4.52
Progressive Bldg Soc	4,250,000	4.51
Scarborough Bldg Soc	3,250,000	4.78
Skipton Bldg Soc	1,000,000	4.57
Stroud & Swindon Bldg Soc	4,500,000	4.71
Universal Bldg Soc	2,000,000	4.58
	<u>78,000,000</u>	<u>4.79</u>

3. Treasury Limits for 2006/07

3.1 Under the Prudential Code for Capital Finance in Local Authorities, the Council is required to set four indicators for each financial year:-

3.1.1 CIPFA Code of Practice for Treasury Management in the Public Service

3.1.2 Interest Rate Exposure

3.1.3 Maturity Structure of Borrowing

3.1.4 Total Principal Sums Invested for Periods Longer than 364 Days

3.2 The above decisions must be made by the full Council before the beginning of the financial year to which the decisions relate, though the decisions can subsequently be varied at any time, any variation must likewise be determined by the full Council.

3.3 CIPFA Code of Practice for Treasury Management in the Public Service

3.3.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was re-approved by Cabinet on 3rd February 2003. The Code of Practice on Treasury Management is adopted every year as part of the Treasury Management Strategy.

3.4 Interest Rate Exposure

3.4.1 Under the Prudential Code for Capital Finance, Authorities are required to set for the forthcoming financial year and the following two years upper limits to its exposure to the effects of changes in interest rates. These prudential indicators will relate to both fixed interest rates and variable interest rates and will be referred to as upper limits on fixed and variable interest rate exposure.

3.4.2 The upper limits on fixed and variable interest rate exposures may be expressed either as absolute amounts or as percentages. They may be related either to the Authority's net interest or net principal amounts outstanding on its borrowing / investments.

3.4.3 Effective ranges within which interest exposure will be managed:

Fixed rates – either 70% to 100% or

2006/07 £45.0Mcr to £64.4Mcr

2007/08 £45.3Mcr to £64.8Mcr

2008/09 £45.6Mcr to £65.2Mcr

Variable rates – either 0% to 30% or

2005/06 £0.M to £19.3Mcr

2006/07 £0.M to £19.4Mcr

2007/08 £0.M to £19.6Mcr

3.4.4 The effective ranges within which interest rate exposure have been calculated are based on the projected outstanding balances shown in the table below.

	2006/07	2007/08	2008/09	
Total Projected Principal Outstanding on Borrowing	6,617,300	6,220,380	5,806,050	
Total Projected Principal Outstanding on Investments	70,989,950	70,989,950	70,989,950	
Net Principal Outstanding	64,372,650cr	64,769,570cr	65,183,900cr	
Upper Limit – Fixed Rates = 100%	or	64,372,650cr	64,769,570cr	65,183,900cr
Upper Limit – Variable Rates = 30%	or	19,311,794cr	19,430,870cr	19,555,170cr

3.5 Maturity Structure of Borrowing

3.5.1 Under the Prudential Code for Capital Finance, Authorities are required to set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. The prudential indicators for the upper and lower

limits are calculated on projected borrowing that is fixed rate, maturing in each period, expressed as a percentage of the total projected borrowing that is fixed.

3.5.2 This indicator is designed to be a control over having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

3.5.3 The table below shows the upper and lower limits with respect to the maturity structure of borrowing. At any point in time, the actual percentages of debt projected to mature in each year will add up to 100%. However, the proposed indicator is for a range of approved percentages, and this gives discretion to act within that range. Therefore, the upper and lower limits need not add up to 100%.

	Actual 2006/07	Upper Limit	Lower Limit
Under 12 Months	3%	10%	3%
12 Months and within 24 Months	3%	10%	3%
24 Months and within 5 Years	40%	50%	40%
5 Years and within 9 Years	26%	30%	26%
9 Years and above	28%	30%	28%

3.6 Total Principal Sums Invested for Periods Longer than 364 Days

3.6.1 To maximise investment interest and take advantage of higher long term interest rates, Cash Managers will be permitted to invest for longer than the current maximum lending period of 364 days. A maximum of £5M per Cash Manager may be invested longer than 364 days with a maximum term of 5 years. All decisions made on long term investments will be made in conjunction with Officers and will be dependant on market conditions and cashflow.

3.6.2 An indication of longer term rates is shown below. These compare favourably with the average rate achieved by the Cash Managers to date of 4.61% (Sterling) and 4.65% (Tradition).

Term	Int. Rate 08/03/06	Interest Generated in year on £1M	Current Max. Int. Generated on £1M p.a.	Increase / Decrease in Int. on £1M p.a.
Sterling Ave.	4.61	46,100	46,200	-100
Tradition Ave.	4.65	46,500	46,200	300
1 Year	4.62	46,200	46,200	0
2 Year	4.75	47,500	46,200	1,300
3 Year	4.79	47,900	46,200	1,700
4 Year	4.80	48,000	46,200	1,800
5 Year	4.78	47,800	46,200	1,600

3.6.3 To ensure liquidity of funds to meet cash flow requirements, in House investments will not be made for periods longer than 364 days.

4. Borrowing Strategy 2006/07

4.1 The New Prudential Code, under the Local Government Act 2003, requires Local Authorities to set an Authorised limit and an operational boundary for its total external debt. This replaces part IV of the Local Government and Housing Act 1989, which required Local Authorities to set the overall borrowing limit, the short term borrowing limit and the proportion of interest which is payable by them at variable rates.

- 4.2 The Authorised Limit should reflect a level of borrowing which could be afforded but may not be sustainable. It is set to establish the outer boundary of the Authority's borrowing.
- 4.3 The Operational Boundary focuses on the day to day treasury management activity. It is a means by which the Authority manages its external debt to ensure that it remains within the Authorised Limit.
- 4.4 The table below shows the Authorised Limits and the Operational Boundaries for the forthcoming year and the following two years.

	2006/07	2007/08	2008/09
Operational Boundary	7,000,000	7,000,000	6,000,000
Authorised Limit	10,000,000	10,000,000	10,000,000

- 4.5 Standard policy is to not take out new borrowing but to utilise capital receipts' set aside reserves. The Capital report to Cabinet on 28th February proposed that no new borrowing will be taken up in 2006/07, but that the Authority may need to review the need to borrow before 2009/10.

- 4.6 The Profile of External debt at 31/03/06

	P.W.L.B. £(000)	Banks etc. £(000)	Other £(000)	Total £(000)
Maturing in 2006/07	197	-	200	397
Maturing in more than 1 and less than 2 years	192	-	223	415
Maturing in more than 2 and less than 5 years	2,270	-	492	2,762
Maturing in more than 5 and less than 10 years	1,472	-	-	1,472
Maturing in more than 10 years	572	1,000	-	1,572
	<u>4,703</u>	<u>1,000</u>	<u>915</u>	<u>6,618</u>

- 4.7 External debt of £397K will be repaid during 2006/07. This comprises of installment repayments and loans that are maturing during the year. This is less than the current year's payment, £873K, mainly because there is less PWLB maturing during the year.
- 4.8 The premiums for premature repayment on PWLB is in excess of £1.0M and is therefore extremely expensive. Should rates change, the situation will be reviewed.

5. Investment Strategy 2006/07

- 5.1 As Members are only too well aware, since 1990 the Council has been required to 'set aside' a proportion of every capital receipt for debt repayment. Although the Council is now a substantial net lender of money, the impact of 'set aside' has been to dramatically reduce external debt while increasing our credit position on the credit ceiling.
- 5.2 Because the Council has been generating 'set aside' capital receipts at a much faster rate than new borrowing allocations, treasury management policies have been geared to net debt reduction over time. As a lender will normally receive less interest than a borrower will pay (and also because of very tight government imposed investment rules), the Council has sought to consistently minimise external debt rather than lend surplus funds out.
- 5.3 'Set aside' monies have been internally invested rather than formally used to repay debt in order to allow for the potential relaxation of the rules which has now occurred with the government. This position is now under further review. During the year the possibility of rescheduling debt will be examined with a view to going debt free.

- 5.4 Outstanding debt relates predominantly to old Housing activities. All currently outstanding loans have been arranged at effectively fixed rates and are immune from day to day variations in general interest rates.
- 5.5 External debt at 31/01/06 was £6.6M compared to investments of £78M. The Interest received on investments is expected to be in the region of £3.7M for the year compared to interest paid on loans of £553K.
- 5.6 The balance of outstanding investments at the 31st March 2006 is expected to be £71M.
- 5.7 To ensure a wide portfolio of investments, it is proposed that the current arrangements continue whereby investments are split between two External Cash Managers as follows:

External Cash Manager	£30 Million
External Cash Manager	£30 Million
Managed In House	£30 Million

- 5.8 The value managed In House, limit of £30M, will be used to control daily cash flow and monitor internal performance with the Cash Managers. The levels of funds split between the Cash Managers and In House will be monitored throughout the year to ensure there are sufficient funds maintained In House to meet all cash flow requirements. If funds are required, the level placed with the Cash Managers will be reduced and managed In House.
- 5.9 By splitting the investments, the Authority is able to continue to monitor performance and seek to attain best value. Reports are presented to cabinet quarterly showing the activity of the of the External Cash Managers.
- 5.10 The table below specifies counterparties with whom temporary investments can be made and the limits on investments with those organisations. It should be mentioned that temporary investments made are for short periods for cash flow purposes. It is therefore recommended that the maximum time for any one investment made in house be limited to a period not exceeding 364 days. Cash Managers should not be restricted in this way and should be permitted to invest a maximum of £5M each up to a maximum period of 5 years.
- 5.11 The limits have remained unchanged and are detailed below.

	Total Maximum Amount of Investment			
	£15 Million (Previously £15M)	£7 Million (Previously £7M)	£5 Million (Previously £5M)	£3 Million (Previously £3M)
UK Clearing Banks	All			
UK Clearing Banks – Wholly owned Subsidiaries		All		
Discount Houses (Guaranteed by Bank of England)		All		
Building Societies	Assets £4.5bn	Assets £2.5bn to £4.5bn	Assets £1bn £5bn	Assets £0.5bn £1bn
Public Corporations)			
Other Local Authorities) All			
Foreign (AAA rated) Banks)			

- 5.12 To enable the Council to take advantage of preferential interest rates when they arise, it is recommended that forward deals continue to be entered into. Forward dealing rates will be monitored and this process will be reviewed during the year.
- 5.13 Currently interest rates are low and it would be prudent to invest surplus funds for short terms. Should interest rates rise investment interest can be

maximised by reinvesting at a higher rate. Cash Managers will advise on terms and market changes.

6. Debt Rescheduling

- 6.1 Any debt rescheduling is likely to take place when fixed interest rates are anticipated to be at their highest, although the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. This will be reviewed as part of the Treasury Management action plan as part of debt free analysis.

7. Extraordinary Issues

- 7.1 Allowing the Cash Managers to invest funds for longer than 364 days will give them greater flexibility to maximise interest when longer term interest rates start to rise.

TITLE OF REPORT: QUESTIONS FROM MEMBERS

To consider any questions submitted by Members of the Council, in accordance with Standing Order 10.4(a).

TITLE OF REPORT: NOTICE OF MOTIONS

To consider the following motion, due notice of which has been given in accordance with Standing Order 11.1., to be moved by Councillor Martin Stears and seconded by Councillor Deepak Sangha:-

“Sustainable Communities

That North Hertfordshire District Council expresses its concern at

- the decline of local services and facilities which affects local communities and in particular the elderly and people on the lowest incomes;
- the resulting decline of local jobs and local economies and the resulting extra traffic and pollution caused by the need to travel further.

It supports the concept of local sustainability as envisaged in the Sustainable Communities Bill, namely;

- the promotion of local economies
- the promotion of local services and facilities
- the protection of the environment
- the reduction of social exclusion and
- measures to increase involvement in the democratic process

It therefore welcomes the Sustainable Communities Bill which, if passed, could have an extremely positive impact on the communities of North Hertfordshire by:

- requiring the government to assist councils and communities in promoting local sustainability in ways decided by those councils and communities; and
- setting up a participative process whereby councils and communities can drive the way in which government uses its power and influence to assist with the promotion of local sustainability; and
- taking an approach which does not impose any new duties on councils but instead enables them to influence how government uses its resources and influence to help councils and communities.

The Leader of the Council is therefore requested to write to the three local MPs asking them to support the Bill and to sign EDM (Early Day Motion) No. 641 if they have not already done so."