



Herbert Warehouse
The Docks
Gloucester
GL1 2EQ

Tuesday, 10 March 2015

TO EACH MEMBER OF GLOUCESTER CITY COUNCIL

Dear Councillor

You are hereby summoned to attend a **MEETING OF THE COUNCIL** of the **CITY OF GLOUCESTER** to be held at the Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP on **Wednesday, 18th March 2015** at **19:00** hours for the purpose of transacting the following business:

AGENDA

1. **APOLOGIES**

To receive any apologies for absence.

2. **MINUTES (Pages 11 - 22)**

To approve as a correct record the minutes of the Council Meeting held on 26 February 2015.

3. **DECLARATIONS OF INTEREST**

To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.

4. **PUBLIC QUESTION TIME (15 MINUTES)**

The opportunity is given to members of the public to put questions to Cabinet Members or Committee Chairs provided that a question does not relate to:

- Matters which are the subject of current or pending legal proceedings or
- Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers.

5. PETITIONS AND DEPUTATIONS (15 MINUTES)

A period not exceeding three minutes is allowed for the presentation of a petition or deputation provided that no such petition or deputation is in relation to:

- Matters relating to individual Council Officers, or
- Matters relating to current or pending legal proceedings

6. ANNOUNCEMENTS (COUNCIL PROCEDURE RULE 2(VII))

To receive announcements from:

- a) The Mayor
- b) Leader of the Council
- c) Members of the Cabinet
- d) Chair of Committees
- e) Head of Paid Service

ISSUES FOR DECISION BY COUNCIL

7. SUSPENSION OF COUNCIL PROCEDURE RULES

To waive Council Procedure Rules to allow the relevant officers to address the Council in respect of item 11 and 13 on the agenda.

8. APPOINTMENT OF MANAGING DIRECTOR AND HEAD OF PAID SERVICE

To receive the report of the Leader of the Council, which seeks approval for the appointment of a Managing Director and Head of Paid Service for Gloucester City Council (report to follow).

9. CITY PLAN - PROGRAMME AND BUDGET (Pages 23 - 32)

To receive the report of the Cabinet Member for Regeneration and Culture which seeks endorsement of the progress of the City Plan programme and associated budget requirements of £141,000 over the next three financial years.

10. TREASURY MANAGEMENT STRATEGY (Pages 33 - 66)

To receive the report of the Cabinet Member for Performance and Resources which seeks approval for the Treasury Management Strategy and prudential indicators and which asks Council to note Treasury activities.

11. PAY POLICY STATEMENT (Pages 67 - 76)

To receive the report of the Cabinet Member for Performance and Resources which seeks approval for the Council's Pay Policy Statement for 2015/16.

12. **INTERNAL AUDIT SHARED SERVICE (Pages 77 - 84)**

To receive the report of the Cabinet Member for Performance and Resources which provides the background and rationale underlying the proposals to form an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council.

13. **REVIEW OF ANTI-FRAUD AND CORRUPTION POLICIES (Pages 85 - 118)**

To receive the report of the Audit, Risk and Assurance Manager on behalf of the Corporate Governance Group which seeks approval for revisions to the Anti-Fraud and Corruption policies the Council has in place.

14. **ANIMAL WELFARE ACT 2006 POWERS (Pages 119 - 126)**

To receive the report of the Cabinet Member for Housing, Health and Leisure which informs Members about the powers available to the Council under the Animal Welfare Act 2006.

15. **CONTRACT AWARD - UPGRADE OF CCTV SYSTEM, CAMERA IO NETWORK, MAINTENANCE, PUBLIC WIFI AND 4G COVERAGE**

To receive the report of the Cabinet Member for Communities and Neighbourhoods concerning the award of the contract for the upgrade of the CCTV system, camera IO network, maintenance, public WiFi and 4G coverage (report to follow).

PLEASE NOTE: Appendices to this report are likely to contain exempt material as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended. If Members wish to discuss the exempt material it will be necessary to pass a resolution to exclude the press and public.

16. **EXCLUSION OF PRESS AND PUBLIC**

To resolve:-

“That the press and public be excluded from the meeting during the following item of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended”.

Agenda Item No.
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Description of Exempt Information

Paragraph 3: information relating to the financial or business affairs of any particular person (including the Authority holding that information).

17. **RETAIL-LED REGENERATION AT KINGS QUARTER (Pages 127 - 136)**

To receive the exempt report of the Cabinet Member for Regeneration and Culture.

18. **QUESTIONS BY MEMBERS (COUNCIL PROCEDURE RULE 12) (Pages 137 - 140)**

a) Written questions to Cabinet Members

Written questions and answers. Only one supplementary question is allowed per question.

b) Leader and Cabinet Members' Question Time (45 minutes)

Any member of the Council may ask the Leader of the Council or any Cabinet Member any question without prior notice, upon:

- Any matter relating to the Council's administration
- Any matter relating to any report of the Cabinet appearing on the Council's summons
- A matter coming within their portfolio of responsibilities

Only one supplementary question is allowed per question.

c) Questions to Chairs of Meetings (15 Minutes)

MOTIONS FROM MEMBERS

19. **NOTICES OF MOTION**

(1) MOVED BY COUNCILLOR PULLEN

"This Council believes that young people are important and recognises the positive contribution that they make to our City.

Young people have ideas, views and opinions, not only about things that are important to them personally, but about issues that affect their communities, their City and the wider world.

Young people have a contribution to make to the life and development of this City, yet there is no process or structure that enables this Council to communicate with and learn from the views that young people have.

In order to value young people and benefit from the opinions and ideas they have, this Council is asked to establish a Gloucester City Youth Council.

Such a body would be important as not only would young people be able to influence the future direction this City but also have an impact on issues that matter to them and their City now".

(2) MOVED BY COUNCILLOR TAYLOR

"This Council:

- (1) recognises the importance that residents and businesses in Gloucester place on having high-speed broadband availability;

- (2) supports the continued significant investment designed to 'retro-fit' its availability to homes and businesses throughout the City as quickly as possible;
- (3) notes with concern that brand new properties, even on large scale developments, both residential and employment, are being built and sold without a ready superfast broadband capability;
- (4) therefore resolves to work with businesses, developers, potential suppliers of broadband capability to make it a requirement for new developments, especially on large scale residential developments, to be able to access superfast broadband from the day they are first sold.
- (5) if necessary will call on the Government to empower Councils through legislation to make this a statutory requirement of the planning process, to ensure ready access to superfast broadband.”

(3) MOVED BY COUNCILLOR PATEL

“This Council:

- 1) welcomes the review of waste and recycling services, initiated by the Cabinet, designed to expand the range of materials collected from the doorstep, increase recycling rates throughout the city and reduce the amount of waste going to landfill;
- 2) notes that some areas of the city, such as Barton & Tredworth, have many properties with very limited space for residents to be able to store receptacles for domestic waste and recycling;
- 3) requests that the working group consider what arrangements can be put in place to ensure people in these areas are supported and not disadvantaged by any future changes to the waste and recycling service and that problems such as flytipping in these areas are recognised and tackled robustly.”

(4) MOVED BY COUNCILLOR RANDLE

“This Council:

- 1) believes that Gloucester should be a pet-friendly city;
- 2) notes the excellent work done by the Council and its partners to promote responsible dog ownership, including the provision of dog bins and its partnership with the Dogs Trust to promote micro-chipping in advance of new legislation requiring it;
- 3) notes the positive role in society that pet owners can play through initiatives like Paws on Patrol;

- 4) notes the cost to the council taxpayer of irresponsible pet owners such as collecting stray dogs and cleaning up dog mess;
- 5) calls upon dog owners to act responsibly in their own interests and the interests of society as a whole and notes that the Council will use whatever statutory powers it has to take action against owners who break the law”.

(5) MOVED BY COUNCILLOR FIELD

“This Council notes that several games during the 2015 Rugby World Cup will be hosted in Gloucester.

Being a Rugby World Cup Host City is a tremendous opportunity for our City, but also a risk.

To ensure a lasting legacy for Gloucester, this Council needs to work with residents and partners to ensure that the World Cup goes off without a hitch, and that people go away with a positive impression of Gloucester.

This Council therefore resolves:

To consult extensively with residents, particularly of Kingsholm and Westgate, to find out their concerns and hopes for the World Cup.

To keep members of the Council fully informed with regular updates.

To encourage residents to get into the spirit of the World Cup with street parties and community events.

To ensure that the streets of Gloucester are spotless before the World Cup, and to ensure adequate toilet facilities etc.

To ensure that there is an economic and physical legacy from the World Cup in terms of the benefits of extra money spent in Gloucester, and an improved physical environment.

To ensure a cultural and sporting legacy by commemorating the World Cup and securing more sporting facilities for Gloucester”.

Yours sincerely



.....
Martin Shields
Corporate Director of Services and Neighbourhoods

NOTES

Disclosable Pecuniary Interests

The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

| <u>Interest</u> | <u>Prescribed description</u> |
|---|---|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| Sponsorship | Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992. |
| Contracts | Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged |
| Land | Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income. |
| Licences | Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer. |
| Corporate tenancies | Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest |
| Securities | Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in |

which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For further details and enquiries about this meeting please contact Tanya Davies, 01452 396125, tanya.davies@gloucester.gov.uk.

For general enquiries about Gloucester City Council’s meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

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Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the Public and Press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

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If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.



COUNCIL

MEETING : Thursday, 26th February 2015

PRESENT : Cllrs. Llewellyn (Mayor), Noakes (Sheriff & Deputy Mayor), James, Dallimore, Norman, Organ, Porter, Haigh, Hilton, Gravells, Tracey, Smith, Hobbs, Lugg, C. Witts, Hanman, Wilson, Ravenhill, Bhaimia, S. Witts, Field, Williams, Brown, Dee, Taylor, Beeley, Hansdot, Gilson, Patel, Randle, Toleman, Chatterton and Pullen

Others in Attendance

Martin Shields, Corporate Director of Services and Neighbourhoods

Ross Cook, Corporate Director

Sue Mullins, Head of Legal and Policy Development

Jon Topping, Head of Finance

Duncan May, Project Officer

Tanya Davies, Democratic and Electoral Services Manager

APOLOGIES : Cllrs. McLellan, Lewis and Mozol

79. MINUTES

79.1 **RESOLVED** – That the minutes of the Council meeting held on 22 January 2015 be approved and signed by the Mayor as a correct record.

80. DECLARATIONS OF INTEREST

80.1 Councillor Hobbs declared a prejudicial interest in the event of any discussions relating to Aspire as he was a member of the Board.

80.2 Councillors Hansdot, Lugg, Randle, Beeley and Toleman declared a prejudicial interest in agenda item 10, Housing Stock Transfer – Transfer Agreement, as Board Members of Gloucester City Homes. They retired to the public gallery for this item.

80.3 Councillor Smith declared a disclosable pecuniary interest in the event of any discussions relating to the Law Centre as she was employed there.

81. PUBLIC QUESTION TIME (15 MINUTES)

81.1 There were no public questions.

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82. PETITIONS AND DEPUTATIONS (15 MINUTES)

82.1 There were no petitions of deputations.

83. ANNOUNCEMENTS (COUNCIL PROCEDURE RULE 2(VII))

Mayor

83.1 The Mayor reminded Members that the next Council meeting had been moved to Wednesday 18 March 2015.

83.2 The Mayor advised that Civic Ball tickets were available and could be obtained through the Corporate Support Team.

83.3 The Mayor invited Members to attend an informal ceremony at North Warehouse at 10.00am on Monday 9 March 2015 for the raising of the Commonwealth Flag.

Leader of the Council

83.4 Councillor James (Leader of the Council and Cabinet Member for Regeneration and Culture) advised Members that the session on the Blackfriars Masterplan had been moved to the earlier time of 6.00pm on Monday 2 March 2015.

83.5 Councillor James announced that contracts had been exchanged on the sale of Bakers Quay to Rokeby Developments and that he looked forward to the development of the site.

84. SUSPENSION OF COUNCIL PROCEDURE RULES

84.1 Moved by Councillor James (Leader of the Council and Cabinet Member for Regeneration and Culture) and seconded by Councillor Dallimore (Deputy Leader of the Council and Cabinet Member for Communities and Neighbourhoods) –

84.2 **RESOLVED** - That Council Procedure Rules be suspended to allow the relevant officers to address the Council in respect of agenda items 8, 9, 10 and 12.

85. MONEY PLAN 2015-20 & BUDGET PROPOSALS FOR 2015/16

85.1 Council considered a joint report of the Leader of the Council and the Cabinet Member for Performance and Resources concerning the Council's Money Plan 2015-20 and Budget Proposals for 2015/16.

85.2 Councillor James moved the recommendations set out in the report.

85.3 Councillor Norman (Cabinet Member for Performance and Resources) seconded the motion.

85.4 Councillor James thanked the Head of Finance and other officers for their role in compiling the budget proposals and summarised the key successes achieved in 2014/15, including reductions in unemployment. He reported that cumulative savings of £9 million had been made through reviewing management structures,

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sharing services, working with partners and identifying efficiencies. £1.3 million of savings were required in 2015/16 and they would be primarily achieved through the implementation of a number of shared services; he noted the City Council's strong relationship with Gloucestershire County Council and that the joint appointment of a Managing Director/Commissioning Director would provide the Council with leadership and also deliver significant savings. He noted the proposal to freeze Council Tax for the fifth year in succession and that parking charges would also be frozen for a further year. He highlighted the progress made on key regeneration projects and the positive impact and legacy that Rugby World Cup Host City Status would bring. He advised that, within his portfolio, savings would be achieved through a review of Planning Services and implementing recommendations from the review of Cultural Services. He stated that the Council continued to be ambitious and to work in the interests of residents, and he thanked staff for delivering quality services with fewer resources.

- 85.5 Councillor Norman advised that the Council has to make difficult financial decisions that were essential to ensure the achievement of a sustainable financial plan. He explained that the plans were consistent with 2014/15 proposals and had been updated to reflect savings that had been achieved early. He considered that residents would welcome the Council Tax freeze, which would save them money which could then be spent in the City. He stated that back office savings and efficiencies were key and that £720,000 of savings had been identified within his portfolio.
- 85.6 Councillor Hilton noted that the budget proposals were consistent with the two year plan previously set out. He advised that he was pleased to see no plans to increase charges for the collection of garden waste and that other fees and charges had been frozen or increased in line with inflation. He welcomed proposals to freeze Council Tax and the government grant that would be received as a result. He stated that the Council was required to make substantial savings and that the proposals met those requirements.
- 85.7 Councillor Haigh expressed concern at central government's continued reductions in funding for local government and urged the devolution of more powers within England. She noted that the budget consultation showed that residents were willing to pay more for services, but that cuts continued to be proposed. She stated that savings identified previously had not been based on concrete proposals and that she was please to see that savings against the Amey street care contract for 2015/16 had been reduced, however, savings would instead be moved into future years. She stated that it was unclear how many of the proposals would impact on services and that there was no indication of savings required in 2016/17.
- 85.8 Councillor Haigh moved the following amendment, which was seconded by Councillor Chatterton.

“Reduce the cut from £50,000 from SLA’s to advice services in 2015/16 to £30,000 and work with the SLA funded organisations to ensure that in implementing the cut we protect the most vulnerable people in the City.

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The Council to work with the funded organisations to see if further savings can be made in future years without adversely impacting the viability of the service.”

85.9 Councillor James rejected the amendment.

Note: Councillor Smith moved to the public gallery during the debate on the amendment in light of her disclosable pecuniary interest.

85.10 Councillor Haigh stated that the Law Centre played an important role in helping residents and that they were keen to work with the Council to find savings, but needed sufficient time to be able to do so. She emphasised the importance of supporting such services by using reserves to fund the shortfall.

85.11 Councillor Pullen urged Council to approve the reduction in cuts to the advice service for the benefit of needy people in the City.

85.12 Councillor Dallimore stated that Council have always been supportive of the Voluntary and Community Sector (VCS), but that support could not continue at the same level when facing cuts to Council services and residents had not identified the advice services as a priority area. She noted that the advice services had been aware of the proposed reduction in funding for the past year, when they were first proposed and deferred. The Council would continue to engage with the advice services to provide non-financial support, such as identifying new income and funding streams and back office savings; it was hoped that the reduction would not impact on the frontline services delivered.

85.13 Councillor Chatterton stated that the reduction in funding to the advice services would result in the withdrawal of further services to residents who could otherwise not access that type of assistance.

85.14 The amendment was put to the vote and was lost.

85.15 Councillor Porter (Cabinet Member for Environment) advised that, from within his portfolio, higher levels of income from the Cemetery and Crematorium Service were expected to be recurring and would be built into the budget. He explained that savings required from the Amey street care contract in 2015/16 had been reduced with a proportion moved into the proceeding financial year; savings would be made through review and redesign of the services provided and a Working Group had been set up to look at it. Opportunities to bring in additional income were also being considered and the collection of two extra recyclates would be rolled out, resulting in increased income and reduced landfill costs. Other savings would be achieved through reviews of management structures and back office efficiencies.

85.16 Councillor Dallimore advised that the Council had driven a shift in its approach to working with communities and neighbourhoods through the introduction of Asset Based Community Development. She commended the Members Allocation Fund and confirmed that it would continue in 2015/16. She noted proposals to save £50,000 for the Service Level Agreement with advice services in the City by helping them to achieve back office savings and identify new income streams, and £50,000

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to be saved through a review of the Shopmobility Service including the methods of provision and delivery.

85.17 Councillor Organ noted from within his portfolio £200,000 of savings required from the Aspire management fee.

85.18 Councillor James stated that fundamentally the Council had to make savings and he noted there was no opposition to the proposal to freeze Council Tax. He advised that the cost to the Council of the museums and Guildhall had reduced and other actions would be taken. He also confirmed that there remained £100,000 in the budget for the provision of new public conveniences in the City Centre.

85.19 The motion was put to the vote and, in accordance with Part 4 Rule 18.05 of the Constitution, names were recorded as follows:

| <u>For</u> | <u>Against</u> | <u>Abstentions</u> |
|------------|----------------|--------------------|
| Llewellyn | Haigh | Hilton |
| Noakes | Smith | Witts. C |
| James | Hobbs | Wilson |
| Dallimore | Lugg | Witts. S |
| Norman | Bhaimia | Field |
| Organ | Hansdot | Brown |
| Porter | Gilson | Beeley |
| Gravells | Chatterton | |
| Tracey | Pullen | |
| Hanman | | |
| Ravenhill | | |
| Williams | | |
| Dee | | |
| Taylor | | |
| Patel | | |
| Randle | | |
| Toleman | | |
| (17) | (9) | (7) |

85.20 The motion was carried.

85.21 **RESOLVED** –

- (1) That the proposals for the 2015/16 budget in this report, including a Council Tax freeze for the fifth year, be approved.
- (2) That the target budget reductions set in the Money Plan 2015/2020 be implemented.
- (3) That it be noted that consultation has been undertaken on budget savings proposals to achieve the level of further savings required in 2015/16.

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86. COUNCIL TAX SETTING 2015/16

- 86.1 Council considered a report of the Leader of the Council concerning the Council's the setting of Council Tax for 2015/16.
- 86.2 Councillor James moved the recommendations set out in the report.
- 86.3 Councillor Dallimore seconded the motion.
- 86.4 The motion was put to the vote and, in accordance with Part 4 Rule 18.05 of the Constitution, names were recorded as follows:

| <u>For</u> | <u>Against</u> | <u>Abstentions</u> |
|------------|----------------|--------------------|
| Llewellyn | | Haigh |
| Noakes | | Smith |
| James | | Hobbs |
| Dallimore | | Lugg |
| Norman | | Bhaimia |
| Organ | | Hansdot |
| Hilton | | Gilson |
| Porter | | Chatterton |
| Gravells | | Pullen |
| Tracey | | |
| Witts. C | | |
| Hanman | | |
| Wilson | | |
| Ravenhill | | |
| Witts. S | | |
| Field | | |
| Williams | | |
| Brown | | |
| Dee | | |
| Taylor | | |
| Beeley | | |
| Patel | | |
| Randle | | |
| Toleman | | |
| (24) | (0) | (8) |

- 86.5 The motion was carried.
- 86.6 **RESOLVED** – That the Council pass the statutory resolutions as set out in the Appendix 1 to the report.

87. BOUNDARY REVIEW - DRAFT COUNCIL SUBMISSION ON LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND RECOMMENDATIONS

Note: The Sheriff chaired the meeting for this item to enable the mayor to take part in the debate.

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- 87.1 Council considered a report of the Head of Legal and Policy Development concerning approval of the draft submission prepared by the Boundary Review Working Group (BRWG) on the recommendations of the Local Government Boundary Commission for England (LGBCE) for the electoral arrangements for Gloucester.
- 87.2 Councillor Haigh (Chair of the BRWG) moved the recommendations set out in the report.
- 87.3 Councillor Hilton (Member of the BRWG) seconded the motion.
- 87.4 Councillor Haigh thanked the Members of the BRWG for achieving a significant amount of cross-party consensus for the Council's response to the LGBCE proposals and also thanked the Project Officer for his support to the Group. She explained that the Council's submission contained some minor amendments to open spaces, but that these would not affect any electors. She stated that the Council fundamentally opposed the boundary proposals for the Quedgeley/Kingsway area and that the Council's own proposal was the most appropriate, reflecting natural boundaries and communities and the views of residents. She urged residents to respond to the consultation.
- 87.5 Councillor Randle moved the following amendment that was seconded by Councillor Taylor and accepted by Councillor Haigh:
- “That the odd-numbered houses on West Lodge Drive be moved into the proposed Coney Hill ward as the only access to these properties is from Coney Hill Road.”**
- 87.6 The Mayor stated that the boundary proposals for Quedgeley did not take into account the any of the views put forward by the Council or the LGBCE's own criteria of reflecting existing communities. She advised that a natural boundary already existed and should be maintained in order for the people, communities and heritage of Quedgeley to be preserved; Quedgeley and Kingway were two very different communities in their own right and that should be reflected in the ward boundaries.
- 87.7 Councillor Chatterton echoed the comments made by the Mayor and stated that residents and Councillors objected to putting the oldest part of Quedgeley into a ward with the new community of Kingsway.
- 87.8 Councillor Hilton agreed that the proposals for Quedgeley/Kingsway did not properly take account of the communities in that area. In respect of the differing views in relation to Westgate ward, he explained that the Liberal Democrat Group would like the ward to be split into two wards, with two Members for the City Centre area and a single Member ward for Hempsted, to provide a better focus on the City Centre, distinct from the separate community in Hempsted. He thanked the BWG for agreeing that Deansway Meadow should remain in Kingsholm and Wotton.
- 87.9 Councillor Norman stated that, as a resident of and ward Councillor in Quedgeley, the proposed boundary was inappropriate and that residents would be making their voices heard.

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87.10 Councillor Haigh noted the strong views expressed. She stated that individuals and Groups were welcome to submit their own views, but that the level of cross-party support was to be commended.

87.11 **RESOLVED –**

- (1) That, subject to the odd-numbered houses on West Lodge Drive being moved into the proposed Coney Hill ward, the draft submission to the Local Government Boundary Commission for England be approved.
- (2) That authority be delegated to the Head of Legal and Policy Development, in consultation with Group Leaders, to finalise the Council's submission before it is submitted to the Local Government Boundary Commission for England by 16 March 2015.

88. HOUSING STOCK TRANSFER - TRANSFER AGREEMENT

88.1 Council considered a report of the Cabinet Member for Housing, Health and Leisure concerning approval of the key terms of the Transfer Agreement, Development Agreement and consequential delegations to enable the transfer of the Council's housing land, housing stock, and associated functions to Gloucester City Homes (GCH).

88.2 Councillor Organ moved the recommendations set out in the report.

88.3 Councillor James seconded the motion.

88.4 Councillor Organ noted that this decision represented an important milestone for the Council and was the culmination of a project that had evolved over several years. It was a journey based on the rationale that something was needed urgently to sustain the Council's housing stock for the future and therefore ensure a decent standard of homes for the Council's tenants across the City.

88.5 Despite the Council having invested £389 million in the stock it had become apparent that the existing delivery of decent homes was not viable financially into the future and a new mechanism had to be sought.

88.6 Councillor Organ noted that the Housing Futures Options Board had been formed from Councillors of all parties, tenants and management from Gloucester City Homes and the Council together with specialist consultants. The team had worked exceptionally well together and tenants had received communications at each stage of the process. The tenants had voted for a re-formed Gloucester City Homes as their chosen landlord and the new delivery model had been approved by the Government.

88.7 He noted that the decision before Members would affect the housing needs of thousands of people across the city now and for the future. The writing off of existing debt was the largest single investment made by Government to the City of Gloucester and would enable Gloucester City Homes to be re-formed and to build

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one hundred new homes. A re-investment of £292 million would be used for maintaining and regenerating the existing stock over the next thirty years.

- 88.8 He expressed his thanks to the members of the former Housing Options Board, Councillor Hilton, Councillor Smith, Councillor Noakes, Ashley Green and the Gloucester City Homes management team, consultants and legal advisors, Martin Shields and the Council's management team, Officers and consultants and all Councillors.
- 88.9 Councillor S. Witts referred to paragraph (ii) (i) on Page 112 of the report and noted that it should refer to Gloucester rather than Salford.
- 88.10 Councillor Smith stated that she had not believed several years ago that she would be able to support any transfer of the Council's housing stock but she believed that this proposal was the best possible future for the stock and for tenants. She noted that the proposal would not have progressed to this stage without the amazing amount of work that had been done by the tenants. She believed that they had demonstrated an incredible level of knowledge and had worked with Officers on complex issues. She thanked Ian Harries and the Officers involved for their work and she fully supported the transfer which she believed would be an excellent move for the City.
- 88.11 Councillor Hilton believed that the transfer would ensure good quality well maintained housing stock and new homes for the City. He noted that the Council would not need to borrow more or guarantee the quality of the housing stock for the next 20 or 30 years. He noted that 64 per cent of the 90 percent of tenants who voted, had voted in favour of the transfer and he believed that an important factor was that Gloucester City Homes had done and would continue to do an excellent job in managing the stock.
- 88.12 He noted that the Council would still hold one third of the Board seats and the transfer would not preclude the Council from considering building new homes for rent in the future. He stated that there was still a shortage of decent homes in the City and other Registered Social Landlords needed to build more new homes.
- 88.13 Councillor Patel believed that Gloucester City Homes did an excellent job in managing the Council's stock and he thanked everyone involved.
- 88.14 Councillor Tracey congratulated every one involved and supported the possibility of the Council building more new homes in the future.
- 88.15 The Leader of the Council repeated the thanks recorded by Councillor Organ. He noted that Council Officers had dealt with a very technical subject; the Gloucester City Homes team had done a great job in managing the stock and had given tenants the confidence to vote for the transfer; the Council had been well served by its technical advisers; the tenants had demonstrated a great deal of knowledge. He thanked Councillors for the cross-party support for the transfer and he thanked Richard Graham MP for his support.

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88.16 He stated that the write of existing debt would represent the largest single investment in the City and he recalled the moment when the Housing Minister had handed him the letter approving the proposals for the transfer. He believed that the decision before Members was about greater investment and building new homes. It represented an historic moment but the hard work was not yet over.

88.17 Councillor Organ stated that it had been a long haul and hard work. He hoped that the compliments would be accepted by those involved in the spirit in which they had been made. He believed that there would be some celebrations to mark 16 March as the transfer would be very important for the quality of life of thousands of people across the City.

88.18 RESOLVED –

- (1) That the Transfer be completed once the Secretary of State for Communities and Local Government has given consent;
- (2) That the terms of the Transfer Agreement and Development Agreement be approved;
- (3) That authority be delegated to the Corporate Director of Services and Neighbourhoods, in consultation with the Head of Legal and Policy Development, the Head of Finance and the Cabinet Member for Housing, Health and Leisure to resolve any matters that remain outstanding;
- (4) That the Head of Legal and Policy Development be authorised to sign and deliver the Legal Opinion as set out in section 13; and
- (5) That the Head of Legal and Policy Development be authorised to seal the Collateral Funders Warranty, Transfer Agreement, Development Agreement, the Property Transfer (TR5) and any other deeds that need sealing and to sign any ancillary documentation on behalf of the Council and to do whatever else is necessary or expedient to complete the Transfer.

89. HOUSING STRATEGY

89.1 Council considered a report of the Cabinet Member for Housing, Health and Leisure concerning the outcome of consultation on the draft Housing Strategy and seeking approval for the adoption and implementation of the final version.

89.2 Councillor Organ moved the recommendations set out in the report.

89.3 Councillor James seconded the motion.

89.4 Councillor Organ explained that the Housing Strategy underpinned the Joint Core Strategy and the Council Plan; it was a forward looking document that would be refreshed as new data became available. He advised that it was essential to have a strategic plan in place to ensure that the Council met its statutory obligations.

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- 89.5 Councillor Haigh welcomed the intention to produce an executive summary of the strategy to clarify the overall strategic direction for housing in the City.
- 89.6 In response to a question from Councillor Smith regarding discretionary housing payments, Councillor Organ advised that he anticipated that the budget would be fully spent by the end of the year.
- 89.7 Councillor Organ acknowledged that the City's house-building rate was one of the highest in the country, despite the City's challenging boundaries. He emphasised the importance of working closely with developers and also working to improve standards in the private rented sector.
- 89.8 **RESOLVED –**
- (1) The Housing Strategy at Appendix 1 be adopted and implemented;
 - (2) Progress reports be brought to Council every two years; and
 - (3) Authority to make minor revisions to the action plan be delegated to the Housing Strategy and Enabling Service Manager in consultation with the Cabinet Member for Housing, Health & Leisure.

90. NOTICES OF MOTION

- 90.1 There were no Notices of Motion.

Time of commencement: 18:00 hours

Time of conclusion: 19:55 hours

Chair

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| | | | |
|-------------------------|--|---------------------------------|---|
| Meeting: | Planning Policy Sub-committee Cabinet Council | Date: | 11 December 2014 28 January 2015 18 March 2015 |
| Subject: | City Plan – Programme and Budget | | |
| Report Of: | Cabinet Member for Regeneration and Culture | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Anthony Wilson, Head of Planning | | |
| | Email: anthony.wilson@gloucester.gov.uk | Tel: 396830 | |
| Appendices: | None | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present and seek endorsement of the progress of the City Plan programme and associated additional budget requirements of £141,000 over the next three financial years.

2.0 Recommendations

- 2.1 Planning Policy Sub-Committee is asked to **RECOMMEND** that:

- (1) The next stages of the City Plan work programme as set out in this report be endorsed; and
- (2) A further report be prepared on the City Plan work programme once the Joint Core Strategy (JCS) has been adopted; and
- (3) The City Plan future budget requests set out at paragraph 8.2 of this report be approved.

- 2.2 Cabinet is asked to **RESOLVE** that:

- (1) The next stages of the City Plan work programme as set out in this report be endorsed;
- (2) A further report be prepared on the City Plan work programme once the Joint Core Strategy (JCS) has been adopted;

- (3) Subject to the approval of the budget proposals for 2015/16, the City Plan future budget requests in this report be approved.

2.4 Council is asked to **RESOLVE** that:

- (1) The contents of this report be noted; and
- (2) The City Plan future budget requests, included in the budget proposals for 2015/16, be noted.

3.0 Background

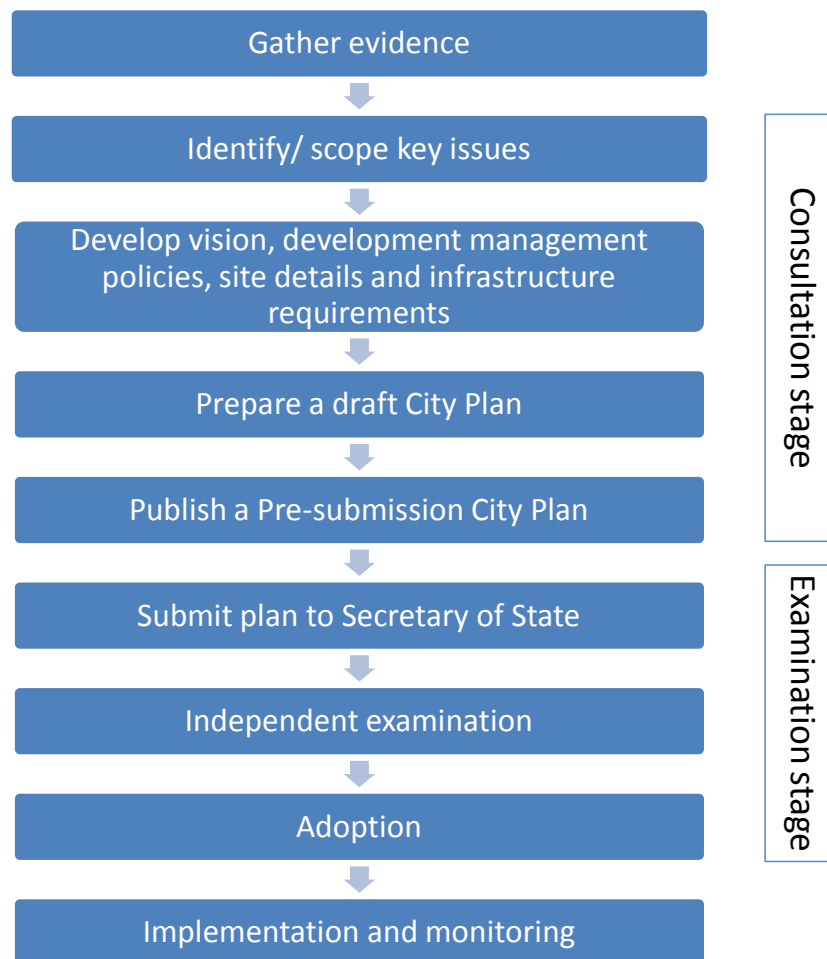
- 3.1 The Council has a statutory responsibility under Section 13 of the Planning and Compulsory Purchase Act 2004 to prepare and keep up to date a development plan for the City. In this respect, the Planning Policy Team is preparing two plans that will shape the future of planning in the City. These are the Joint Core Strategy (the JCS) and the City Plan. Together, these plans will provide the planning tools that the Council is legally obliged to prepare to support and guide land use change and development activity in the City until 2031.
- 3.2 The JCS will address strategic issues for Gloucester City, Cheltenham and Tewkesbury Boroughs and set housing, employment and other infrastructure requirements for the three local authorities. We are working with our neighbouring local authorities on this plan because a proportion of the future housing needs of the City will have to be met within Tewkesbury Borough. This plan will be the subject of a public examination likely to take place in the spring of 2015. It is hoped that the plan will be adopted towards the end of 2015.
- 3.3 Alongside the JCS, there is a need for a City Plan. This second development plan will clarify how the policies in the JCS will be applied in the City. It will set out the Council's priorities for the City Centre and other key sites that will deliver future housing and jobs. It will establish detailed policies against which planning applications will be determined and will demonstrate how new infrastructure to meet the City's needs will be funded. Finally, the City Plan will provide the basis for the preparation of any Neighbourhood Plans that may come forward. It will, in particular, be helpful to the Hempsted Community Forum which may prepare its own Neighbourhood Plan.
- 3.4 The Council is currently in a vulnerable position with respect to its statutory duty to prepare an adopted development plan. The now outdated adopted development plan dates back to 1983 and the Council has endorsed use of the second stage deposit plan 2002 for development management purposes in the absence of a more advanced plan. Without an up-to-date plan, the City runs the risk of uncoordinated development being approved as a result of planning permissions granted on appeal. This is not only costly, due to planning officer resource being diverted into managing and resourcing the appeal process, but is also not in the best interests of the environment or our communities. Properly planned development, delivered in the context of a robust planning strategy helps ensure high standards of design in all new development with supporting infrastructure in place. It is also worth noting that the planning policy and development management service brings in significant resource to the Council in terms of New Homes Bonus. House building in the City

resulted in an allocation of over £2m for 2013/14. Put simply, not having an up-to-date plan prevents the Council from shaping its own future environment.

4.0 Work on the City Plan to date

4.1 The Planning Policy Sub Committee gave approval in March 2011 for work to start on the City Plan. In summary, the preparation of the City Plan has to go through a number of stages of evidence gathering and the preparation of policies before it can be submitted to public examination (as shown in Figure 1 below). At each stage of plan preparation, the Council is obliged to consult and take into account comments received. Work has started slowly on this project principally because of other pressures on staff to progress the joint work on the JCS at the same time.

Figure 1 Stages in the preparation of the Gloucester City Plan



4.2 The Council has resolved that the City Plan be prepared on the basis of four interlocking parts.

- (a) Part 1 will set out the overarching development challenges and development principles
- (b) Part 2 will set out development management policies
- (c) Part 3 will set out a locally based approach to places and site opportunities
- (d) Part 4 will deal with site delivery and infrastructure provision.

Review of progress to date on the City Plan

City Plan Scoping Exercise

- 4.3 The first action undertaken by officers was a City Plan Scoping document. This was the subject of public consultation between May and August 2011. The findings of this consultation exercise were reported back to the Planning Policy Sub-Committee in November 2011 and the key principles and work priorities were incorporated into future work on the emerging City Plan.

City Plan Part 1, Gloucester Now and in the Future

- 4.4 Using responses from the City Plan Scoping consultation, Part 1 of the City Plan was drafted and was consulted upon in March and April 2012. This section describes Gloucester's development journey, that is, where it has come from, where it is now and where it strives to position itself in the future. It also recognises the City's transformation resulting from significant development investment and provides the framework to accommodate ongoing growth and regeneration.
- 4.5 Part 1 also identifies key challenges for the City relating to accommodating its growing population whilst providing the necessary supporting infrastructure, challenges around delivery of a good mix of housing, addressing the problems being experienced in the City's more deprived wards, the strengthening of the economy as well as improving its overall image and the perception of its centre and retail experience. Development pressure within the City also needs to be balanced with protection of Gloucester's valuable natural environment, open spaces and built heritage which should be preserved and, wherever possible, positively enhanced.
- 4.6 City Plan Part 1 also identifies key development principles which will provide the building blocks to guide growth going forward to 2031. This includes:
- (a) The incorporation of the development principles identified within the JCS;
 - (b) The need to deliver a transforming city which brings regeneration benefits;
 - (c) The primacy of Kings Quarter retail led regeneration of the City Centre and it acting as a catalyst for the wider regeneration of the City; and
 - (d) The need to deliver a city to live in, work in, enjoy and be proud of, that is safe, healthy and connected.

Part 3: Places and Sites, City Centre Strategy

- 4.7 The Planning Policy Service undertook a further consultation from May to July 2013 on Part 3 of the Plan. This part of the Plan focuses on the individual Wards within the City. The consultation sought views on the available development sites in each area as well as feedback on Ward Profiles. Feedback was also sought on a draft City Centre strategy which seeks to manage the changes that the City Centre is expected to experience as our retail centres move forward and our shopping habits change.
- 4.8 No substantive further work has been undertaken on the City Plan due to pressures to progress the JCS and the need to allocate existing planning policy budgets to fund the evidence base to support the JCS. It is now proposed that work moves forward on the remaining elements of the City Plan, this would involve the

preparation of development management policies for inclusion within Part 2 of the Plan and the preparation of the Plan's implementation programme which would provide detail on site delivery and infrastructure provision. Additional resources are sought to progress the preparation of the City Plan in order to commission the additional evidence base required in order to progress a Plan that will be found 'sound' at Examination.

5.0 Next stages of the City Plan budget

5.1 The City Plan needs to go through the following stages before it can be adopted:

- (a) Prepare supporting evidence required to inform preparation of a sound plan;
- (b) Review and publish comments and responses arising from the 2013 consultation;
- (c) Prepare Part 2 (development management policies) and Part 4 (delivery and infrastructure) of the Plan;
- (d) Prepare and consult on a Draft City Plan (that is, Parts 1-4), and prepare reports addressing representations on previous consultations and how the Council has responded to them;
- (e) Refresh Part 1 to reflect new development opportunities in the City, including the release of the former HMP Gloucester;
- (f) Publish Pre Submission version of the Plan for final comment;
- (g) Submit the City Plan to the Secretary of State;
- (h) Public examination; and
- (i) Adopt the City Plan.

5.2 The allocated officer resource to manage and deliver the City Plan is one part time Principal Planning Officer (18.5 hours per week, also working on the JCS and other City projects which are seen as a priority) and a Neighbourhood Planning Officer (currently 10.5 hours per week and involved in supporting the Hempsted Neighbourhood Forum and assisting in some City Plan work). Other officers are also allocated work on the City Plan when not involved in JCS activity or other planning policy work. This combined resource is not sufficient to make timely progress on the next stages of the City Plan especially as there will be a significant officer commitment to the JCS Examination which is expected to take place in April 2015.

6.0 Additional evidence to support the City Plan

6.1 Working with Cheltenham and Tewkesbury on the JCS has provided a significant element of the evidence base which can be used to support the preparation of the City Plan. In addition to this work, officers have also undertaken in-house research/evidence base preparation in relation to:

- (a) Housing and employment monitoring
- (b) Strategic Assessment of Land Availability (SALA)
- (c) Local District Centres health check
- (d) Green infrastructure plan for the City
- (e) GIS mapping work
- (f) Gypsy and Traveller site assessment
- (g) Assessment of employment sites

- (h) Open Space Strategy
- (i) Archaeology assessments

6.2 There are further areas of evidence base preparation which can be undertaken within the Council using existing staff resources. The detailed scope of this additional work will be determined as the preparation of the City Plan moves forward, but principal areas of work will include:

- (a) An examination of the operation of the City Centre and its existing uses/activities to provide a future strategy for its growth and continued health; and
- (b) An Economic Development/Regeneration Strategy to assess the current health of the City's economy and to develop a strategy for future growth.

6.3 However, in addition to the above areas of work, it will be necessary to commission additional research for which in house staff do not have expertise or where the use of a consultant would add to the robustness of the evidence base by providing an independent assessment or review. These are:

- (a) A Sustainability Appraisal and Habitats Regulations assessment (this is needed legally to show that the Council has appraised the economic, environmental and social effects of the City Plan and then to show that the proposals do not affect any sites of European wide ecological importance);
- (b) A Playing Pitch Strategy which will determine the level of playing fields needed to accommodate a growing local population and where these should go; and
- (c) A townscape assessment to inform our approach to promoting development in the City Centre.
- (d) Strategic Flood Risk Assessment (Level 2) work on sites plus sequential and exception test evaluation.
- (e) Heritage Impact Assessment.
- (f) Traffic modelling assessments of City sites;
- (g) Infrastructure provision to support City sites;
- (h) Viability assessment of City sites;
- (i) Retail assessment of trading position at Quedgley District Centre;
- (j) Site assessment/Duty to Co-operate; and
- (k) Biodiversity Assessment of City sites.

Costs associated with these pieces of work are set out in Table 1 below.

6.4 The Council is also required to record representations received throughout the plan making process and report them to an independent inspector appointed by the Secretary of State who will examine the representations made in relation to the City Plan and decide if the Council has met its responsibilities in connection with the statutory duty to co-operate. The Council has purchased a bespoke software package used for JCS preparation but will need to continue to pay an annual licence fee of £5,600 per annum to use the software. The Council will also need to renew its licences to continue to use GIS to do the mapping required for the City Plan at an annual cost of £3,000.

6.5 Costs associated with consulting on future stages of the City Plan

6.6 The Council has legal requirements to notify the public about its Plan and is also legally obliged to consult the public in accordance with its Statement of Community Involvement. Three rounds of consultation are anticipated before the City Plan can be submitted to the Secretary of State for examination. Costs likely to be incurred include advertisements, document printing and running exhibitions.

6.7 Examination in Public and adoption of the City Plan

6.8 The principal costs associated with this are:

- (a) Paying for an independent inspector and programme officer to run the examination;
- (b) Venue and other costs associated with hosting the examination; and
- (c) Preparing evidence, including the use of consultants to defend a technical matter (e.g., retail policy).

The Council is not in a position to give a firm estimate of the cost of this examination but has based its budget on other comparable plans. However, there may be a requirement to produce additional technical evidence (beyond that reasonably foreseen) in response to a request by an inspector. It should also be recognised within the wider plan preparation process that the potential for subsequent legal challenge does exist and that the Council may be required to defend its position in such a case.

6.9 Request for additional support

6.10 Currently approved budgets for the preparation of the JCS and City Plan provide £123,000 for 2015/16 and £33,000 for 2016/17. Of the total of £156,000 available in these two financial years, £50,000 is reserved to meet costs associated with the Examination and Adoption of the JCS in 2015/16. Therefore, the remaining £106,000 of these approved budgets would be reserved for the costs associated with City Plan preparation.

6.11 This report makes a request for additional funds to be allocated to the Planning Policy Team in the financial years 2015/16 – 2017/18 to cover one off costs relating to the preparation of the City Plan for:

- (a) Additional evidence to support the preparation and adoption of the City Plan;
- (b) The costs of consulting on the Plan, document printing and publishing the next stages of the City Plan; and
- (c) An examination in public and adoption of the City Plan.

The indicative costs associated with each of these items are set out in Table 1 of this report below.

7.0 Total costs and timescale

7.1 Table 1 below identifies a need for an additional budget of £141,000 to finalise the preparation of the City Plan. As is noted in paragraph 6.10 above, £106,000 has been allocated towards the costs of City Plan preparation within current budget approvals.

Table 1 - City Plan Budget forecast 2015/16 to 2017/18

| Workstream | 2015/16 | 2016/17 | 2017/18 |
|---|------------------|------------------|------------------------|
| Playing Pitch Strategy | £12,000 | | |
| Heritage Townscape Assessment /Townscape Character Analysis | | £15,000 | |
| Heritage Site Assessment | | £15,000 | |
| Sustainability Appraisal and Habitats Regulation Assessment | £10,000 | £15,000 | |
| Retail consultancy advice | £5,000 | | |
| Sequential Flood Risk Assessment/ Sequential Test | £30,000 | | |
| Traffic Modelling assessments of City Sites | £30,000 | | |
| Infrastructure Provision to support City Sites | £20,000 | | |
| Viability assessment of City Sites | | £20,000 | |
| Biodiversity Assessment of City Sites | £10,000 | | |
| Consultation (printing, publicity and newspaper advertisements) | | £5,000 | |
| Examination in Public (inspector time, programme officer and venue costs) | | £50,000 | £10,000 |
| Annual Totals | £117,000 | £120,000 | £10,000 |
| Current Budget Allocations | (£73,000) | (£33,000) | |
| Additional Financial Requirement | £44,000 | £87,000 | £10,000 |
| <u>TOTAL ADDITIONAL FUNDING SOUGHT</u> | | | <u>£141,000</u> |

- 7.2 It should be noted that a financial contingency may be required as there has been a significant increase in the number of Local Plans that have been delayed and challenged following the introduction of the National Planning Policy Framework. Under these circumstances, it would be prudent for the Council to be aware of the potential need for such a contingency due to any legal challenge or for the preparation of additional technical evidence in this context. However, it is hoped that such provision would not be required.
- 7.3 This bid for funds has been prepared on the understanding that the City Plan examination will be completed in the financial year 2017/18. Cabinet has recently considered the detailed timetable for this Plan and the JCS, contained within a revised Local Development Scheme (the LDS) and how the Council will consult local residents and businesses on the City Plan in what is called the Statement of Community Involvement (the SCI). The SCI has recently been updated and will undergo statutory public consultation in January/February 2015 as part of this process.

8.0 Conclusions

- 8.1 This report has outlined progress to date with the City Plan as well as ongoing budgetary requirements to deliver a sound Plan.
- 8.2 An additional budget allocation of **£141,000** is required to progress the City Plan and take it through the Examination process. This budgetary requirement is likely to fall over the next three financial years.
- 8.3 It is recommended that resources are built into the forward plan as set out in Table 1 above for future years up to 2017/18.

9.0 Financial Implications

- 9.1 The report has set out the budget requirements to deliver a City Plan and take it through the Examination process.
- 9.2 There is an existing budgetary commitment of £106,000 to the costs associated with the preparation of the City Plan in 2015/16 and 2016/17. In terms of the additional £141,000 now being sought, the additional budget requirement of £44,000 for 2015/16 can be accommodated within the Council's current Money Plan. The additional expenditure of £97,000 in 2016/17 and 2017/18 will be a budgetary pressure upon the Council's resources and will reduce funding available to other areas.

(Financial Services have been consulted in the preparation of this report).

10.0 Legal Implications

- 10.1 The legal implications are as set out in this report. The Gloucester City Plan will ultimately form part of the statutory Local Plan.

(Legal Services have been consulted in the preparation of this report).

11.0 Risk Management Implications

- 11.1 The Council has a statutory responsibility to have an adopted development plan. The Council's adopted development plan which dates from 1983 is out of date.
- 11.2 Councils which do not meet their legal obligations and underperform are at risk of direct Central Government intervention where planning decisions would be taken out of the hands of the local authority. In late 2013, the Government used these powers to place a Leicestershire authority in 'special measures', although it has since been released from this control. The current use of a number of statutory and non-statutory plans creates additional 'complications' for applicants and officers in determining planning applications. A single cohesive document will provide a more efficient framework for all parties.
- 11.3 A failure to progress the preparation of the City Plan within a reasonable timescale also places the Council at increased risk from potential future changes to the planning system and its accompanying legislation/regulation which could lead to abortive work being undertaken.

- 11.4 The JCS requires a development plan for the City to identify employment, housing and retail development sites within its administrative area to fulfil the development requirements of the JCS. The preparation of the City Plan will enable the Council to engage positively with our communities, promote development solutions that enable appropriate redevelopment of the City and provide suitable policies to help deliver our strategic aims.
- 11.5 Not pursuing the City Plan and therefore not identifying allocated sites for future housing, employment and retail development will make the City vulnerable to ad hoc development pressures on the fringes of the City with developers potentially challenging the City's five year housing land supply position.
- 11.6 The absence of a development plan will result in planning by appeal which will incur significant costs and result in ad hoc and inappropriate development across the City which has the potential to undermine the role of the City Centre. The Council may also risk substantial costs awards against it if ad hoc applications were refused and it was not possible to identify a five year land supply at appeal.

12.0 People Impact Assessment (PIA)

- 12.1 The preparation of a new development plan such as the City Plan can have both positive and negative social impacts on local communities. PIA is therefore incorporated into the statutory Sustainability Appraisal and Habitats Regulation Process that the Council will have to complete in justifying the spatial strategy for the City and development management policies the Council will have to adopt. PIA will also be ongoing through the preparation of the City Plan

13.0 Other Corporate Implications

Community Safety

- 13.1 The City Plan will be developed to reflect the Council's community safety obligations.

Sustainability

- 13.2 The City Plan will reflect the requirement that the planning system should deliver development that accords with the principles of sustainable development.

Staffing & Trade Union

- 13.3 None.

Background Papers : Vision/City Plan Consultation Report 2011
Part 1 Gloucester's City Plan 2031 Shaping Gloucester's
Regeneration journey February 2012
Part 3 Gloucester's City Plan Places and City Centre
Strategy Consultation May 2013



| | | | |
|-------------------------|---|---|--|
| Meeting: | Audit & Governance Committee Council | Date: | 16 March 2015 18 March 2015 |
| Subject: | Treasury Management Strategy 2015/16 | | |
| Report Of: | Cabinet Member for Performance and Resources | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | Yes |
| Contact Officer: | Jon Topping, Head of Finance | | |
| | Email: | jon.topping@gloucester.gov.uk | Tel: 396242 |
| Appendices: | 1. Treasury Management Strategy 2015/16 | | |

1.0 Purpose of Report

1.1 To formally recommend that full Council approves the attached Treasury Management Strategy, the prudential indicators and note the Treasury activities.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RECOMMEND** that the Treasury Management Strategy be approved.

2.2 Council is asked to **RESOLVE** that:

- (1) The Treasury Management Strategy at Appendix 1 be approved;
- (2) The authorised borrowing limit be approved at:-
 - a) 2015/16 £45m
 - b) 2016/17 £35m
 - c) 2017/18 £35m
- (3) The prudential indicators set on in section two of the strategy be approved.
- (4) Authority is delegated to s151 Officer in consultation with the Cabinet Member for Performance and Resources to make decisions on Treasury Management from 17th March 2015 to the 1st April 2015 outside of the 14/15 Treasury Strategy as a result of the stock transfer.

3.0 Background and Key Issues

- 3.1 2015-16 is the first year for the Treasury Management Strategy since the transfer of Housing Stock to Gloucester City Homes. The stock transfer changes the financial landscape of the Council. However uncertainty in the market around debt premia means not all market debt relating to the stock transfer may be paid off immediately. The Treasury Management Strategy for 2015/16 factors in the uncertainty within the market for debt premia and as a result the Council will move to an over-borrowing position. The Council's level of external debt is forecast to exceed the capital financing requirement until certainty returns to the markets for debt premia at which point the Council will reschedule market debt relating to the stock transfer.
- 3.2 The Council is moving from an under to an over borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt, and additional funds will be reinvested reducing the gap between cost of loans and interest received. This strategy is sensible as existing debt premia is high, yet forecast to reduce in future years. It is the intention of this strategy that debt will be rescheduled at the most opportune time and return the Council to an under borrowed position.
- 3.3 Stock transfer funds will be invested and short term cashflow balances will be invested for short periods within the year. Section 4 of the strategy outlines the Annual Investment Strategy; in particular it outlines the creditworthiness policy through the use of credit ratings.
- 3.4 The borrowing strategy is to utilise existing market debts in the short term while market uncertainty has adverse affects on debt premia, use investments to reduce the cost gap and repay long term debt as it becomes repayable. It is anticipated that any new debt will be short term as the current market rates are attractive and this also maximises future flexibility.
- 3.5 The strategy allows for either debt rescheduling or new long term fixed rate borrowing in place of short term borrowing if circumstances were to change during 2015/16.
- 3.6 The strategy also includes the minimum revenue provision (MRP) policy statement. This policy continues with the practice approved last year. MRP is the revenue charge to reduce debt and is only required by the General Fund. This option provides for a reduction in the borrowing need over the approximate asset life. For clarity the options for reduction are explained and can either be through an annuity calculation (providing a consistent overall annual borrowing charge) or straight line (where the principal repayment is the same each year).

4.0 Alternative Options Considered

- 4.1 The following option has been considered:

The potential to repay market debts related to stock transfer immediately and borrow short term rather than long term. Present interest rates show short terms

rates are only 0.35% whereas long term rates are over 2.5% (10 years plus). This remains an option should debt premia conditions improve.

5.0 Reasons for Recommendations

5.1 As outlined in the legal implications the recommendations require Council approval.

6.0 Future Work and Conclusions

6.1 The Treasury Management Strategy provides a logical basis to fund the Council's capital financing requirement. The main issue that will impact on the strategy is market uncertainty around debt premia meaning market debt associated to the stock transfer will not be paid off immediately.

7.0 Financial Implications

7.1 The expenditure and income arising from treasury management activities are included within the Council General Fund budget.

8.0 Legal Implications

8.1 The Council is required to have a Treasury Management Strategy is required to meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

9.0 Risk & Opportunity Management Implications

9.1 There is a risk that short term and long term interest rates could increase and this will be monitored both in-house and by the Council Treasury Management Advisor, Capita Asset Services. In this event the risk will be managed through the opportunities either to reschedule debt or new long term fixed rate borrowing in place of short term borrowing.

9.2 The risk of deposits not being returned by the counterparty is minimised by only investing short term cash flow monies with counterparties on the approved lending list. All counterparties on this list meet minimum credit rating criteria, ensuring the risk is kept extremely low although not eliminated.

10.0 People Impact Assessment (PIA):

10.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

11.0 Other Corporate Implications

Community Safety

11.1 None

Sustainability

11.2 None

Staffing & Trade Union

11.3 None

Background Documents:

Local Government Act 2003
CIPFA Treasury Management Code
CIPFA Prudential Code
CLG MRP Guidance

Appendix 1: Treasury Management Strategy 2015/16

1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and Treasury Indicators and Treasury Strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

Quarterly Treasury update reports – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

1.3 Treasury Management Strategy for 2015/16

The strategy for 2015/16 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training for Members was provided in 2014/15, further training will be arranged as required during 15/16. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

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

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

2. THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18

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

2.1 Capital expenditure

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

| Capital expenditure £m | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|-----------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Regeneration | 2.266 | 8.021 | 2.257 | 7.130 | 0.900 |
| Services & Neighbourhood | 0.864 | 0.518 | 1.152 | 0.683 | 0.627 |
| Resources | 0.423 | 0.141 | 1.050 | 0.500 | 0.200 |
| Housing GF | 0.734 | 0.750 | 0.715 | 0.715 | 0.539 |
| Total Non-HRA | 4.239 | 9.430 | 5.174 | 9.028 | 2.266 |
| HRA | 6.050 | 7.109 | 0 | 0 | 0 |
| Total | 10.337 | 16.539 | 5.174 | 9.028 | 2.266 |

The Council has other long term liabilities which relate to the difference between the Local Government Pension Liabilities and Assets. These do not have any treasury impact on Gloucester City Council as the Pension Fund is managed by Gloucestershire County Council. Therefore, other long term liabilities have been excluded from this strategy.

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

| Capital expenditure £m | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total | 10.377 | 16.539 | 5.174 | 9.028 | 2.266 |
| Financed by: | | | | | |
| Capital receipts | 2.774 | 1.196 | 2.730 | 0.552 | 0.385 |
| Capital grants | 0.824 | 0.806 | 2.234 | 8.041 | 1.881 |
| HRA Major repairs | 2.100 | 2.100 | 0 | 0 | 0 |
| HRA Revenue | 0 | 5.009 | 0 | 0 | 0 |
| Net financing need for the year | 4.639 | 7.428 | 0.210 | 0.435 | 0 |

2.2 The Council's borrowing need (the Capital Financing Requirement)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The Council is asked to approve the CFR projections below:

| £m | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|--------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Financing Requirement | | | | | |
| Total CFR | 80.876 | 24.010 | 23.565 | 23.291 | 22.577 |
| Movement in CFR | 4.174 | (56.866) | (0.445) | (0.274) | (0.714) |

| Movement in CFR represented by | | | | | |
|--|--------------|-----------------|----------------|----------------|----------------|
| Net financing need for the year (above) | 4.639 | 7.428 | 0.211 | 0.435 | 0 |
| Less MRP/VRP and other financing movements | (464) | (1.544) | (0.656) | (0.709) | (0.714) |
| Housing Stock Transfer | 0 | (62.75) | 0 | 0 | 0 |
| Movement in CFR | 4.174 | (56.866) | (0.445) | (0.274) | (0.714) |

2.3 Minimum revenue provision (MRP) policy statement

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

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

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

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1); this option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

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

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3); This option provide for a reduction in the borrowing need over approximately the asset's life.

2.4 Affordability prudential indicators

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

2.5 Ratio of financing costs to net revenue stream

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

| % | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|-------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Ratio | 4.56% | 4.31% | 7.16% | 7.36% | 7.52% |

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

There is an increase in this indicator from 2015/16 onwards which is due to two primary factors. Firstly, the uncertainty in the market around debt premia

mean that not all of the market debt relating to the stock transfer may be paid off immediately. This will create a cost as the stock transfer funds will be reinvested at a lower rate of return than the cost of the market debt. Secondly, the Council has taken on additional borrowing to pay for asset purchases as part of the Kings Quarter Development.

2.6 Incremental impact of capital investment decisions on Council Tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D Council Tax

| £ | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|---------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Council Tax - Band D | 0.85 | -0.86 | 11.92 | 1.26 | -0.11 |

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £m | 2013/14 Actual | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt | | | | | |
| Debt at 1 April | 76.932 | 71.142 | 41.500 | 30.000 | 20.000 |
| Expected change in Debt | (5.790) | (29.642) | (11.500) | (10.000) | 0 |
| Other long-term liabilities (OLTL) | 0 | 0 | 0 | 0 | 0 |
| Expected change in OLTL | 0 | 0 | 0 | 0 | 0 |
| Actual gross debt at 31 March | 71.142 | 41.500 | 30.000 | 20.000 | 20.000 |
| The Capital Financing Requirement | 80.875 | 24.010 | 23.565 | 23.291 | 22.577 |
| Under / (over) borrowing | 9.733 | (17.490) | (6.435) | 3.291 | 2.577 |

At the 31st March 2014 there was an under borrowing of £9.733m compared with the capital financing requirement. The 14/15 estimate is an over borrowed position due to uncertainty in the market around debt premia. The debt structure includes market loans with premia associated to current market conditions. Current uncertainty means that not all of the market debt relating to the stock transfer may be paid off immediately, it will be invested in the short term while the position is reviewed to ensure the Council maximises its return from the stock transfer. While the Council holds market loans associated with the stock transfer, the gross debt will exceed the capital financing requirement.

The Head of Finance reports that the Council will at the most opportune moment pay off market debts and return the Council to an under borrowed position. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

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

| Operational boundary £m | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt | 45 | 30 | 30 | 30 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 45 | 30 | 30 | 30 |

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

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

| Authorised limit £m | 2014/15 Estimate | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt | 45 | 35 | 35 | 35 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 45 | 35 | 35 | 35 |

3.3 Prospects for interest rates

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

| Annual Average % | Bank Rate % | PWLB Borrowing Rates % (including certainty rate adjustment) | | |
|------------------|-------------|---|---------|---------|
| | | 5 year | 25 year | 50 year |
| Mar 2015 | 0.50 | 2.20 | 3.40 | 3.40 |
| Jun 2015 | 0.50 | 2.20 | 3.50 | 3.50 |
| Sep 2015 | 0.50 | 2.30 | 3.70 | 3.70 |
| Dec 2015 | 0.75 | 2.50 | 3.80 | 3.80 |
| Mar 2016 | 0.75 | 2.60 | 4.00 | 4.00 |
| Jun 2016 | 1.00 | 2.80 | 4.20 | 4.20 |
| Sep 2016 | 1.00 | 2.90 | 4.30 | 4.30 |
| Dec 2016 | 1.25 | 3.00 | 4.40 | 4.40 |
| Mar 2017 | 1.25 | 3.20 | 4.50 | 4.50 |
| Jun 2017 | 1.50 | 3.30 | 4.60 | 4.60 |
| Sep 2017 | 1.75 | 3.40 | 4.70 | 4.70 |
| Dec 2017 | 1.75 | 3.50 | 4.70 | 4.70 |
| Mar 2018 | 2.00 | 3.60 | 4.80 | 4.80 |

UK GDP growth surged during 2013 and the first half of 2014. During the second half of 2014, it has cooled somewhat but still remained strong by UK standards. Growth is likely to strengthen marginally in 2015 and 2016 under the stimulative effect of the fall in oil prices. There still needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation had only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 0.5% in December, the lowest rate since May 2000 and it could even turn negative in the first half of 2015; this will further increase consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3, followed by a cooler 2.6% in Q4 (overall 2.4% for 2014 as a whole). This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by the end of 2015.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Greece: the general election on 25 January 2015 brought to power a coalition which is strongly anti EU imposed austerity. However, if this should eventually result in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge;
- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation and the Middle East, have led to a resurgence of those concerns as risks increase that it could be heading into a prolonged period of deflation and very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been highly volatile during 2014 and early 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The opening weeks of 2015 saw gilt yields dip to historically phenomenally low levels after inflation plunged, a flight to quality as a result of the Greek situation and the start of a huge programme of quantitative easing (purchase of EZ government debt), by the ECB in January 2015. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

The Council is moving from an under to an over borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been fully funded with loan debt, additional funds will be reinvested reducing the gap between cost of loans and interest received. This strategy is prudent as existing debt premia is high, yet forecast to reduce in future years.

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered subject to debt premia.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

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

3.5 Treasury management limits on activity

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

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

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

| £m | 2015/16 | 2016/17 | 2017/18 |
|---|--------------|--------------|--------------|
| Interest rate exposures | | | |
| | Upper | Upper | Upper |
| Limits on fixed interest rates based on net debt | 100% | 100% | 100% |
| Limits on variable interest rates based on net debt | 100% | 100% | 100% |
| Maturity structure of fixed interest rate borrowing 2015/16 | | | |
| | Lower | Upper | |
| Under 12 months | 0% | 50% | |
| 12 months to 2 years | 0% | 50% | |
| 2 years to 5 years | 0% | 50% | |
| 5 years to 10 years | 0% | 80% | |
| 10 years and above | 0% | 80% | |
| Maturity structure of variable interest rate borrowing 2015/16 | | | |
| | Lower | Upper | |
| Under 12 months | 0% | 100% | |
| 12 months to 2 years | 0% | 100% | |
| 2 years to 5 years | 0% | 100% | |
| 5 years to 10 years | 0% | 80% | |
| 10 years and above | 0% | 50% | |

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. The Council will be in an over borrowed position in the short term, the intended policy is to return the Council to an under borrowed position at the earliest opportunity.

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

3.7 Debt rescheduling

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

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

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

3.8 Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

4. ANNUAL INVESTMENT STRATEGY

4.1 Introduction: changes to credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

4.2 Investment policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

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

Investment instruments identified for use in the financial year are listed in appendix 5.3 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

4.3 Creditworthiness policy

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

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

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

- Yellow 5 years *
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

| | Colour (and long term rating where applicable) | Money and/or % Limit | Time Limit |
|--|--|-----------------------|-----------------|
| Banks | yellow | £5m | 5yrs |
| Banks | purple | £5m | 2 yrs |
| Banks | orange | £5m | 1 yr |
| Banks – part nationalised | blue | £5m | 1 yr |
| Banks | red | £5m | 6 mths |
| Banks | green | £5m | 100 days |
| Banks | No colour | Not to be used | |
| Limit 3 category – Council’s banker (not meeting Banks 1) | XXX | 100 % | 1 day |
| DMADF | AAA | unlimited | 6 months |
| Local authorities | n/a | 100 % | 1yrs |
| | Fund rating | Money and/or % Limit | Time Limit |
| Money market funds | AAA | 100 % | liquid |
| Enhanced money market funds with a credit score of 1.25 | Dark pink / AAA | 100 % | liquid |
| Enhanced money market funds with a credit score of 1.5 | Light pink / AAA | 100 % | liquid |
| | | | |

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

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

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

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

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

4.4 Country limits

The Council has determined that it will only use approved counterparties other countries (where the approved counterparties from outside of the UK are from countries with a minimum sovereign credit rating of AAA from Fitch or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.5 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

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

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

| Maximum principal sums invested > 364 days | | | |
|--|----------------|----------------|----------------|
| £m | 2015/16 | 2016/17 | 2017/18 |
| Principal sums invested > 364 days | £m Nil | £m Nil | £m Nil |

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. APPENDICES

1. Interest rate forecasts
2. Economic background
3. Treasury management practice 1 – credit and counterparty risk management
4. Approved countries for investments
5. Treasury management scheme of delegation
6. The treasury management role of the section 151 officer

5.1 APPENDIX: Interest Rate Forecasts 2015 – 2018

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

| Capita Asset Services Interest Rate View | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.50% | 0.50% | 0.60% | 0.80% | 0.90% | 1.10% | 1.10% | 1.30% | 1.40% | 1.50% | 1.80% | 1.90% | 2.10% |
| 6 Month LIBID | 0.70% | 0.70% | 0.80% | 1.00% | 1.10% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 2.00% | 2.10% | 2.30% |
| 12 Month LIBID | 0.90% | 1.00% | 1.10% | 1.30% | 1.40% | 1.50% | 1.60% | 1.80% | 1.90% | 2.00% | 2.30% | 2.40% | 2.60% |
| 5yrPW IB Rate | 2.20% | 2.20% | 2.30% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% |
| 10yrPW IB Rate | 2.80% | 2.80% | 3.00% | 3.20% | 3.30% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% |
| 25yrPW IB Rate | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| 50yrPW IB Rate | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Bank Rate | | | | | | | | | | | | | |
| Capita Asset Services | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.75% | 1.75% | 2.00% |
| Capital Economics | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | - | - | - | - | - |
| 5yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.20% | 2.20% | 2.30% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% |
| Capital Economics | 1.80% | 2.05% | 2.30% | 2.55% | 2.80% | 2.80% | 3.05% | 3.05% | - | - | - | - | - |
| 10yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.80% | 2.80% | 3.00% | 3.20% | 3.30% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% |
| Capital Economics | 2.30% | 2.55% | 2.55% | 2.80% | 3.05% | 3.05% | 3.30% | 3.30% | - | - | - | - | - |
| 25yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Capital Economics | 2.95% | 3.15% | 3.15% | 3.50% | 3.90% | 3.90% | 4.15% | 4.15% | - | - | - | - | - |
| 50yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Capital Economics | 3.10% | 3.30% | 3.30% | 3.60% | 4.00% | 4.00% | 4.30% | 4.30% | - | - | - | - | - |
| Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012 | | | | | | | | | | | | | |

5.2 APPENDIX: Economic Background

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then growth in 2014 of 0.6% in Q1, 0.8% Q2, 0.7% Q3 and 0.5% Q4 (annual rate for 2014 of 2.6%), there are good grounds for optimism that growth could pick back up again during 2015 after cooling towards the end of 2014, as the positive effects from the fall in the price of oil feeds through to consumers and other parts of the economy. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is not expected to take any action for at least the first half of 2015 as inflation could even turn negative in this period. However, even if oil was to remain at around the \$50-60 per barrel price throughout all of 2015, the positive effect of the initial drop in price during Q4 2014 will fall out of the twelve month calculation of CPI towards the end of the year, leaving inflation vulnerable to a sharp jump upwards. The MPC will also be keeping alert as to how quickly slack in the economy is being used up, especially as unemployment continues to fall. It will also be monitoring how strong a stimulative effect the drop in oil prices has on the economy as falling inflation will be comfortably exceeded by wage increases meaning that the disposable incomes of consumers will recover strongly during 2015. One continuing area of weakness in the UK economy is the need for a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates after the positive effect of the fall in oil prices dissipates. Unemployment is expected to keep on its downward trend and this is likely to feed through into a return to significant increases in wage growth at some point during the next few years. However, just how much those increases in pay rates will counteract the dampening effect of stepped increases in Bank Rate, albeit at a slow rate, on consumer confidence, consumer expenditure and the buoyancy of the housing market, is open to conjecture.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014 and then halving to 0.5% in December, the lowest rate since May 2000. Forward indications are that inflation could turn negative during the earlier part of 2015; however, the MPC is focused on where inflation will be over a 2 – 3 year time horizon so too much emphasis should not be placed on the short term outlook in terms of the risks around when Bank Rate is likely to start increasing. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed, being only a fraction lower than the previous year through to December 2014. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated. The flight to quality in January 2015 has seen gilt yields fall to incredibly low levels, reducing interest costs on new and replacement government debt.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In January 2015, the inflation rate fell further, to reach a low of -0.6%. However, this is an average for all EZ countries and includes some countries with even higher negative rates of inflation. Initially, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. As this failed to have much of a discernible effect, the ECB launched a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme will run to September 2016.

Concern in financial markets for the Eurozone had subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause for concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

Greece: the general election on 25 January 2015 has brought to power a coalition which is anti EU imposed austerity. Although it is not certain that Greece will leave the Euro, the recent intractability of the troika (the EU, ECB and IMF), to finding a negotiated compromise with the new Greek government leaves this as a real possibility. However, if Greece was to leave the EZ, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. Nevertheless, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to gauge. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries which have high unemployment rates. Of particular concern is the fact that Spain and Portugal have general elections coming up in late 2015. This will give ample opportunity for anti austerity parties to make a big impact.

There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti austerity policies. Any loss of market confidence in either of the two largest Eurozone economies, after Germany, would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 of 4.6%, Q3 of 5.0% and Q4 of 2.6%, (overall 2.4% during 2014 as a whole), provides great promise for strong growth going forward. It is confidently forecast that the first increase in the Fed. rate will occur by the end of 2015.

China. Government action in 2014 to stimulate the economy almost succeeded in achieving the target of 7.5% growth but recent government statements have emphasised that growth going forward will slow marginally as this becomes the new normal for China. There are concerns that the Chinese leadership has only just started to address an unbalanced economy, which is heavily over dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it

did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the larger countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

5.3 APPENDIX: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

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

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 50% ** will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

| | Minimum credit criteria / colour band | ** Max % of total investments/ £ limit per institution | Max. maturity period |
|---|--|--|---|
| DMADF – UK Government | N/A | 100% | 6 months |
| UK Government gilts | UK sovereign rating | 50% | 5 years |
| UK Government Treasury bills | UK sovereign rating | 50% | 5 years |
| Bonds issued by multilateral development banks | AAA (or state your criteria if different) | 50% | 6 months |
| Money market funds | AAA | 100% | Liquid |
| Enhanced money market funds with a credit score of 1.25 | AAA | 100% | Liquid |
| Enhanced money market funds with a credit score of 1.5 | AAA | 100% | Liquid |
| Local authorities | N/A | 100% | 1 years |
| Term deposits with banks and building societies | Yellow Purple Blue Orange Red Green | £5M £5M £5M £5M £5M 0 | Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months |

| | | | |
|--|---|----------------------------|---|
| | No Colour | | Up to 100 days Not for use |
| CDs or corporate bonds with banks and building societies | Yellow Purple Blue Orange Red Green No Colour | 0 0 0 0 0 0 | Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use |
| Corporate bond funds | | Nil | |
| Gilt funds | UK sovereign rating | Nil | |
| Property funds | | Nil | |

5.4 APPENDIX: Approved countries for investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

5.5 APPENDIX: Treasury management scheme of delegation

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Committees/Council

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Person(s) with responsibility for scrutiny

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

5.6 APPENDIX: The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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Gloucester City Council

| | | |
|-------------------------|--|------------------------------------|
| Meeting: | Council | Date: 18 March 2015 |
| Subject: | Pay Policy Statement 2015-16 | |
| Report Of: | Cabinet Member for Performance and Resources | |
| Wards Affected: | All | |
| Key Decision: | No | Budget/Policy Framework: No |
| Contact Officer: | Jon Topping, Head of Finance | |
| | Email: jon.topping@gloucester.gov.uk | Tel: 396242 |
| Appendices: | 1. Pay Policy Statement for 2015/16 | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The purpose of this report is to consider and approve the Council's Pay Policy Statement for 2015/16.
- 1.2 Section 38 of the Localism Act 2011 requires local authorities to produce an annual pay policy statement from 2012/13 onwards, which must be agreed annually by full council.

2.0 Recommendations

- 2.1 Council is asked to **RESOLVE** that the Pay Policy Statement for 2015/16 attached as Appendix 1 be approved.

3.0 Background and Key Issues

- 3.1 The Council's proposed pay policy for 2015/16 is attached to this report. The statement has been developed in response to the requirements of the Localism Act 2011 and follows guidance which accompanied the Act.

4.0 Alternative Options Considered

- 4.1 The council is required to produce the statement in accordance with the Localism Act 2011; there is no alternative option on this matter.

5.0 Reasons for Recommendations

- 5.1 To demonstrate transparency in publication of the Council's pay policy arrangements in accordance with the principles of the Localism Act.

6.0 Financial Implications

- 6.1 None.

7.0 Legal Implications

7.1 Production of an annual pay policy statement is a requirement of the Localism Act 2011.

(Legal Services have been consulted in the preparation this report.)

8.0 Risk & Opportunity Management Implications

8.1 The Council must have a current Pay Policy Statement in place in accordance with the legal requirements above.

9.0 People Impact Assessment (PIA):

9.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

10.0 Other Corporate Implications

Community Safety

10.1 None.

Sustainability

10.2 None.

Staffing & Trade Union

10.3 The policy will be shared with the Trade Unions at one of the routine monthly meetings.

Background Documents: None

Gloucester City Council**Pay Policy Statement 2015/16****Introduction and Purpose**

Gloucester City Council employs approximately 309 staff which equates to 266.39 Full Time Equivalent staff (FTEs). The provision of many of the Council's services is outsourced to the private or third sectors and some others are carried out by partner councils through shared service arrangements. Gloucester City Council remains responsible for these services. The Council's annual turnover is approximately £117m (gross expenditure as per Comprehensive Income and Expenditure Statement for 2013/14).

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

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. 'Chief Officers', as defined by the relevant legislation;
- the arrangements for ensuring the provisions set out in this statement are applied consistently throughout the Council.

An original version of this policy statement was approved by the Council in 2012. This policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

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

Pay Structure

The Council's pay and grading structure comprises Grades A-N and then 'Job Size 4' for the posts of Heads of Regeneration, Legal and Policy Development and Finance, SMT1 (Job Size 5) for the Corporate Directors, and SMT2 for the Managing Director. Within each grade there are a number of salary / pay points. The Council uses a structure based around the nationally determined pay spine for grades A to N. Salary points above this, i.e. for Job Size

4 and above, grades are locally determined following external advice and evaluation under the HAY job evaluation scheme and approved by the Organisational Development Committee. The Council's Pay Structure is set out in the table below.

| Grade | Job Size | Spinal Column Points | | Pay Scale | |
|------------|----------|----------------------|----|----------------------------------|--------------|
| | | From | To | Minimum £ | Maximum £ |
| A | | 6 | 11 | 13,614 | 15,207 |
| B | | 12 | 15 | 15,523 | 16,572 |
| C | | 16 | 19 | 16,969 | 18,376 |
| D | | 20 | 23 | 19,048 | 20,849 |
| E | | 24 | 27 | 21,530 | 23,698 |
| F | | 28 | 31 | 24,472 | 27,123 |
| G | | 32 | 35 | 27,924 | 30,178 |
| H | | 36 | 40 | 30,978 | 34,746 |
| I | 1 | 42 | 47 | 36,571 | 41,140 |
| J | 1 | 48 | 51 | 42,053 | 44,751 |
| K | 2 | 52 | 55 | 45,656 | 48,360 |
| L | 2 | 56 | 59 | 49,437 | 52,967 |
| M | 3 | 60 | 63 | 53,695 | 58,941 |
| N | 3 | 64 | 67 | 60,107 | 65,488 |
| Job Size 4 | 4 | - | - | 67,963 | 75,117 |
| SMT1 | 5 | - | - | 80,427 | 88,893 |
| SMT2 | MD | Spot Salary | - | TBC at Full Council 18/3/2015 | |

The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases nationally determined in the pay spine.

Council posts are allocated to a grade within the Pay Structure based on the application of the Hay Job Evaluation scheme.

In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

In relation to progression within a post grade, with the exception of career grades which will usually require the achievement of some criterion before progression occurs, employees generally progress from the minimum spinal column point of their grade at April each year until they reach the maximum of their post grade. This is not the policy for posts of Job size 4 or above, where progression within grades is subject to performance.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied if necessary to secure the best candidate. From time to time it may prove appropriate to take account of the external pay market such as where difficulties in attracting applicants or retaining employees with particular experience, skills and capacity occur. Where necessary, the Council will ensure the requirement for such market forces supplements is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate and timely data sources available from within and outside the local government sector.

The pay spine was increased in January 2015 on conclusion of national negotiations over an annual cost of living pay award for 2015/16.

Other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

Chief Officers Remuneration

For the purposes of this statement, 'Chief Officers' are defined within section 43 of the Localism Act. Salaries are determined on the basis of external advice and subject to the HAY job evaluation process. The posts falling within the statutory definition are set out below, with details of their basic FTE salary as at 1 January 2015.

a) Managing Director

The current salary of the post is to be agreed at Full Council. Progression through the range is subject to performance

b) Corporate Directors

The salaries of posts designated as Corporate Directors fall within a range between £80,427 rising to a maximum of £88,893. Progression through the range is subject to performance. . In addition to this, payments for returning officer duties are made to the Corporate Director Services and Neighbourhoods. For local elections (Parish, District and County) this remains in accordance with the scale of fees agreed by all authorities

in Gloucestershire. Fees for Parliamentary, European and national referenda are set nationally.

Management Posts currently members of the Senior Management Team also defined as 'Chief Officers' for pay policy purposes:

c) Heads of Regeneration, Legal & Policy Development and Finance

The salaries of these posts, which are currently designated as job size 4 fall, within the range of £67,963 to £75,117. Progression through the range is subject to performance.

d) Heads of Service in posts of Job Size 2 or above (Grades K to N)

In addition to the two posts in paragraph (c) above, the definition of 'Chief Officer' for pay policy purposes also includes posts at grades K to L (job size 2 SCP52-59); and grades M to N (job size 3 SCP 60-67).

Whilst incremental progression in these posts is automatic within an individual grade, job holders will not progress through the 'career-graded' job size (e.g. from the top of a K grade SCP55 to an L grade SCP56) without being assessed against management competencies, as part of a formal process.

Other Management posts reporting to the Senior Management Team

Given the flatter management structure introduced by the council during 2013/14, the salaries of posts reporting to the Senior Management Team, cover a wider range than in previous years, including posts at job size 1 (grades I to J SCP 42-51).

Similar to the posts in paragraph (d) above, although incremental progression in these posts is automatic within an individual grade, job holders will not progress through the 'career-graded' job size (e.g. from the top of an I grade SCP47 to a J grade SCP48) without being assessed against management competencies, as part of a formal process.

Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Directors and Statutory Officers is set out within part 5 - section 10 and part 2 Article 8 of the Council's Constitution.

When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Vacancy Management and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the Pay Structure and relevant policies in place at the time of recruitment in addition to external market advice and the HAY job evaluation process. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the Council remains unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the

Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers engaged under such arrangements.

Additions to Salaries of Chief Officers

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

- Fees paid for returning officer duties where identified and paid separately (see above);
- Market forces supplements in addition to basic salary where identified and paid separately (see above);
- Professional subscriptions are no longer paid for any staff;
- Contribution to car, travel and subsistence expenses.
- Honoraria or ex-gratia payments may only be made to staff including Chief Officers for undertaking additional duties outside of their substantive role for which they receive an amount reflective of the duration and nature of the work they undertake. For Chief Officers, such payments are rare and will only be made in accordance with the Council's relevant policy. None are in force at present.

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme. The employee contribution rates are defined by statute as a percentage of whole time pay. The following rates currently apply: Service Managers 6.8% - 9.9%, Corporate Directors between 9.9% and 10.5%, and for the Managing Director 11.4%.

The Employer contribution rates are set by Actuaries advising the Gloucestershire Pension Fund and are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The rate for Gloucester City Council, set at the last triennial review, is 15%.

Payments on Termination

The Council's approach to discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

The Council has determined that it will not grant the benefit contained in Regulation 12 and 13, other than in exceptional cases where the financial implications can be justified. Similarly, the Council has decided that any other benefits falling outside the provisions or the relevant periods of contractual notice such as those referred to as benefits under Regulation 18, Regulation 30 and Regulation 52 will not be granted other than in exceptional cases where the financial implications can be justified.

Redundancy payments are based upon an employee's actual weekly salary and, in accordance with the approved policy, will be up to 60 weeks, depending upon length of service and age.

Furthermore, the Council will not re-employ Chief Officers either directly or under a contract for service (e.g: in a consulting or advisory capacity) previously made redundant by the Council.

Lowest Paid Employees

As part of agreed policy, during 2015/16, the Council moved all grade A zero hours workers to the next scale point above the nationally calculated “living wage” in November 2013. This equates to an annual salary of £15,207.

The Council also places some apprentices within the organisation. Whilst they do not fall within the definition of ‘lowest paid employees’, as they are not part of the Council’s approved staffing establishment and are employed under separate terms, they are paid slightly above the appropriate national minimum wage rate for apprentices.

The relationship between the rate of pay for the lowest paid and Chief Officers is determined by the HAY job evaluation process used for determining pay and grading structures as set out earlier in this policy statement.

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

The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee and the highest paid Chief Officer as 1: 5.6 and between the lowest paid employee and the average Chief Officer (excluding the highest paid Chief Officer, but including Senior Managers) is 1: 3.3. The multiple between the median (average) full time equivalent earnings and the highest paid Chief Officer is 1: 3.6 and between the median (average) full time equivalent earnings and average Chief Officer (excluding the highest paid Chief Officer, but including Senior Managers) is 1: 1.94.

As part of its overall and ongoing monitoring of alignment with external pay markets - both within and outside the sector, the Council will use available benchmarking information as appropriate. This will include the pay multiples as set out above.

Publication

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

- Salary, fees or allowances paid to or receivable by the person in the current and previous year;
- Any bonuses so paid or receivable by the person in the current and previous year;

- Any sums payable by way of expenses allowance that are chargeable to UK income tax;
- Any compensation for loss of employment and any other payments connected with termination;
- Any benefits received that do not fall within the above.

In addition to this pay policy statement, the key roles and responsibilities and employment benefits for each of our Senior Management Team members will be available on the Council's website www.gloucester.gov.uk.

Accountability and Decision Making

In accordance with the Constitution of the Council, the Organisational Development Committee has delegated powers to monitor employment legislation and ensure that personnel procedures and guidelines in respect of recruitment, grievance and discipline are in place and up to date. The committee is also responsible for the contractual terms and conditions of the Managing Director, the Corporate Directors and the Monitoring Officer.

Appointment of the Managing Director is made by full council. Appointments of Corporate Directors and the Monitoring Officer are made by a councillor level selection committee of the Organisational Development Committee. All other appointments are made at Corporate Director level, delegated where appropriate to Group and Service Managers.

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|-------------------------|---|--|
| Meeting: | Audit & Governance Committee Cabinet Council | Date: 19 January 2015 28 January 2015 18 March 2015 |
| Subject: | Internal Audit & Risk Management Shared Service | |
| Report Of: | Head of Finance | |
| Wards Affected: | All | |
| Key Decision: | No | Budget/Policy Framework: No |
| Contact Officer: | Jon Topping, Head of Finance | |
| | Email: Jon.Topping@gloucester.gov.uk | Tel: 396242 |
| Appendices: | None | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To provide the background and rationale underlying the proposals to form an Internal Audit and Risk Management Shared Service between Gloucester City Council, Stroud District Council and Gloucestershire County Council.
- 1.2 Authority is also sought to delegate this Council’s Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers.

2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to note the information contained in the report and make any recommendations to Cabinet.
- 2.2 Cabinet is asked to **RECOMMEND** to Council that it:-
 - (1) Agrees to the creation of a Shared Internal Audit and Risk Management Service with effect from 1 April 2015 (“the Commencement Date) or such other date as is agreed between Gloucester City Council, Stroud District Council, and Gloucestershire County Council on the basis set out in this report;
 - (2) Delegates this Council’s Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers subject to (6) below;
 - (3) Agrees to enter into an Administrative Collaboration Agreement, under S101 of the Local Government Act 1972 with the partner authorities;

- (4) Delegates authority to the Corporate Director Services and Neighbourhoods, in consultation with the Cabinet Member for Performance and Resources, to approve the terms of the Administrative Collaboration Agreement;
- (5) Agrees to the transfer of staff to Gloucestershire County Council as Host Authority on the terms set out in the Administrative Collaboration Agreement from the Commencement Date;
- (6) Agrees to the formation of an Internal Audit and Risk Management Shared Services Board involving the Section 151 officers from each of the participating authorities, to oversee the implementation and ongoing monitoring of the s101 Agreement; and
- (7) Authorises the Monitoring Officer to make any consequent changes to the Council's Constitution to reflect the shared services arrangements and delegation of the internal audit service function to the Head of the Internal Audit and Risk Management Shared Service at Gloucestershire County Council.

2.3 Council is asked to **RESOLVE** that it:-

- (1) Agrees to the creation of a Shared Internal Audit and Risk Management Service with effect from 1 April 2015 ("the Commencement Date) or such other date as is agreed between Gloucester City Council, Stroud District Council, and Gloucestershire County Council on the basis set out in this report;
- (2) Delegates this Council's Internal Audit Function to Gloucestershire County Council in accordance with the provisions of Section 101, of the Local Government Act 1972, Sections 19 and 20 of the Local Government Act 2000 and all other enabling powers subject to (6) below;
- (3) Agrees to enter into an Administrative Collaboration Agreement, under S101 of the Local Government Act 1972 with the partner authorities;
- (4) Delegates authority to the Corporate Director Services and Neighbourhoods, in consultation with the Cabinet Member for Performance and Resources, to approve the terms of the Administrative Collaboration Agreement;
- (5) Agrees to the transfer of staff to Gloucestershire County Council as Host Authority on the terms set out in the Administrative Collaboration Agreement from the Commencement Date;
- (6) Agrees to the formation of an Internal Audit and Risk Management Shared Services Board involving the Section 151 officers from each of the participating authorities, to oversee the implementation and ongoing monitoring of the s101 Agreement; and
- (7) Authorises the Monitoring Officer to make any consequent changes to the Council's Constitution to reflect the shared services arrangements and delegation of the internal audit service function to the Head of the Internal

3.0 Background and Key Issues

- 3.1 “A range of factors are forcing councils to think of new approaches to the delivery of both front-line and back-office services. These include external drivers (particularly government policies, grant settlements and customer expectations) as well as internal pressures, such as improving service quality, bringing down costs, attracting skilled staff, and accessing best practice techniques and technologies” – *Sharing the Gain, Collaborating for Cost Effectiveness – CIPFA 2010*.
- 3.2 In responding to this challenge, public service leaders and managers will need to consider radical changes to their organisational structures and operating models. One option they will need to explore is whether greater collaboration with other bodies offers a route to reducing costs while maintaining service quality.
- 3.3 Gloucester City Council (GCC), Stroud District Council (SDC), and Gloucestershire County Council (Glos CC) are all committed to improved service delivery and efficiency within their respective Councils.
- 3.4 GCC’s Council Plan 2014-2017 sets out four priorities, one of which is “sound finances and strong performance”. One of the key measures within this priority is savings delivered through joint and collaborative working.
- 3.5 SDC’s Corporate Delivery Plan for 2014-18 sets out five key tasks, one of which is to “provide value for money to our taxpayers and high quality services to our customers”. Achieving this will include redesigning services and innovation.
- 3.6 Glos CC’s Council Strategy 2011-15 (2014/15 update): Meeting the Challenge sets out three council values, one of which is “living within our means”. This will be achieved by being as efficient as possible, saving money by joining up with partners, and, by finding the best, most efficient, way of delivering services which satisfy customers.

4.0 The Rationale for Change

- 4.1 Discussions have taken place over many years between the various Councils within Gloucestershire regarding the benefits of joint working between the authorities’ respective internal audit teams.
- 4.2 Following the successful partnering agreement for the management of the internal audit team in Stroud which had been in place for the preceding 15 months, in December 2010 GCC and SDC entered into a formal shared internal audit service for the provision of an internal audit service to both Councils.
- 4.3 Known as **G A A P** (Gloucestershire Audit & Assurance Partnership) the service is hosted by Gloucester City Council, and is managed by the City Council’s Audit, Risk & Assurance Manager. Both Councils agree that the shared service arrangement is a success with the sharing of audit skills between the two teams and the development of a common audit approach and documentation.

- 4.4 Due to the success of the current internal audit shared service arrangements between GCC and SDC, the S151 Officers of GCC, SDC and Glos CC agreed to consider extending the current shared service arrangement to include Glos CC and review the opportunities available to:
- Formally share internal audit and risk management services between the three Councils; and
 - Bring the management of an extended shared service under one manager

5.0 Proposed Shared Service Arrangements

5.1 Governance Arrangements

5.1.1 The recommended option for the delivery of the shared service is via a Delegated Function Model. Under this option, one Council (the Lead Authority) undertakes the functions of another Council under delegated powers set out in an Administrative Collaboration Agreement entered into under s101 Local Government Act 1972 ("s101 Agreement"). The Lead Authority employs all staff (i.e. staff who work for the Council which has delegated its functions to the Lead Authority, transfer to the Lead Authority).

5.1.2 This option is recommended for the following reasons:-

- It has a proven track record through benchmarking for delivering services between Councils. Examples include the current Audit & Assurance partnership in operation between Gloucester City Council and Stroud District Council; Devon Audit Partnership (Devon County Council, Plymouth City and Torbay Council); and The Southern Internal Audit Partnership (Hampshire County Council, Southampton City Council and West Sussex County Council); and
- It is relatively straightforward to set up, in that it only requires a s101 Agreement to be prepared and implemented and staff to TUPE to the Lead Authority.

5.1.3 The main risk to the Council is the loss of control by delegating its functions to a host authority. In order to address this, a Shared Services Board would need to be created comprising of the s151 officers (or duly authorised senior financial representative) in each Council to oversee the implementation of and delivery of the function under the s101 Agreement, quality, performance, risks and consider major changes to the service.

5.1.4 In addition, to mitigate the risk of pension liabilities to the host authority, the s101 Agreement would specify that up to the date of transfer, all pension liabilities remain with the originating authority and that they would not get transferred to the host authority.

5.2 Recommended Shared Services Framework

5.2.1 The main driver behind the sharing of back office services such as Internal Audit & Risk Management is essentially to produce efficiency savings, but importantly, also to improve business resilience.

5.2.2 It is recommended that Glos CC becomes the host authority under a section 101 Agreement with effect from the 1st April 2015. The duration of the agreement will

initially be for a three year period (from the commencement date) and shall continue in force thereafter, unless and until one year's notice in writing is given by any of the Councils to withdraw from the agreement.

- 5.2.3 As a result of the above recommendation, GCC staff, including those based at Stroud District Council (i.e. 6.6 FTE staff) will be transferred, under TUPE arrangements, to Glos CC from the commencement date of the Agreement. During most of the first year of operation, i.e. 2015/2016, all of the three councils' audit staff will remain within their existing organisational structures and work bases and will retain their existing roles and responsibilities.
- 5.2.4 It is proposed that, with effect from the 1st April 2015, new arrangements are developed and implemented. This will include a review of the management arrangements for the new shared service, development of a new structure, implementation of the structure and review of processes and procedures to deliver efficiencies. This restructure and rationalisation of processes and procedures will be completed by the end of 2015/16.
- 5.2.5 This detailed review will ensure that the revised structure delivers the most effective outcome for each authority and will deliver a minimum 3% savings target from 2016/17 across partners.

5.3 The Key Benefits for Change

- 5.3.1 It is felt that the shared service proposal represents a real opportunity across the three authorities, namely:
- Economies of scale from the employment of a single Chief Internal Auditor, across the three authorities;
 - Pooling of expertise to strengthen business delivery to the benefit of the clients;
 - Provision of a critical mass and improved business resilience e.g. enabling the risk of sickness and vacancies to be better managed;
 - Enhanced ability to undertake thematic reviews across the three authorities to share best practice across the partnership;
 - Enabling succession planning, career opportunities and development for staff;
 - Optimising use of resources through a modern collaborative approach;
 - Achieving economies of scale through shared training and procurement; and
 - Benefits of adopting common day to day audit reporting and procedural approaches driven by a single Audit Management System for the shared service.
- 5.3.2 In addition, the following benefits have been identified from Glos CC being the host authority for the shared service:-
- The Audit Management IT System used by Glos CC could be used to enable the automated management of the audit and risk functions across the shared service.
 - Access to additional IT audit skills via the current ICT audit provision contract Glos CC has with a third party supplier.
 - Access to additional support for the National Fraud Initiative work and investigatory work under the current agreement between Glos CC and the Gloucestershire NHS Counter Fraud Service; and

- GlosCC can offer the Partnership the expertise of IDEA, a powerful and user-friendly data analysis tool designed to help auditors and other financial professionals perform data analysis quickly to help improve audits and identify control breakdowns.

6.0 Alternative Options Considered

6.1 The alternative options identified and considered for the provision of Internal Audit Services, are as follows:

6.1.1 No Change

This option was considered. However, the Internal Audit and Risk Management service at all three Councils have limited capacity and resilience to respond to peaks in demand, increased irregularity work and absence of staff. There are limited opportunities for progression and training within the current audit and risk teams which is not beneficial to staff morale and/or a quality service being sustained.

6.1.2 Outsourcing

Research has identified that the large accountancy firms do not have the appetite for taking on Local Authority Internal Audit services due to the pension liabilities that come with TUPE transfers. The Councils concerned would be duty bound to ensure ongoing pension protection for the transferring staff outsourced under TUPE, under the Local Government Pensions Direction 2007. This would entail any prospective bidder either offering continued and ongoing membership of the Local Government Pension Scheme under an admissions agreement or a broadly comparable scheme certified as such by the Government Actuary's Department (GAD). Both of these options would involve employer contribution rates from the contractors in line with, if not more, than the current employer rates being paid by the County and the District Councils. This would clearly inflate their bid price and the cost per audit day would be significantly higher than is currently paid.

6.1.3 Other Partnerships

There are a growing number of Internal Audit Partnerships being set up around the country as the benefits of doing so are realised. They vary in scale and membership. Some benchmark costs were obtained for comparison and it was established that the partnership would benchmark in the bottom quartile.

The option to join other partnerships cannot be ruled out. Equally, to continue to grow the Gloucestershire shared service arrangement is also an option that can be pursued once the new shared service has been established.

7.0 Reasons for Recommendations

7.1 Due to the success of the current internal audit shared service arrangements between GCC and SDC, the s151 Officers of GCC, SDC and Glos CC agreed to consider extending the current shared service arrangement to include Glos CC and review the opportunities available to:

- Formally share internal audit and risk management services between the three Councils; and

- Bring the management of an extended shared service under one manager.

7.2 The recommended option for the delivery of the shared service is via a Delegated Function Model. This option is recommended as it has a proven track record and it is relatively straightforward to set up, in that it only requires a s101 Agreement to be prepared and implemented and staff to be TUPE'd to the host authority.

8.0 Future Work and Conclusions

8.1 As stated in para. 5.2.4 above, it is proposed that, with effect from the 1st April 2015, new arrangements are developed and implemented. This will include a review of the management arrangements for the new shared service, the development of a new structure, implementation of the structure and review of processes and procedures to deliver efficiencies. This restructure and rationalisation of processes and procedures will be completed by the end of 2015/16. This detailed review will ensure that the revised structure delivers the most effective outcome for each authority and will deliver a minimum 3% savings target from 2016/17 across partners.

9.0 Financial Implications

9.1 Opportunities for financial savings during 2015/2016 are limited given the transition phase required. Any costs associated with transition will be shared between the three authorities, as agreed by the s151 Officers, and will be contained within existing budgets.

9.2 The restructure and rationalisation of processes and procedures will be completed by the end of 2015/16 and therefore a minimum 3% savings target has been identified for 2016/17 across partners. This is within the context of continuing to deliver a quality, professional service. An investment in training is essential to the recruitment and retention of staff. The Shared Service would be expected to continue to focus on opportunities for further efficiencies.

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 The report recommends that this Council delegates its Internal Audit Service function to Gloucestershire County Council with effect from 1st April 2015.

10.2 As the report states, the effect of this decision will be to hand over day to day operational responsibility for the carrying out of the internal audit function within this Council (and within Stroud District Council) to Gloucestershire County Council. All existing Council staff presently employed on the Internal Audit Service will transfer under TUPE arrangements to Gloucestershire County Council.

10.3 To coincide with this delegation, the three Councils will enter into an Administrative Collaboration Agreement, in accordance with recommendations in paragraph 2.0 above.

(Legal Services have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

- 11.1 The main risk to the Council is the loss of control by delegating its functions to a host authority. In order to address this, a Shared Services Partnership Board would need to be created comprising of the s151 officers (or duly authorised senior financial representative) in each Council to oversee the implementation of the s101 Agency Agreement, quality, performance, risks and consider major changes to the service.
- 11.2 In addition, to mitigate the risk of pension liabilities to the host authority, the s101 Agreement would specify that up to the date of transfer, all pension liabilities remain with the originating authority and they would not get transferred to the host authority.

12.0 People Impact Assessment (PIA)

- 12.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required. For the customers of the Internal Audit Service, who are largely internal customers, the introduction of shared services will not impact on service delivery. The transition will be seamless and generally, it will be 'business as usual'.
- 12.2 For the staff transferring to the partnership, current terms and conditions will be protected. All staff will be given equal access to development opportunities as they arise.

13.0 Other Corporate Implications

Community Safety

- 13.1 No specific Community Safety implications resulting from the recommendations made in this report.

Sustainability

- 13.2 No specific Sustainability implications resulting from the recommendations made in this report.

Staffing & Trade Union

- 13.3 The audit teams of the three partnership authorities have been made aware of the proposed shared service and have been kept informed of progress to date.
- 13.4 The new arrangements will bring about development opportunities for staff which in turn will aid recruitment and retention of suitably qualified people.
- 13.5 Appropriate Trade Union consultation will be undertaken.

Background Documents:

- Sharing the Gain, Collaborating for Cost Effectiveness – CIPFA 2010

Gloucester City Council

| | | | |
|-------------------------|---|---------------------------------|--|
| Meeting: | Audit & Governance Committee Council | Date: | 16 March 2015 18 March 2015 |
| Subject: | Review of Anti-Fraud & Corruption policies | | |
| Report Of: | Audit, Risk & Assurance Manager on behalf of the Corporate Governance Group | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | No |
| Contact Officer: | Terry Rodway Audit, Risk & Assurance Manager | | |
| | Email: terry.rodway@gloucester.gov.uk | Tel: | 396430 |
| Appendices: | 5 - Appendix A – Anti-Fraud & Corruption policy Appendix B – Whistleblowing Policy Appendix C – Fraud Response Plan Appendix D – Anti-Bribery Policy Appendix E – Anti-Money Laundering Policy | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To seek approval for revisions to the Anti-Fraud and Corruption policies the Council has in place.

2.0 Recommendations

Audit & Governance Committee is asked to **RECOMMEND**, subject to any amendments the Committee wishes to make, that:-

- 2.1 The policies and plan in Appendices A to E of this report be approved.
- 2.2 Council is asked to **RESOLVE**, subject to any amendments Council wishes to make, that the policies and plan in Appendices A to E of this report be approved.

3.0 Background and Key Issues

- 3.1 The Terms of Reference for the Audit & Standards Committee include the requirement to “Monitor the operation of the Council’s codes and procedures (see Part 5 of the Constitution)” and to “advise the Council on the adoption or revision of

such codes". The Council's Anti-Fraud & Corruption policies form part of 'Part 5 of the Constitution'.

- 3.2 In addition, the Council's strategic risk register identified the need for review of these policies. The policies were previously reviewed in January 2014 for 'name changes' only.
- 3.3 Recent best practice guidance issued by Public Concern at Work has also resulted in the need to review the Council's Whistleblowing policy. Public Concern at Work is an independent charity that provides free advice for persons who wish to express concern about fraud and other serious malpractice.

4.0 Progress

4.1 As a result of the above, the following policies have been reviewed:-

4.1.1 Anti-Fraud and Corruption Policy

Subject to the comments in para. 3.2 above, the 'current' policy was last formally reviewed in February 2012. The main changes to the revised policy relate to:-

- Housing Benefit Fraud – fraud cases investigated by the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS);
- Changes to job titles.

4.1.2 Whistleblowing Policy

Subject to the comments in para 3.2 above, the 'current' policy was last reviewed in June 2013. The main changes to the revised policy relate to:-

- The individual who raises a concern has to have a reasonable belief that the disclosure is in the public interest - as per requirements of the Enterprise and Regulatory Reform Act 2013;
- Changes to job titles.

4.1.3 Fraud Response Plan

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to:-

- Housing Benefit Fraud – fraud cases investigated by the Department for Work & Pensions (DWP) under the Single Fraud Investigation Service (SFIS);
- Additions to the list of people to whom concerns can be raised. The list now includes the Head of Legal and Policy Development & Monitoring Officer, the Section 151 Officer, and the Head of Paid Service, as well as the (existing) Audit, Risk & Assurance Manager;
- Changes to job titles.

4.1.4 Anti-Bribery Policy

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to job titles only.

4.1.5 Anti-Money Laundering Policy

This was introduced as a new policy in February 2012, and subject to the comments in para 3.2 above, has not been formally reviewed since this date. The main changes to the revised policy relate to:-

- Scope of policy extended to include any contractors responsible for receiving money on behalf of the Council.
- Changes to job titles.

5.0 Alternative Options Considered

5.1 The Council could choose not to review its anti-fraud and corruption policies but this would lead potentially to the Council having policies that are out of date and not fit for purpose. Also, by not having a reporting mechanism in place where individuals can raise their concerns, may lead these individuals to report matters outside of the Council with consequential impacts upon the reputation of the Council.

6.0 Reasons for Recommendations

6.1 It is good practice to review and maintain policies to ensure that they remain compliant and fit for purpose. They also help to ensure that the Council is minimising the risk of fraud and corruption occurring within the Council's business.

7.0 Future Work and Conclusions

7.1 In order to raise awareness of these revised policies, following approval, these policies will be put on the Council's website and Netconsent, and awareness training will be carried out for both staff and Members.

8.0 Financial Implications

8.1 As set out in the report.

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

9.1 As set out in the main body of the report, the Council is required to have in place a number of policies and procedures to deal with matters such as fraud, bribery and corruption, and, money laundering. In some cases, the Council may face prosecution if it fails to have appropriate policies and procedures in place. (Legal Services have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

10.1 The Council must have up to date policies in place and ensure all Members and staff are aware of their responsibilities under these policies. Failure to do so places the Council's reputation and finances at risk and renders the Council unable to properly deal with situations that require management action.

11.0 People Impact Assessment (PIA):

11.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

12.0 Other Corporate Implications

Community Safety

12.1 None identified.

Sustainability

12.2 None identified.

Staffing & Trade Union

12.3 Staff are required to be aware of, and comply with, the Council policies that are relevant to their work area.

Background Documents: None

APPENDIX A

GLOUCESTER CITY COUNCIL ANTI-FRAUD AND CORRUPTION STRATEGY

1. Introduction

1.1 The City Council is committed to eliminating fraud and corruption whether it is attempted on or from within the Council, and is committed to an effective Anti-Fraud and Corruption Strategy designed to: -

- encourage prevention;
- promote detection; and
- identify a clear pathway for investigation.

1.2 The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, procedures and recommended practices.

1.3 The Council also expects that individuals and organisations (e.g. suppliers/contractors) will act towards it with honesty and integrity and without thought or actions involving fraud or corruption.

1.4 The Council's Anti-Fraud and Corruption Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover: -

- Culture (Section 2)
- Risk (Section 3)
- Prevention (Section 4)
- Detection and Investigation (Section 5)
- Council Policies (Section 6)
- Training (Section 7)

1.5 In addition to its own internal controls and procedures, the Council is also subject to a high degree of external scrutiny of its affairs, by a variety of bodies including: -

- Local Government Ombudsman
- External Auditor

- Central Government Departments
- HMRC
- The Department for Work and Pensions (DWP)

1.6 Fraud has been defined by the Audit Commission as: *“Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss, or expose another to the risk of loss.”*

1.7 The Fraud Act 2006 states that a person is guilty of fraud if they are in breach of the following Sections of the Act:

- Section 1 – Fraud by False Representation
- Section 2 – Fraud by failing to disclose information
- Section 3 – Fraud by abuse of position

1.8 The Council’s Fraud Response Plan provides guidance on action to be taken in the event of Councillors and employees becoming aware of, or suspecting a fraud act being committed on the Council by a Councillor, employee, contractor, service user, or other member of the public.

1.9 Corruption has been defined as *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”* and *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*

1.10 There are corruption offences incorporated into the Bribery Act 2010. Under this Act offences relate to both the offering, promising, or giving of a bribe, and to the receipt of bribes.

1.11 The Council’s Anti-Bribery Policy provides guidance on action to be taken in the event of Councillors and employees becoming aware of, or suspecting a corrupt act being committed on the Council by a Councillor, employee, contractor, service user, or other member of the public.

2. Culture

2.1 The Council has determined that the culture and tone of the organisation will continue to be one of honesty and opposition to fraud and corruption. This is reflected in the Council’s Constitution which includes the Seven General Principles of Conduct. These include the principles of integrity, openness, and, honesty.

2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that Councillors and Council staff, at all levels, will lead by example in these matters.

2.3 The Council’s staff are an important element in its stance on fraud and corruption and the Whistleblowing Policy encourages staff to raise any concerns that they may

have on these issues, where they are associated with the Council's activities. They can do this in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route, other than the person's usual line manager, can be used to raise such concerns. Examples of such routes are to the:

- Audit, Risk & Assurance Manager
- Head of Legal and Policy Development & Monitoring Officer
- Section 151 Officer; or
- Head of Paid Service

2.4 Members of the public are also encouraged to report concerns through the above routes, plus either their Ward Member, or any Member of the City Council.

2.5 Members of the Council may also voice their concerns through various ways such as the Head of Paid Service, Head of Legal and Policy Development & Monitoring Officer, Section 151 Officer, or Audit, Risk & Assurance Manager.

2.6 The investigation of any suspicions of fraud or corruption (not related to Benefit Fraud) being committed against the Council by, for example, other members of staff, other managers, other Councillors, a service user, a contractor of the Council, or a member of the public, will be carried out by the Audit, Risk & Assurance Manager.

2.7 Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.

2.8 Managers will be expected to deal swiftly and firmly with those who defraud the Council or who are corrupt. The Council should be considered as robust in dealing with financial malpractice.

2.9 It is necessary to ensure that any investigation process is not misused and any abuse, such as raising unfounded malicious allegations, may be dealt with as a disciplinary matter.

3. Risks

3.1 With regard to fraud and corruption risks, the Senior Management Team (SMT) and Heads of Service will ensure that:

- All possible fraud and corruption risks are identified
- Risks are assessed and scored in terms of probability and severity
- Mitigating controls are identified and assessed
- Actions necessary to reduce mitigated risk scores are specified

All the above will be recorded in the Council's risk register.

3.2 Each year, SMT and Heads of Service will ensure that fraud risks in the risk register are reviewed, by:

- Identifying new risks (if appropriate)
- Deleting risks which no longer exist
- Reviewing mitigating controls and scores
- Assessing the effectiveness of action taken to reduce scores, and achieve targets

3.3 Review work will be recorded in the fraud risk register, and will be reported to SMT, the appropriate Cabinet Member, and, to the Audit & Governance Committee.

4. Prevention

4.1 Staff

- (a) The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard, temporary and agency staff should be treated in the same manner as permanent staff.
- (b) Staff recruitment is required to be in accordance with procedures laid down in the Council's Recruitment and Selection policy. The policy includes safeguards on matters such as determining eligibility to work in the UK, obtaining written references regarding the known honesty and integrity of potential staff, and verifying professional and educational qualifications of new employees...
- (c) Council staff are expected to follow any Code of Conduct related to their professional institute and also to abide by the Council's Officer's Code of Conduct, which sets out the Council's requirements on personal conduct.
- (d) The Council has a Disciplinary Procedure in place to ensure that poor standards of work and conduct are addressed.

4.2 Members

- (a) Members are required to work in accordance with the Council Constitution and within current legislation
- (b) The Monitoring Officer in consultation with the Council's Audit & Governance Committee will ensure that training is provided for all elected Members at the beginning of each Civic Year and as and when required

- (c) Every elected Member is required to sign a Declaration of Acceptance of Office which also includes the declaration that they will abide by the Council's Code of Conduct.
- (d) Forms for the Declaration of Interests are issued at the beginning of each Civic Year and at any other such time that the Member requests.
- (e) Members are also required to declare (if they have any) any known interests at the start of each meeting and/or at any point in the meeting where they discover they have such an interest

4.3 Systems

- (a) The Council has Standing Orders, Contract Standing Orders, and Financial Regulations in place that require Members and staff, when dealing with the Council's affairs, to act in accordance with best practice.
- (b) The Members of the Council are responsible for regulating and controlling the finances of the City Council and the Head of Finance, for the purposes of Section 151 of the Local Government Act 1972, is responsible under the general direction of the Members for the proper administration of the Council's financial affairs. Financial codes of practice and accounting instructions have been developed, which outline the systems, procedures, and responsibilities of staff, in relation to the Council's financial activities. These have been widely distributed to staff throughout the Council.
- (c) The Council has developed, and is committed to continuing with, systems and procedures, which incorporate efficient and effective internal controls, and adequate separation of duties. All managers should ensure that such controls are properly maintained and documented, and should notify the Head of Finance of any major changes to agreed procedures and controls. As part of the system for producing the Annual Governance Statement, all Directors and managers are required to complete an Assurance Statement on the adequacy of their internal controls. In addition the Council's Audit & Assurance Service independently monitors the existence and appropriateness of internal controls.

4.4 Combining with Others

- (a) Arrangements are in place and are continually being developed to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity.
- (b) These include: -
 - * Police
 - * County, Unitary, and, District Councils

- * NHS Bodies
- * Department for Work and Pensions (DWP)
- * National Fraud Initiative
- * National Anti Fraud Network (NAFN)

5. Detection and Investigation

- 5.1 The array of preventative systems, particularly internal control systems within the Council, are designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.
- 5.2 It is often the alertness of staff, Members and the public to indicators of fraud and corruption that enables detection to occur and the appropriate action to take place.
- 5.3 Despite the best efforts of financial managers and auditors, many frauds are discovered by chance or by 'tip-offs', and the Council has in place arrangements for dealing with such information. These are shown within this Strategy at paragraph 2.3 above.
- 5.4 Staff of the City Council are required by its Financial Regulations, and the Complaints Procedure, to report all suspected irregularities to the Audit, Risk & Assurance Manager. Reporting is essential to the Anti-Fraud and Corruption Strategy and: -
- * Ensures the consistent treatment of information regarding fraud and corruption
 - * Facilitates proper investigation by the Audit & Assurance service.
- 5.5 Allegations relating to Housing Benefit fraud should be reported to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.
- 5.6 Depending on the nature and extent of the allegations, the Audit & Assurance team will normally work closely with management and other agencies, such as the police, to ensure that all allegations are properly investigated and reported upon.
- 5.7 The Council's Disciplinary Procedure will be used where the outcome of the audit investigation indicates improper behaviour.

5.8 The Council will normally wish the police to be made aware of, and to independently prosecute offenders where financial impropriety is discovered. Referral to the police is a matter for the Head of Legal and Policy Development & Monitoring Officer and the Head of Finance .

6. Council Policies

The Council policies for preventing, detecting, managing, and, reporting theft, fraud and corrupt conduct include (but are not limited to):-

- Codes of Conduct for members and employees.
- The Constitution (including Standing Orders, Financial Regulations, and the Scheme of Delegation).
- Registers of Interests, Gifts and Hospitality.
- Disciplinary Rules and Procedures.
- The Whistle-Blowing Policy.
- Procurement Strategy.
- Risk Management Strategy.
- Recruitment procedures (pre-employment vetting, references, etc).
- Anti-Bribery Policy.
- Money Laundering Policy.
- Fraud Response Plan.

7. Training

7.1 The Council recognises that the success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of appropriate training, and the responsiveness of staff and Members throughout the organisation.

7.2 To facilitate this, the Council supports induction training for Members and staff.

7.3 Investigation of fraud (non benefit) and corruption will normally centre on the Council's Audit & Assurance Service Team. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). Staff involved in this work should therefore be properly and regularly trained.

8. Conclusion

8.1 The Council has in place a clear network of systems and procedures to assist it in the fight against fraud and corruption. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.

8.2 To this end, the City Council, and the Head of Finance in particular, will maintain a continuous overview of the authority's arrangements for combating fraud and corruption. This policy document will also be subject to regular review.

February 2015

APPENDIX B

GLOUCESTER CITY COUNCIL WHISTLEBLOWING POLICY

1.0 Raising Concerns at Gloucester City Council

1.1 All of us at one time or another have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about:-

- possible fraud and corruption
- financial irregularities
- discrimination
- unethical conduct or a breach of the law
- health and safety risks/dangerous working conditions
- damage to the environment
- an unlawful act
- deliberate concealment of any of the above

it can be difficult to know what to do.

1.2 Gloucester City Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Council has introduced this policy to encourage and enable you to raise your concerns about such malpractice at an early stage and in the right way. We would rather that you raised the matter when it is just a concern rather than wait for proof. This is sometimes known as 'Whistleblowing'.

What the Law says:

The Public Interest Disclosure Act 1998 (PIDA), popularly known as the 'Whistleblowers' protection act, protects employees who make disclosures about a range of subjects from recriminations. Whistleblowers can claim PIDA protection by disclosing their concerns either to their employer or, if they prefer, to another organisation authorised to receive disclosures).

1.3 Although this policy is predominately aimed at employees of the Council who have statutory protection under the Public Interest Disclosure Act, the Council recognises that other individuals and groups may also have concerns that they may wish to raise with the Council in a controlled and protected way. The policy framework in terms of reporting, investigation and confidentiality applies equally to all employees, Members, agency workers, contractors, suppliers, partner organisations and the public. The Council will ensure that as part of its procurement processes this Policy is brought to the attention of such external contractors, suppliers and service providers.

- 1.4 Any employee, or contractor, who raises a concern shall be treated as though they are making a 'protected disclosure' (within the meaning of employment legislation), which means any disclosure of information which, in the reasonable belief of the person making the disclosure, is made in the public interest and is in connection with any of the areas listed in para 1.1 above.

If in doubt - raise it!

- 1.5 If you have concerns over malpractice, we want you to raise the matter so that the Council can investigate and put things right.
- 1.6 This procedure should not be confused with the Council's Grievance Policy, which should be used when an employee is aggrieved about their own employment situation. Details of the Council's Grievance Policy can be obtained found on the Council's Netconsent system or obtained from Human Resources.

2.0 How to Proceed

- 2.1 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next. If you have any concern, we hope you will feel able to raise it first with your appropriate line manager or Director. This may be done verbally or in writing.
- 2.2 If you feel unable to raise the matter with your manager for whatever reason, or you believe that management is involved, then please raise the matter with one of the following:
- Audit, Risk & Assurance Manager
 - Head of Legal and Policy Development & Monitoring Officer
 - Section 151 Officer
 - Head of Paid Service
- 2.3 Please say if you want to raise the matter in confidence so that they can make appropriate arrangements.

3.0 What Happens Next?

- 3.1 Having alerted us to the concern, it is our responsibility to investigate the matter. The initial stage will be to interview you and then assess what further action should be taken.
- 3.2 We would need to know:-

- the details of your concerns, including the nature, dates and location of any relevant incidents
- the reasons why you feel concerned about the situation and the grounds for your concern.

3.3 When you raise the concern you may be asked how you think the matter might best be resolved, and whether you would want to be told about how we will conduct the investigation.

3.4 If you do have any personal interest in the matter, we do ask that you tell us at the outset. If your concern falls more properly within the Grievance Policy we will tell you.

3.5 If the Officer you have approached feels that the concern can be resolved quickly, or in a straightforward manner, it will be brought to the attention of the appropriate manager. This procedure may lead to other processes being implemented such as the disciplinary procedure or to more formal investigations by the Audit & Assurance team.

3.6 Remember that if you do not tell us who you are, it will be much more difficult for us to look into the matter or to protect your position or to give you feedback. The Council has the right not to investigate anonymous allegations which appear frivolous or malicious and are unsupported by credible evidence.

3.7 We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence under this policy. If you ask us to protect your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court), we will discuss with you whether and how we can proceed. Accordingly, while we will consider anonymous reports, this policy is not well suited to concerns raised anonymously and therefore we may decide we are unable to investigate them.

4.0 Untrue Disclosures

4.1 Council Members, the Senior Management Team (SMT) , and the Trade Unions are all committed to this policy. If you make a disclosure you believe to be true, but it is not confirmed by the investigation, no action will be taken against you. If however, your allegation is frivolous, malicious or for personal gain, you may be subject to disciplinary action.

5.0 How we will Handle the Matter – Our Assurances

5.1 The Council is committed to dealing accurately, professionally and confidentially with all issues of concern raised within the organisation.

5.2 Concerns raised under this Policy will be treated seriously and sensitively. Where practicable, immediate steps will be taken to remedy the situation. However the final outcome may take longer depending on the issue that is raised.

- 5.3 Some concerns may be resolved by agreed action without the need for an investigation. If urgent action is required, this will be taken before any investigation is conducted.
- 5.4 Within 10 working days of a concern being raised, you will receive a response acknowledging that the concern has been received. The response will address the following:-
- Whether initial enquiries have been made
 - Give an estimate of how long it will take to provide a final response
 - If there is to be no investigation, giving you reasons why this is so
 - Supply you with information on employee support mechanisms
- 5.5 The Council will take steps to minimise any difficulties you may experience as a result of making a disclosure. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 5.6 While the purpose of this policy is to enable us to investigate concerns raised, and take appropriate steps to deal with it, you will need to be assured that the matter has been properly addressed. We will give you as much feedback as we properly can. Please note, however, that we may not be able to tell you the precise action we take where this would infringe a duty of confidence owed by us to someone else.
- 5.7 Employees who wish to raise concerns under this Policy may bring a friend or Trade Union representative along with them to any interviews that are arranged, providing that person is not involved in the area of work to which the concern relates. It should be noted that this person should attend to provide support only, and will not be allowed to become involved in the proceedings.

6.0 How to Raise a Concern Internally – What we Ask of You

- 6.1 The purpose of this Policy is to enable you to raise your concerns within the Council in confidence, without any fear of reprisal or detriment to you. We therefore ask that you do not take your concerns outside the Council other than as stated in this policy or in the Public Interest Disclosure Act (PIDA).
- 6.2 Concerns should be raised in writing if at all possible. When raising your concern you must declare any personal interest, which you have in the matter. If you disclose your concerns in any other manner, publicise your concerns, or abuse the process by maliciously raising unfounded allegations, or seek to make the disclosure for the purposes of personal gain, you are at risk of disciplinary action, subject to the provisions of the PIDA.

7.0 Procedure for Contractors

- 7.1 As a first step, you should normally raise your concerns with your manager, who will then inform the lead Council client officer who is dealing with the particular contract. If you feel unable to raise the matter with your manager for whatever reason, or you believe that management is involved, then please raise the matter direct with the Audit, Risk & Assurance Manager or the Head of Legal and Policy Development & Monitoring Officer, at the Council.
- 7.2 Concerns may be raised verbally or in writing. Please say if you want to raise the matter in confidence so that appropriate arrangements can be made.
- 7.3 The matter will be treated, and investigated, in accordance with the procedures in this Policy.

8.0 At the end of the Process

- 8.1 All concerns raised under this policy, together with the outcome of the investigation, will be recorded in a register held by the Audit, Risk & Assurance Manager. The purpose of this register is to ensure a central record is kept which can be cross referenced with other complaints in order to monitor any patterns of concern across the Authority, and to assist us in monitoring the procedure. You will be informed of the action that has been taken to resolve your concern. Sometimes, however, it may not be possible to reveal the full extent of the investigation where this relates to personal issues involving a third party.
- 8.2 Where action is not taken we will explain the reasons for that decision.

9.0 External Contacts

- 9.1 The Council would prefer that a serious concern be raised responsibly rather than not at all. Therefore, if you still feel unable to raise your concern under this Policy, then you may seek advice from:-
 - the Council's External Auditor (KPMG) – <http://www.kpmg.com>
 - your trade union
 - your local Councillor (if you live in the area of the Council)
 - your local MP
 - relevant professional bodies or regulatory organisations
 - the Citizen Advice Bureau
 - your solicitor
 - the police
 - a relevant voluntary organisation
 - the charity - Public Concern at Work* - <http://www.pcaaw.co.uk>

*Public Concern at Work is an independent charity that provides free advice for persons who wish to express concern about fraud and other serious malpractice.

APPENDIX C

Gloucester City Council Fraud Response Plan

1. Introduction

- This document provides guidance to Councillors, employees and management in the event of them becoming aware of, or suspecting a fraud or corrupt act being committed on Gloucester City Council by a Councillor, member of staff, contractor, service user, or member of the public.
- Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.

2. Raising concerns

- Councillors, members of staff, or managers, should immediately report any suspicions of fraud or corruption being committed against the Council by, for example, other members of staff, other managers, other Councillors, a service user, a contractor of the Council, or a member of the public. These can be raised with one of the following :-
 - Audit, Risk & Assurance Manager
 - Head of Legal and Policy Development & Monitoring Officer
 - Section 151 Officer
 - Head of Paid Service
- Concerns may also be raised via the Council's Whistleblowing arrangements.
- Only genuine concerns which are believed to be true must be reported. Any reports which are subsequently determined to be malicious could be dealt with as a disciplinary matter.
- Suspicions should not be discussed with any other person, unless permission to do so has been given by the person to whom the suspicion has been reported.
- If there are suspicions that similar frauds are, or could be, being committed, the person to whom the suspicion has been reported should be told straight away.

3. Evidence

- All evidence held should be handed over to the Audit, Risk & Assurance Manager at the time of referral of the concern to him.
- A person's desk drawers or locker should not be searched without consent from the Audit, Risk & Assurance Manager, who will obtain the relevant permissions should this be deemed necessary
- Evidence may be in the form of paper documents, CCTV records, or computer records, all of these could easily be destroyed or tampered with. The securing of computers and associated data and records is a specialised procedure and should only be attempted by specialists at the request of the Audit, Risk & Assurance Manager. The Audit, Risk & Assurance Manager may consider the commissioning of specialist services from both within and outside the Council to assist with an investigation (e.g. IT specialists to preserve and extract information held on personal computers or computer systems).
- Guidance on preserving specific forms of evidence is given below:

- **Original paper documents**

Original documents should be obtained and retained. The documents should be handled as little as possible and should be put in a protective folder. Under no circumstances should they be marked in any way. All original documents should be given to the Audit, Risk & Assurance Manager for review and preparation as evidence. A record of all documents will be maintained by the Audit, Risk & Assurance Manager, detailing how, when and where they were obtained. All copies of original documents or screen images should be formally certified as a true copy with the date of copying.

- **Desk Search**

If an employee is under suspicion then their desk/work station can be searched. However any such search must be undertaken by line management and the Audit, Risk & Assurance Manager. The contents of the desk/work station should be listed and the list should be signed by those officers present as being a true record of what was found.

- **Computer based data**

When evidence is held on a computer, the computer should be secured and the Head of Business Improvement & Performance and the Audit, Risk & Assurance Manager should decide on the most appropriate way of retrieving the data. Under no circumstances should any individual who is not appropriately trained attempt to secure the evidence.

- **Video evidence**

There may be CCTV based evidence available. If a camera system may have information of value, the Audit, Risk & Assurance Manager will arrange to secure the hard copy media or arrange for a certified download of the data in such a way as it can be treated as evidence in accordance with the rules of evidence. The camera system engineer should be able to provide an appropriate download.

4. Suspension

- Suspension from work of an employee during an investigation is a neutral act and should not be a presumption of guilt. Suspension allows an investigation to continue in an impartial and unfettered way. If the allegation relates to a Councillor, consideration will be given to restricting the Councillor's access to the offices, computer systems and staff, whilst an investigation is carried out.
- A decision on suspension will be taken by line management, after taking advice from a Corporate Director, the Audit, Risk & Assurance Manager, and Human Resources. In the case of a Councillor, the decision to restrict access would be taken by the Monitoring Officer.
- Whenever a person is suspended from work they should be asked to remove all personal belongings from their desk/cupboard and be informed that the desk/cupboard may be examined.
- Under no circumstances should an employee, once suspended, be allowed to access their files or computer records.

5. Investigations

- The Audit, Risk & Assurance Manager will carry out and lead any investigation. In the case of a Councillor, the investigation would be lead by the Monitoring Officer.
- Interviews will always be conducted by Audit & Assurance staff. Other people (e.g. line manager, interviewee's friend) may attend by invitation.
- At the conclusion of the investigation, the Audit, Risk & Assurance Manager will present a report to management on the findings.
- The Audit, Risk & Assurance Manager may be called to act as a witness at any subsequent disciplinary interviews.

6. Money Laundering

- Concerns about any suspected money laundering must be referred immediately to the Audit & Assurance team, in line with the Council's Money Laundering Policy.

- Audit & Assurance will pass details on to the Police where appropriate.

7. External Audit

- In some cases it may be necessary to inform the Council's External Auditor of the suspected fraud or corruption. This will be the responsibility of the Section 151 Officer.

8. Housing Benefit Fraud

- Allegations relating to Housing Benefit fraud will be passed to the Civica Benefits Team for initial investigation. Under the new Single Fraud Investigation Service (SFIS), the investigation of Benefit fraud is undertaken by the Department of Work and Pensions (DWP). If the initial investigation carried out by the Civica Benefits Team identifies that a benefit claim may be fraudulent, then it will be passed to the DWP for formal investigation.
- If the allegation relates to an employee of the Council then the employee's Head of Service and Strategic Director will be informed and kept apprised of the investigation.
- If it is established that a Council employee has personally been involved in benefit fraud they may face disciplinary proceedings in accordance with the Council's Disciplinary Procedure.
- If the allegation relates to a Councillor then the Head of paid service and the Head of Legal and Policy Development & Monitoring Officer will be informed and kept apprised of the investigation.
- If it is established that a Councillor has personally been involved in benefit fraud they may face both prosecution and proceedings in accordance with the Members' Code of Conduct.

9. Police referral

- Should any irregularity reported to Audit & Assurance be thought to warrant Police involvement, the Police shall be contacted by the Audit, Risk & Assurance Manager after consultation with the Head of Legal and Policy Development & Monitoring Officer and the Section 151 Officer.
- The Audit, Risk & Assurance Manager will liaise with the Police as necessary during their investigation, and provide all available evidence.
- The Audit, Risk & Assurance Manager, and any other employee or Member of the Council may be required to act as witnesses in any subsequent court case.

10. Post investigation

- The Council may seek to recover financial losses. This may, for example, be from the perpetrator's accrued pensions benefits, from any monies due to the person at termination of employment, or from voluntary repayment.
- In appropriate circumstances the Council will consider taking civil action against the perpetrator to recover losses.
- The Council may seek to recover financial losses from its insurers.
- A review will be undertaken, by the Audit, Risk & Assurance Manager, to look at weakness and breakdowns in the financial control systems which led to the loss, and to recommend remedial action.

11. Audit & Assurance

- The Council's Audit & Assurance Charter states that the Audit & Assurance team has the authority to:-
 - access all Council premises at reasonable times
 - access all assets, records, documents, correspondence and control systems
 - receive any information and explanation from any officer or elected Member of the Council considered necessary concerning any matter under consideration
 - require any employee or elected member of the Council to account for cash, stores or any other Council asset under his or her control
 - access records belonging to third parties, such as contractors, when required
 - unrestricted access to senior management and Members.
- The Audit & Assurance service is not part of the formal disciplinary process – this is carried out by line management. Audit & Assurance staff may, however be called to act as witnesses in a disciplinary interview.
- Under normal circumstances, Audit & Assurance staff will conduct investigations for non-benefit cases. Any other investigations will only be undertaken under the authority of the Audit, Risk & Assurance Manager and/or the Section 151 Officer and/or Head of legal Services and policy Development & Monitoring Officer.
- Audit & Assurance's role is to establish the facts of the case and report to management upon this.
- The Audit, Risk & Assurance Manager will ensure that Audit & Assurance staff have adequate experience and training in order to allow them to carry out investigations.
- The Audit, Risk & Assurance Manager will direct and guide Audit & Assurance staff throughout the investigation.

12. Press and Publicity

The Communications Team will deal with the press and publicity in all matters regarding fraud and corruption. Where appropriate the details of all successful prosecutions for fraud should be released to the media through the Communications Team. Staff and managers must not directly disclose to the press the details of any cases suspected or under investigation. Disclosure of details to the media otherwise than through the Communications Team may be regarded as a disciplinary matter. The aim is to publicise the Council's intolerance of fraud or corruption within the Council by users of its services, and by contractors.

13. Conclusion

This Fraud Response Plan, in conjunction with the Anti-fraud and Corruption Strategy, the Whistleblowing policy and Codes of Conduct, will ensure that the Council's objectives in countering and investigating corporate fraud and corruption are achieved. However, if you have any issues or are unsure of the action to take in a given situation you should immediately contact the Audit, Risk & Assurance Manager.

February 2015

APPENDIX D

GLoucester City Council ANTI-BRIBERY POLICY

1. Policy Statement – Anti Bribery

- 1.1 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does, or will the Council, accept bribes or improper inducements.
- 1.2 To use a third party to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.
- 1.3 The Council is committed to the prevention, deterrence and detection of bribery. The Council has zero-tolerance towards bribery. The Council aims to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

2. Bribery

- 2.1 A bribe is a financial or other advantage. Bribery is offering, or giving a bribe to another to induce someone (not necessarily the person to whom the bribe is offered or given) to perform a relevant function or activity improperly or as a reward for such improper performance once it has been done.
- 2.2 “Relevant functions” are functions where the person performing the function is expected to perform it in good faith, or impartially, or the person performing it does so in a position of trust, and the functions are functions of a public nature, activities connected with a business, activities in the course of employment or activities performed by or on behalf of bodies of persons (incorporated or not).
- 2.3 There is a legal expectation that relevant functions will be performed in good faith, impartially and in a way which is consistent with being in a position of trust. Performance of a relevant function in breach of these expectations amounts to improper performance. Non-performance of a relevant function where the expectation is that the function would be performed is also improper performance. The standard of the expectation is what a reasonable person would expect of the person performing the function.
- 2.4 It is unacceptable to:-
 - accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that an advantage will be provided by us in return
 - retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
 - engage in activity in breach of this policy.

3. Objective of this policy

- 3.1 This policy provides a coherent and consistent framework to enable the Council, its employees, and those dealing with the Council, to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees and others to identify and effectively report a potential breach.
- 3.2 The Council requires that all staff, including those permanently employed, temporary agency staff and contractors, to:
- act honestly and with integrity at all times and safeguard the organisation's resources for which they are responsible
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates

4. Scope of this policy

- 4.1 This policy applies to all of the Council's activities. For partners, joint ventures and suppliers, the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 4.2 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. This policy covers all staff at all levels and grades, including those permanently employed, temporary or agency staff, contractors, agents, Members (including co-opted Members), volunteers and consultants.

5. The Council's commitment to action

- 5.1 The Council commits to:
- publishing a clear anti-bribery policy and reviewing other associated policies
 - making all staff aware of their responsibilities to adhere to this policy at all times
 - training all staff so that they can recognise and avoid the use of bribery by themselves and others
 - ensuring that all business partners are aware of the Council's anti-bribery policy and that their staff abide by it
 - ensuring that policies and control systems are audited regularly to ensure they are fit for purpose.
 - investigating instances of alleged bribery and assisting the Police and other appropriate authorities in any resultant prosecution
 - taking appropriate action against any individual(s) involved in bribery
 - encouraging staff to be vigilant and to report breaches and suspected breaches of this policy

6. Facilitation payments

- 6.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to perform or expedite functions they are otherwise obliged to perform.

7. Gifts and hospitality

- 7.1 This policy is not meant to change the requirements of the Gifts and Hospitality guidance, which is included in the Officers' Code of Conduct and the Members' Code of Conduct.
- 7.2 If you have any questions in relation to the Gifts & Hospitality guidance do ask your line manager, Head of Service, or Director. Any Member queries should initially be directed to the Council's Monitoring Officer.

8. Public contracts and failure to prevent bribery

- 8.1 Under the Public Contracts Regulations 2015 (which gives effect to EU law in the UK), a company is automatically debarred from competing for public contracts when it has been convicted of a corruption offence including bribery. These Regulations do not include the crime of failure to prevent bribery, but that organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. However, the Council has the discretion to exclude organisations convicted of this offence.

9. Staff responsibilities

- 9.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.
- 9.2 You must:
- ensure that you read, understand and comply with this policy
 - raise concerns as soon as possible if you believe or suspect that a breach of this policy has occurred, or may occur in the future.
- 9.3 As well as the possibility of civil and criminal prosecution, staff who breach this policy will face disciplinary action, which could result in summary dismissal for gross misconduct.

10. Raising a concern

- 10.1 This Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.
- 10.2 All Members and staff have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

- 10.3 There are multiple channels to help you raise concerns. Please refer to the Council's Whistleblowing Policy, the Anti-Fraud and Corruption Policy and to determine the most appropriate course of action.
- 10.4 As a first step you should normally raise concerns with your immediate line manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved, you should approach the Audit, Risk & Assurance Manager, the Head of Legal and Policy Development & Monitoring Officer, a Director or the Head of paid Service.
- 10.5 Where internal disclosure proves inappropriate, concerns can be raised with the Police, the External Auditor or relevant professional bodies or regulatory organisations. Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).
- 10.6 Concerns can be raised anonymously. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. The Council has clearly defined anti-fraud & corruption policies which set out procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns are not raised anonymously..
- 10.7 Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council encourages openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.
- 10.8 The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.
- 10.9 If you have any questions about these procedures, please contact the Audit, Risk & Assurance Manager.

The Bribery Act - Summary

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation (the Council is a commercial organisation under the Act) to prevent bribery. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both
- On conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and, if guilty of an offence under section 7, are liable to an unlimited fine.

Bribery is a serious offence against the Council and employees will face disciplinary action if there is evidence that they have been involved in this activity, which could result in summary dismissal for gross misconduct. Disciplinary action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case.

Adequate procedures

Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the Council. It is for individual services to determine proportionate procedures in the recommended areas of six principles. These principles are not prescriptive. They are intended to be flexible and outcome focussed, allowing for the different circumstances of services. The detail of how services apply these principles will vary, but the outcome should always be robust and effective anti-bribery procedures.

THE SIX PRINCIPLES

Proportionate procedures

The procedures to prevent bribery by persons should be proportionate to the bribery risks faced and to the nature, scale and complexity of the service's

activities. They should also be clear, practical, accessible, effectively implemented and enforced.

Top level commitment

All Councillors and the Senior Management Team (SMT) are committed to preventing bribery by persons associated with the Council. It fosters a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The Council assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

Due diligence

The Council applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the Council, in order to mitigate identified bribery risks.

Communication (including training)

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

Monitoring and review

The Council monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

This Council is committed to proportional implementation of these principles.

February 2015

APPENDIX E

GLOUCESTER CITY COUNCIL ANTI MONEY LAUNDERING POLICY & PROCEEDS OF CRIME ACT

Scope of this Policy

1. This Policy applies to all employees of Gloucester City Council (GCC). The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.
2. This Policy also applies to any contractors responsible for receiving money on behalf of the Council. The Council will ensure that as part of its procurement processes this Policy is brought to the attention of such external contractors, suppliers and service providers.
3. Failure by a member of staff to comply with the procedures set out in this Policy may lead to serious disciplinary and legal action being taken against them. Failure by a contractor responsible for receiving money on behalf of the Council to comply with the procedures set out in this Policy may be subject to claim of breach of contract.

What is money laundering?

4. Money laundering is a general term for any method of disguising the origin of “dirty” or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion, and theft.
5. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. No organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that the Council will be targeted by criminals wishing to launder the proceeds of crime.
6. All staff dealing with the receipt of funds or having contact with third parties must, therefore, be aware of the Council’s anti money laundering policy.

The law relating to money laundering

7. There are two areas of legislation which deal with money laundering:

Proceeds of Crime Act 2002

8. The Proceeds of Crime Act relates to all organisations and sectors. If there is a suspicion that funds may be from a criminal source a disclosure must be made.

Money Laundering Regulations 2003 and 2007

9. The Money Laundering Regulations 2003 and 2007 primarily relate to “regulated” sectors (i.e. legal, financial services). Whilst these Regulations do not specifically

apply to the Council, best practice is that public sector organisations should apply their key principles, by ensuring that:

- There are adequate systems and procedures in place to prevent money laundering;
- Staff are made aware of the procedures and systems;
- Staff are trained in how to recognise and deal with transactions which may be related to money laundering;
- All third parties dealing with the Council who fall within certain criteria are properly identified;
- Identification and transaction records are maintained;
- Compliance and Reporting Officers are nominated.

The Authority's position

10. The Council accepts Cipfa's guidance as detailed in its 2005 document "Proceeds of Crime (Anti Money Laundering) Practical Guidance for Public Sector Organisations, which states that Councils:-

- would be "acting reasonably if it were to use the conclusions set out in the guidance for the purpose of creating its own policy and procedures"
- may "reasonably assume that the legislation does not oblige it to implement the requirements of the Money Laundering Regulations"
- should "embrace the principles of the money laundering legislation and regulations"
- should "put in place appropriate and proportionate anti money laundering safeguards and reporting arrangements, designed to enable it to detect and avoid involvement in the crimes described in the legislation and regulations"
- should "use a risk based approach to deciding the extent to which activities are exposed to the dangers of money laundering".

This Policy addresses these issues.

Proceeds of Crime Compliance Officer

11. The Proceeds of Crime Compliance Officer has a corporate responsibility for ensuring that legislation with regard to money laundering is followed, and that proper procedures and policies have been established.

12. The Head of Finance is the Council's Proceeds of Crime Compliance Officer. In the absence of the Head of Finance, the Head of Legal and Policy Development & Monitoring Officer will deputise.

13. The duties of the Proceeds of Crime Compliance Officer are:

- To ensure that the Council complies with the requirements of the Money Laundering Regulations, and with the Proceeds of Crime Act 2002.
- To ensure that all relevant staff are aware of, and comply with, the Council's Anti-Money Laundering Policy
- To ensure that all relevant staff receive training on how to identify and report money laundering.

- To ensure that the Council can identify third parties dealing with the Council in areas where there is a higher risk of the Council receiving the proceeds of crime.
- To ensure that processes are in place to allow disclosures to be made immediately by staff to the Council's Proceeds of Crime Reporting Officer,
- To ensure that processes are in place to enable the Proceeds of Crime Reporting Officer to report suspicions to the National Crime Agency (NCA) where necessary.
- To evaluate any new chargeable services for potential Money Lending Regulations implications.

Proceeds of Crime Reporting Officers

14. Any money laundering suspicions should be reported to one of the Proceeds of Crime Reporting Officers **immediately** they become apparent.
15. GCC's Proceeds of Crime Reporting Officers are the members of the Audit & Assurance team.
16. The specific responsibilities of the Officer with whom concerns are raised are:
 - To receive all suspicions transaction reports from employees of the Council.
 - To maintain a record of all disclosures made by staff
 - To prepare disclosure forms for forwarding to NCA.
 - To maintain a record of all disclosures made to NCA showing the status of each disclosure.
 - To liaise with NCA regarding the outcome of disclosures.
 - To notify staff of the outcome of disclosures (i.e. whether they can continue with their proposed actions).
 - To ensure that documents relating to any disclosures and reports are kept on file.
 - To notify the Proceeds of Crime Compliance Officer of any reports and disclosures, and any other significant issues regarding money laundering.

Staff responsibility

17. Staff responsibilities in relation to money laundering are as follows:
 - To be alert to where the Council may be targeted by individuals trying to launder the proceeds of crime
 - To avoid alerting anyone dealing with the Council that they are under suspicion that they may be attempting to launder, or have laundered, the proceeds of crime
 - To report any suspicions of money laundering to the Council's Proceeds of Crime Reporting Officer immediately
18. It is not an employee's responsibility to decide whether a suspicious transaction actually constitutes money laundering, or to investigate further. If suspicions are raised that a transaction may involve laundering the proceeds of crime, then they must be reported to the Council's Proceeds of Crime Reporting Officer immediately. Staff must not undertake their own investigations.

Dealing with individuals or organisations about which there are suspicions

19. If there are suspicions concerning an individual or organisation with which the Council is dealing, the subject must not be alerted to those suspicions.
20. If there is a suspicion the facts of the situation should be established without alerting the subject. Details of suspicions should be passed immediately to the Council's Proceeds of Crime Reporting Officer.
21. Cash, cheques or other form of payment from the subject must not be banked until clearance has been obtained from the Proceeds of Crime Reporting Officer.

Cash acceptance policy

22. Due to the increased risk of dealing in cash the Council will try to discourage payments being received in cash. However, it is recognised that some people will still wish to make payments in cash, so an upper cash acceptance limit of £9,000 in relation to individual transactions has been set.
23. If payment of more than £9,000 is being offered in cash this must not be accepted unless express permission to do so has been given by either the Council's Proceeds of Crime Reporting Officer or Proceeds of Crime Compliance Officer. This permission must be given in writing and retained on file.
24. Cash based businesses are ideal vehicles for money laundering. When dealing with a business which deals in cash on a regular basis there is a higher chance that the business bank account may have been used to launder the proceeds of crime. There are two reasons for this:
 - as the business is receiving all or part of its income in cash it is easier for sums to be taken out of the business without there being a record of the transactions; taking sums out of the business in this manner could constitute tax evasion, which is an offence for purposes of money laundering, and
 - cash based businesses are often used as a simple means of laundering cash; this is done by banking illicit funds with the legitimate takings of the business thereby making it appear that all of the cash has been generated by the business.
25. If funds are received from such an organisation and information is possessed which indicates that criminal activity may be taking place on the business's premises or within the business then an appropriate disclosure must be made.

Information received by the Council

26. The Council may receive information, as part of its day to day business, that criminal activity and money laundering may be taking place within the Council's area. Any such information must be disclosed. Such criminal activity could involve:
 - Tax evasion;
 - Operating without any appropriate licences;
 - Operating without appropriate insurances;
 - Employing illegal immigrants or assisting in their trafficking;
 - Employing staff who are known to be illegally claiming benefits;
 - Any form of fraudulent activity;
 - Dealing in drugs or other illegal substances;

- Dealing in bootleg alcohol and cigarettes;
- Dealing in illegal pornographic material, and,
- Prostitution, protection schemes or counterfeiting

27. This list is not exhaustive. Disclosure must be made of any instances of suspected money laundering, even if not included in the above categories. Disclosure should be made to the Council's Proceeds of Crime Reporting Officer as soon as possible after the information is received.

Reporting procedures

28. Disclosures must always be made to the Proceeds of Crime Reporting Officer who will decide whether to refer the disclosure to the National Crime Agency.

29. No information about concerns, suspicions, disclosures or reports should be held on client files. Such information should only be held on a confidential file held by the Proceeds of Crime Reporting Officer.

30. The Proceeds of Crime Reporting Officer should record as much relevant detail as possible about each case, bearing in mind that the information collected may well form the basis of a report to the National Crime Agency. If possible detail collected should include:

- Names of all people involved at GCC
- Details of suspect, including name of person and/or organisation, address, accounts
- Individual transactions, including type of payment, location, amounts and dates
- Reasons for suspicion
- Type of crime suspected (if known) e.g. drugs, terrorism.

Staff training and awareness

31. All relevant staff will require training on the requirements of the legislation and the requirements of this policy

32. Any new staff will be made aware by their manager of occurrences which could generate suspicions of money laundering, and how to report these.

Risk Assessment

33. The Council has undertaken a risk assessment of its activities and has identified those areas which it considers to be at highest risk of money laundering. These are listed below. Staff in the services dealing with these areas will need to be aware of the risk of money laundering occurring in their particular service.

- Council Tax (Civica Revenues and Benefits)
- National Non Domestic Rates (Civica Revenues and Benefits)
- Unsolicited direct payments (Accountancy)
- Property sales
- Cashiers

February 2015

Gloucester City Council

| | | | |
|-------------------------|--|--------------------|-------------------------------------|
| Meeting: | Licensing & Enforcement Committee | Date: | 9th December 2014 |
| | Constitutional and Electoral Working Group | | 24 February 2015 |
| | Council | | 18 March 2015 |
| Subject: | Animal Welfare Act 2006 powers | | |
| Report Of: | Cabinet Member for Housing, Health and Leisure | | |
| Wards Affected: | All | | |
| Contact Officer: | Lisa Jones – Food, Licensing and Markets Manager | | |
| | Email: lisa.jones@gloucester.gov.uk | Tel: 396047 | |
| Appendices: | 1. Scheme of delegated powers under the Animal Welfare Act 2006 | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To inform Members about the powers available to the Council under the Animal Welfare Act 2006 ('The Act') and detail the benefits of authorising both this Council's Officers and Officers of Gloucestershire's District Councils to utilise powers under the Act within Gloucester City boundaries.
- 1.2 To seek delegated authority to appoint Inspectors under section 51 of the Act and to use the full range of powers available under the Act.

2.0 Recommendations

- 2.1 Licensing and Enforcement Committee is asked to **RESOLVE** that the contents of the report be noted.
- 2.2 Constitutional and Electoral Working Group is asked to **RECOMMEND** that:
- (1) the use of the powers available under the Animal Welfare Act 2006 be approved;
 - (2) that the Terms of Reference for the Licensing and Enforcement Committee be amended to include 'Undertaking matters in relation to the Animal welfare Act 2006 (save to the extent that such responsibility has been delegated to an Officer of the Council)';
 - (3) authority be delegated to the Corporate Director of Services and Neighbourhoods to exercise the Council's powers under the Animal Welfare Act 2006;

(4) the specific delegations to Officers as set out in Appendix 1 to the report be approved.

2.3 Council is asked to **RESOLVE** that:

- (1) the use of the powers available under the Animal Welfare Act 2006 be approved;
- (2) that the Terms of Reference for the Licensing and Enforcement Committee be amended to include 'Undertaking matters in relation to the Animal welfare Act 2006 (save to the extent that such responsibility has been delegated to an Officer of the Council)';
- (3) authority be delegated to the Corporate Director of Services and Neighbourhoods to exercise the Council's powers under the Animal Welfare Act 2006;
- (4) the specific delegations to Officers as set out in Appendix 1 to the report be approved.

3.0 Background

3.1 Gloucester City Council is responsible for the control and regulation of certain animals and animal establishments through a statutory licensing regime including:-

- The Pet Animals Act 1951
- Animal Boarding Establishments Act 1963
- The Breeding of Dogs Act 1973 / 1991 (as Amended by the Breeding and Sale of Dogs (welfare) Act 1999)
- Dangerous Wild Animals Act 1976
- Riding Establishments Act 1964/1970
- Zoo Licensing Act 1981

3.2 The Animal Welfare Act 2006, which came into force on 6th April 2007, brought together and updated legislation that exists to promote the welfare of vertebrate animals, other than those in the wild. The categories of animals that are protected under the Act depend on the offence in question. For example, the duty to ensure an animal's welfare only applies to animals that are owned or for which someone is otherwise responsible, but the cruelty offences have a wider application.

3.3 Section 9 of the Animal Welfare Act 2006 created five overarching principles of animal welfare. The Act refers to these as the 'five needs' of all animals. It is the duty of any person responsible for an animal to ensure that each of these five needs are met.

The 'five needs' are:

- The need for a suitable environment;
- The need for a suitable diet;
- The need to be able to exhibit normal behaviour patterns;
- Any need to be housed with, or apart from, other animals; and
- The need to be protected from pain, suffering, injury and disease.

3.4 The Act introduced additional discretionary powers for local Authorities and the Police to promote the animal welfare needs. These powers include:

- Service of Statutory Improvement Notices in relation to the 5 welfare needs.
- Power to enter premises to investigate potential offences.
- Power to take into possession animals suffering unnecessarily or whose needs are not being met.
- Prosecuting those responsible for specified offences.

3.5 For Local Authorities the key powers include enforcing the duty of care placed on owners and keepers of animals and the ability to deal with behaviour likely to cause unnecessary suffering, rather than having to wait until animals have already suffered. This will assist staff in their work in animal establishments and the other areas of officer work where animals are involved (e.g. dog barking complaints/ stray dogs etc). The government expects that many of the powers will help local authority officers carry out their existing duties more effectively, with an extra focus on prevention of suffering before it occurs.

3.6 When the Act first took effect, animal suffering was not a key objective for the local authority with concerns that the powers would require further resources on these issues. However, in discussions with local authority officers who already use the powers, the additional powers help prevent problems occurring in unlicensed premises but also build closer working relationships with the RSPCA allowing a handover for them to deal with animal cruelty effectively.

3.7 The day-to-day enforcement of animal welfare law should not change significantly. The Act provides for certain specific enforcement powers for the police and inspectors such as the power of entry, inspection and search and the power to seize documents. The Act (like most legislation) is a 'common informers' Act', and this means that anyone is allowed to bring a prosecution for an offence. Whilst it is envisaged that the RSPCA will continue to investigate offences and bring prosecutions, particularly in relation to cruelty to domestic animals, RSPCA inspectors will not have formal enforcement powers under the Act. So, for example, where access to premises without the owner's consent is sought, the RSPCA will have to be accompanied by a local authority or Trading Standards Animal Health inspector or a Police Officer, as was previously the case.

3.8 The proposal for cross border appointment of Officers from other local authorities as Inspectors under the Animal Welfare Act 2006 has developed through the Gloucestershire Animal Welfare Group; an Officer Group which share good practice and seek to develop shared working policy and practice to increase service efficiency. If inspectors from other authorities are appointed, this will be done on a case by case basis ensuring the inspectors have relevant qualification or experience.

3.9 The powers and duties contained in some of the provisions of the Act are set out in Appendix 1 of this report.

4.0 Alternative Options Considered

4.1 An alternative option would be not to use the Act. However, the Council would not then benefit from having a wider range of enforcement approaches which could make responses to complaints more efficient.

5.0 Reasons for Recommendations

- 5.1 Officers in Gloucester City Council are not currently authorised to exercise the Council's powers under the Animal Welfare Act 2006 and the primary legislation does not empower Officers to gain entry to investigate unlicensed premises for animal related licensable activities. The additional powers would strengthen the Council's current licensing powers when investigating complaints and will also empower Inspectors to regulate the sale or giving away of animals a prizes to persons under 16.
- 5.2 The recommendation for cross border appointment of Officers from other local authorities as Inspectors under the Animal Welfare Act 2006 will allow partner authorities in Gloucestershire to not only support business continuity but will also build resilience, providing additional support to promptly address potential County wide issues such as 'Rabies Contingency Plans'.

6.0 Future Work and Conclusions

- 6.1 The use of these powers will help the Council deal with animal related complaints and the increased range of powers will help officers to be more effective when responding to these complaints.
- 6.2 Use of this legislation will also give Officers greater powers to deal with situations where previous powers are more limited (e.g. unlicensed breeding establishments).
- 6.3 Upon prosecution for offences, the Act allows for greater fines and terms of imprisonment, providing greater incentives for people to act and keep animals in a more appropriate way.

7.0 Financial Implications

- 7.1 There are no direct financial implications associated with this report. Any costs associated with the training of staff in the application of powers they would be authorised to use would be minimal and delivered locally in partnership with other authorities, keeping costs low and within existing service budgets.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 The Animal Welfare Act 2006 provides discretionary powers for animal protection but the powers have not previously been used. If the recommendations in the report are approved, the Council's Constitution will be amended accordingly.
- 8.2 There is no duty for the local authorities to use the powers introduced by the Act and the Act itself empowers inspectors to act in respect of cruelty and welfare offences.
- 8.3 *Subsection (1)* of Section 51 defines the term "inspector" for the purposes of the Act. An inspector is a person appointed either by a local authority or by the

appropriate national authority (either the Secretary of State or the National Assembly for Wales). In practical terms, an inspector of the appropriate national authority is currently likely to be a State Veterinary Service inspector.

- 8.4 The Local Government Act 1972 (as amended) provides that a local authority may arrange for the discharge of any of their functions by a Committee, a Sub-Committee or an Officer of the authority or by any other local authority, including its Officers.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 The resource required to support neighbouring authorities is likely to be infrequent and will only be provided if it can be managed without significantly impacting on this Council's own workload. This will be monitored and reviewed.
- 9.2 There are opportunities to request support from partner authorities, where the Council's own resources are stretched.

10.0 People Impact Assessment (PIA):

- 10.1 The Screening Stage considered risks to licence holders in the areas of gender, disability, age, ethnicity, religion, sexual orientation or community cohesion.
- 10.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

11.0 Other Corporate Implications

Community Safety

- 11.1 The overall aim of the animal licensing regimes are to promote animal welfare and public safety.

Sustainability

- 11.2 The need for Officers to travel to other districts to perform additional powers will be very limited and for that reason there should not be a notable increase in travel and fuel usage.

Staffing & Trade Union

- 11.3 It is not anticipated that the adoption of the Animal Welfare Act will increase Officer workload. It should provide more options for dealing with problems which in some cases will be a quicker, more effective solution. Authorisation of Officers across partner authorities will provide support of Officers.

Background Documents: Animal Welfare Act 2006

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Scheme of Delegations - Animal Welfare Act 2006

Authority is delegated to the Corporate Director of Services and Neighbourhoods to exercise the Council's powers under the Animal Welfare Act 2006 including:-

Animals in distress

Section 18 Powers in relation to animals in distress

Section 19 Power of entry for section 18 purposes

Section 20 Orders in relation to animals taken under section 18(5)

Section 21 Orders under section 20: appeals

Enforcement powers

Section 23 Entry and search under warrant in connection with offences

Section 25 Inspection of records required to be kept by holder of licence

Section 26 Inspection in connection with licences

Section 27 Inspection in connection with registration

Section 29 Inspection relating to Community obligations

General

Section 10 Improvement Notices

Section 53 Powers of entry, inspection and search: and supplementary powers in Schedule 2

Section 54 Power to stop and detain vehicles

Authority is delegated to the Head of Public Protection to exercise the Council's powers under Section 51 of the Animal Welfare Act 2006 including:

Inspectors

Section 51 Power to appoint suitably qualified Inspectors for the purposes of the Act.

Prosecutions

Section 30 Power of local authority to prosecute offences

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Agenda Item 17

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Paragraph 12.02 of Part 4 of the Rules of Procedure contained within the City Council’s Constitution provides that a Member of the Council may submit a written question to any Cabinet Member.

This document informs Members of Council of written questions put to Cabinet Members and written replies thereto.

Council is recommended to RESOLVE to note the written questions submitted and corresponding responses.

| No. | Question from/to | Question |
|---|---|---|
| 1. | From Councillor Field to the Cabinet Member for Environment | Why can residents no longer recycle paper, tins and glass at Sainsbury's in Barnwood? Does this apply to all the bring sites in the city? |
| <p>Response</p> <p>In Autumn 2014 we conducted a review of our Supermarket “Recycling Sites”, taking in account the types and weight of materials collected, the space available at each site and the costs of collection. We have also visited the sites and talked to people who use these facilities.</p> <p>The information we gathered showed that the majority of people using the banks for plastic, paper, cans and glass did not live in the City (as they already use the kerb-side service) or were bringing commodities from their workplace (which is commercial waste and should be collected separately).</p> <p>As part of the review, we wanted to be able to enhance the service so as to provide the opportunity for residents to recycle items that cannot currently be collected at the kerbside , and to do so we have had to rationalise the number of bins at each site so as to free up some space.</p> <p>Consultation with residents has repeatedly shown us that people want to recycle mixed plastics (yogurt pots, butter tubs, meat trays and fruit punnets). However, due to their high volume, these items take up considerable space which prevents us from collecting them in our current fleet of recycling vehicles. Therefore, whilst we undertake a review of the whole Waste and Recycling Service, we have now installed new “Mixed Plastics” banks at the following locations –</p> <ul style="list-style-type: none"> • Asda Bruton Way, • Tesco St Oswalds, • Sainsburys Barnwood, • Sainsburys St Ann Way • Morrisons Abbeydale. <p>Early indications are showing they are very popular and at Sainsburys Barnwood we have recently added a second plastic bank.</p> <p>The second commodity residents want to be able to recycle is corrugated cardboard. Again this is a high volume item which cannot be collected in our</p> | | |

| | <p>current fleet of recycling vehicles and so we know there is a demand to offer this recycling service through the Recycling Sites. As part of the review of these sites, we concluded this is a service that must be retained and in January alone we collected 33 tonnes of cardboard.</p> <p>These changes mean that residents are now able to recycle paper, tins and cans, glass, plastic bottles, batteries and food waste via the kerbside service; and corrugated cardboard, mixed plastics, clothing and shoes at the Recycling Sites. This change allows us to operate a more efficient service and collect a wider range of items, thus diverting more waste from landfill. We now have Supermarket Recycling Sites that complement our kerbside service rather than compete against it.</p> <p>In early December 2014 all households received a “bin hanger” that informed them what they can recycle and where including the changes outlined above. This information was supported by information in City Life, a Press Release and our Website.</p> <p>Members were informed of the changes by e-mail on 22nd December 2014 as part of a Waste & Recycling ‘Winter Briefing Note’. This briefing note also outlined some of the key work strands of the service during 2014 and work that was ongoing or was planned for 2015.</p> | |
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| No. | Question from/to | Question |
| 2. | From Councillor Field to the Cabinet Member for Environment | Cardboard and food waste can generate significant income for councils. When will cardboard be collected on the doorstep, and why does the council not consider collecting recyclates such as cardboard and food waste from businesses? Wouldn't the reduction in landfill fees and the revenue from resale of the recyclates outweigh the financial cost to the council? |
| Response | | |
| <p>In response to the recommendations of the Overview and Scrutiny Waste and Recycling Task and Finish Group, officers established a Waste and Recycling Action Plan so as to fully consider each of the recommendations and what could be achieved as part of the current Waste and Recycling Service. An update on the Waste and Recycling Action Plan will be presented to Overview and Scrutiny on 23rd March 2015.</p> <p>We are very keen to be able to introduce the collection of cardboard at the kerbside and we know that residents would use this service. However, the current kerb-side vehicles do not have the capacity to collect these items.</p> <p>We have looked at the introduction of a separate vehicle to collect cardboard from the kerb-side, but with the possibility of this service changing within the next 18 months, it was felt that it would be more confusing to introduce this at this stage.</p> <p>Whilst the full review of the service is carried out, we have made changes to the Recycling Sites so as to increase capacity for cardboard collections. On average this has resulted in an increase of 10 tonnes of cardboard being recycled per month.</p> <p>All businesses in the City are required to have a Trade Waste Collection in</p> | | |

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| | place and so will make arrangements with their contractor for the separation and collection of anything that is recyclable. The City Council does not directly operate a Trade Waste Service and this is provided by Amey. | |
| No. | Question from/to | Question |
| 3. | From Councillor Field to the Cabinet Member for Environment | 2015 will see the Rugby World Cup and all eyes will be on Gloucester, and especially my ward of Kingsholm. Residents have raised concerns about the provision of toilet facilities in the area of the rugby stadium. Can you confirm that facilities will be provided by the council, or some other organisation? |
| | Response | |
| | As a Rugby World Cup Host City we are looking forward to welcoming many visitors to the City next year. The number of fans attending the matches at Kingsholm will be no greater than a normal sell-out match day, and so we will not need to provide any additional facilities outside of the Ground. England Rugby 2015 will be responsible for all facilities within the Ground. | |
| | The Fanzone will be the main focus for people visiting the City Centre and we will be ensuring that adequate facilities are provided there. The Community Toilet Scheme will also be an important part of the wider range of toilet facilities we can now offer in the City Centre. | |
| No. | Question from/to | Question |
| 4. | From Councillor Field to the Leader of the Council | In a recent email you mentioned that the council had attempted to acquire some of the Robert Opie collection for the city, but that the terms were too steep. Do you foresee any movement on this at a future date? |
| | Response | |
| | I was disappointed when the Robert Opie Museum left Gloucester. I like to think that if we had been the Administration when this happened we would have made greater efforts to keep it in the city. Discussions did take place some years ago about bringing part of the collection to the Waterways Museum, but those discussions were ultimately unsuccessful. In my view, it is unlikely that we will revisit this as the Council's efforts will be focused for the foreseeable future on improving the displays at its own museums. Both Council-run museums do, however, have Opie-style packaging items on display and sell genuine Robert Opie gifts in the museum shops. | |
| No. | Question from/to | Question |
| 5. | From Councillor Field to the Leader of the Council | You also mentioned that the council has been talking to the Arts Council in an attempt to extract some funding for cultural activities. What has been/is the likely outcome? |
| | Response | |
| | The Council recognises the role culture has to play in supporting regeneration and economic development. Discussions have taken place with the Arts Council involving a number of City Council Officers and representatives from Marketing Gloucester. The Arts Council is keen to support projects in Gloucester as they feel the cultural offer is underdeveloped. They have already provided funding for the JOLT and Strike A Light festivals in the city, as well as several small arts-related projects. The Museums Service has also recently been awarded over £40,000 of Arts Council funding. The Arts Council are currently considering a bid for a cultural programme to run alongside the Rugby World Cup. They also provide advice, support and funding advice for | |

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| | the museums service. We are unusual as a city not to have an Arts Council-supported venue and this is something we are keen to address. However, discussions are at an early stage and may take some time to bring to fruition. | |
| No. | Question from/to | Question |
| 6. | From Councillor Hobbs to the Cabinet Member for Environment | <p>The Council are currently conducting a service review to look at where best to concentrate its efforts. Can the Cabinet Member...</p> <p>A) inform this council when we will receive the full figures from Amey so that we can analyse what our service configuration should be</p> <p>B) inform this council when the service review will be completed and a decision made by the council/cabinet</p> <p>C) inform this council when the cabinet member intends to implement the outcomes of the service review.</p> |
| Response | | |
| <p>A report entitled 'Waste & Recycling Review' was approved at Cabinet on 25th February 2015. Within this report, information was provided on what the review will focus on and it's timescales and reference to this report may be helpful to you in support of the answers provided below.</p> <p>In specific response to your questions -</p> <p>A) The review will require the collation of information from a number of partners in addition to AMEY and we have commenced with a baseline cost comparison exercise. Once these costs have been identified and agreed the review will then seek to identify the most viable service delivery model. With the timetable outlined in my response to your Question B, we aim to have this information prior to the close of June 2015.</p> <p>B) Within the report referred to above, we have stated that it is our intention to present a preferred option report to Cabinet in August 2015 with a recommendation for a preferred option to be presented at Council in September 2015 for approval. The Cabinet Member has invited Members from all three Groups to form a Members Project Group to oversee the Review and help inform the final recommendation. This group met for the first time on 4th March 2015 and it was agreed that project group members would update colleagues on progress via Group Meetings. It is also our intention to present the preferred option report to Overview and Scrutiny Committee on 14th September 2015.</p> <p>C) It is our commitment to deliver a new and improved service that assists with our ongoing savings targets as soon as is reasonably possible. This comes with a caveat, in that we cannot rush what is a major project and that requires a significant communications plan to ensure that when it goes live, our residents are aware of how to use the new service. It is our aim however to implement a new service within quarter 4 of 2015/2016 and if feasible from 1st January 2016.</p> | | |