



Herbert Warehouse
The Docks
Gloucester
GL1 2EQ

Wednesday, 16 March 2016

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 **Thursday, 24th March 2016** at **7.00 pm** for the purpose of transacting the following business:

AGENDA

1. **APOLOGIES**

To receive any apologies for absence.

2. **MINUTES (Pages 9 - 18)**

To approve as a correct record the minutes of the Council Meeting held on 25 February 2016.

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**

To receive announcements from:

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

7. **MEMBERS' QUESTION TIME**

- a) Leader and Cabinet Members' Question Time (30 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)

ISSUES FOR DECISION BY COUNCIL

8. **APPOINTMENT OF HONORARY RECORDER (Pages 19 - 22)**

To receive the report of the Leader of the Council seeking approval to appoint an Honorary Recorder for Gloucester.

9. **GLOUCESTER CULTURAL STRATEGY (Pages 23 - 42)**

To receive the report of the Cabinet Member for Culture and Leisure concerning the proposed draft Cultural Strategy 2016-2026 for the City of Gloucester.

10. **TREASURY MANAGEMENT STRATEGY (Pages 43 - 72)**

To receive the report of the Cabinet Member for Performance and Resources concerning the Treasury Management Strategy for 2016/17.

11. **PAY POLICY STATEMENT 2016-17 (Pages 73 - 82)**

To consider the report of the Cabinet Member for Performance and Resources concerning the Council's Pay Policy Statement for 2016/17.

MOTIONS FROM MEMBERS

12. **NOTICES OF MOTION**

1. PROPOSED BY COUNCILLOR PULLEN

"Parry Hall has for many years been at the heart of community activity on the Parry Hall estate. It has served as a vital centre for many local people providing them with social, leisure and recreational activities.

Parry Hall now faces an uncertain future as the County Council, who own the building, are planning to sell it off.

This council instructs the leader to meet with the leader of the County Council to discuss transferring the ownership of Parry Hall to Gloucester City Council. This will preserve the hall as a community asset for use by local people for many years to come."

2. PROPOSED BY COUNCILLOR HAIGH

"As a result of the changes to the grants budget this Council is concerned that some groups who work across ward boundaries may not be funded to the extent that have been previously. Until now grant applications have been examined by Council officers to see how they meet Council aims and objectives and the equalities impacts considered before a recommendation is made to the Cabinet Member. This Council is concerned that the increase of Members Allocations Funds to £2000 removes this scrutiny of the funding and makes it more difficult to establish that the grants are in line with Council priorities.

We further believe that this change will have the effect of removing funding from the people and areas of the City with most need.

This Council agrees to place a halt on the grant allocations for 2016/17 until a report is brought to Council with a full equalities impact assessment that demonstrates that minority groups will not be adversely affected by this change."

3. PROPOSED BY COUNCILLOR HAMPSON

“This Council has a duty of care to protect and safeguard children, young people and vulnerable adults.

Safeguarding is everyone's business, and as City Councillors we are the eyes and ears of our communities.

Gloucester City Council should ensure that all Councillors undertake training in recognising the signs of child sexual exploitation. Each and every city Councillor has a duty of care and a responsibility to understand how to report the signs of child sexual and vulnerable adult exploitation to the appropriate authorities.

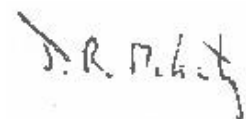
With immediate effect, this City Council resolves to organise compulsory annual training for all Gloucester City Councillors in child and vulnerable adult safeguarding.”

13. WRITTEN QUESTIONS TO CABINET MEMBERS (Pages 83 - 84)

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

THERE WILL BE A PRIVATE BRIEFING FOR MEMBERS AT THE CONCLUSION OF THE COUNCIL MEETING

Yours sincerely



Jon McGinty
Managing Director

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.

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COUNCIL

MEETING : Thursday, 25th February 2016

PRESENT : Cllrs. Field (Mayor), Beeley (Sheriff & Deputy Mayor), James, Dallimore, Noakes, D. Norman, Porter, Haigh, Hilton, Gravells, Tracey, McLellan, Smith, Hobbs, Lugg, C. Witts, Hanman, Lewis, Bhaimia, S. Witts, Llewellyn, Williams, Brown, Dee, Taylor, Hansdot, Patel, Randle, Toleman, Chatterton, Pullen, Etheridge, Hampson, H. Norman and Pearsall

Others in Attendance

Jon McGinty, Managing Director

Ross Cook, Corporate Director

Jon Topping, Head of Finance

Shirin Wotherspoon, Solicitor

Tanya Davies, Democratic and Electoral Services Manager

APOLOGIES : Cllr. Organ

61. MINUTES

61.1 **RESOLVED** – That the minutes of the Special meeting held on 28 January 2016 and the Ordinary meeting held on 28 January 2016 be approved and signed by the Mayor as a correct record.

62. DECLARATIONS OF INTEREST

62.1 There were no declarations of interest.

63. PUBLIC QUESTION TIME (15 MINUTES)

63.1 There were no public questions.

64. PETITIONS AND DEPUTATIONS (15 MINUTES)

64.1 There were no petitions or deputations.

COUNCIL
25.02.16

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

The Mayor

- 65.1 The Mayor congratulated Councillor Chatterton on being elected as a Member of the Royal Historical Society.
- 65.2 The Mayor presented Steve Elway with the Mayor's medal in honour of his 42 and half years' service to the Council and City and in recognition of role in building and leading Aspire Trust.
- 65.3 Mr Elway thanked the Council for the unexpected honour and for the trust that the Council had placed in him over many years to deliver the vision and priorities for leisure services in the City. He noted the savings achieved by Aspire and the excellent services and facilities that its staff had provided to the people of Gloucester in partnership with the Council.
- 65.4 Councillors Porter (Cabinet Member for Environment), Haigh (Leader of the Labour Group) and Hilton (Leader of the Liberal Democrat Group) congratulated Mr Elway on his award and spoke in support of the achievements and contributions he had made. They wished him an enjoyable retirement.

Members of the Cabinet

- 65.5 Councillor Dallimore (Deputy Leader and Cabinet Member for Communities and Neighbourhoods) announced that Gloucester had won Best New Scheme at the Best Bar None Award. She congratulated all involved and added that she hoped it would encourage more premises to join the scheme.
- 65.6 Councillor Noakes (Cabinet Member for Culture and Leisure) announced that the Tourist Information Centre won Gold in the South West Tourism Awards and had been shortlisted for Visitor Information Service of the Year in the national VisitEngland Awards. She congratulated the staff involved.
- 65.7 Councillor Norman (Cabinet Member for Performance and Resources) read a statement from Leadership Gloucestershire in response to the announcement about the intention of Cotswold District Council and West Oxfordshire District Council to form a unitary authority. He explained that Cotswold District was an integral part of Gloucestershire and that a meeting of the Devolution Working Group would be convened at the earliest opportunity.

66. MONEY PLAN 2016-21 AND BUDGET PROPOSALS 2016/17

- 66.1 Council considered a report of the Cabinet Member for Performance and Resources concerning the Money Plan 2016-21 and Budget Proposals for 2016-17.
- 66.2 Councillor James (Leader of the Council and Cabinet Member for Regeneration and Economy) moved the recommendations in the report and thanked the Cabinet Member for Performance and Resource and Head of Finance and his team for their work on the budget. He noted the challenging financial climate and reduction in funding from central government explaining that a significant savings would

COUNCIL
25.02.16

continue to be required in future years. He reported that cumulative savings of £10 million had been made over the last 10 years and he thanked staff for all that they had achieved. The ongoing objective was to protect frontline services and make savings through shared services, income generation and efficiencies; the Council's headcount had reduced and an accommodation review would be undertaken. £607,000 of savings were proposed for 2016/17, which was £60,000 more than required to allow a cushion for in-year variances.

Council Tax would be increased by £5; there was no longer an incentive from central government to freeze Council Tax and, during the budget consultation, residents had indicated that they supported an increase. There would be no increase to garden waste collection and parking charges.

He reported that 2015-16 had been a year of significant progress, including acting as a host city for the Rugby World Cup, securing funding for the new bus station and other key regeneration priorities. He announced that the Council would contribute up to £100,000 of revenue from the former South West Regional Development Agency assets to Gloucester City Football Club to support their objective to bring forward the football ground.

He concluded by saying that, while savings were key, so was income generation, and he stated that the Council would deliver prosperity to the City and its residents.

- 66.3 Councillor Norman seconded the motion and noted the need to make difficult decisions in order to protect the services that residents prioritised. He explained that there was an assumption from central government that local authorities would use their powers to raise Council Tax locally and that failure to do so would impact on future funding settlements. He reported that the decision to increase Council Tax by £5 would reduce the savings required over the life of the Money Plan by £500,000.

The majority of the £607,000 savings for 2016/17 were already in place to enable full delivery in year and included a proposed transfer to the General Fund of £60,000 as protection against failure to deliver any of the savings in-year. Savings in 2017/18 and 2018/19 would need to be frontloaded, but this would enable reductions in subsequent years.

He acknowledged that the savings targets were challenging and advised that they would be carefully monitored to ensure delivery of key outputs and maintenance of the General Fund in excess of £1.6 million throughout the term of the Money Plan with capacity to manage in the event of any slippage.

He thanked the residents of Gloucester for the record response to the budget consultation and advised that the core views had informed the revised budget proposals. He stated that the Administration would continue to listen to residents when putting forward future savings or spending proposals.

In respect his Performance and Resources portfolio he noted £175,000 of savings achieved through the transfer of the Council's Human Resources service to the County Council and the proposal to make a saving in the budget for the Minimum Revenue Provision. A further £20,000 of savings had been identified through

COUNCIL
25.02.16

efficiencies that would not impact on services. He thanked the Finance Team for their hard work and stated that despite the significant challenges ahead, the Council would continue to deliver the services required by residents.

- 66.4 Councillor Hilton announced that he was proposing four amendments to the budget proposals.

He proposed that the annual cost of a green bin for garden waste collections be reduced by £5 at a total cost of £90,000 per year. He advised that the reduced charge would result in an uplift in the number of subscribers to the service by approximately 5% (900 households), raising an additional £27,900, therefore providing a net additional cost to the council of £62,500. He stated that it would also help the Council to meet its recycling targets.

He proposed that Marketing Gloucester Limited (MGL) be instructed to remove all advertising boards from roundabouts in the City at a cost of £10,000.

- 66.5 Councillor Haigh raised a point of order. She stated that Councillor Hilton's amendment regarding the removal of advertising from the City's roundabouts contravened Council Procedure Rule 16.02 and should be deemed out of order.

- 66.6 Following the receipt of advice from the Managing Director and Monitoring Officer, the Mayor stated that the amendment regarding the removal of advertising from the City's roundabouts would be deemed out of order in accordance with Council Procedure Rule 16.02 because it was substantially the same as a motion rejected within the last six months.

- 66.7 Councillor Hilton asked for his objection to the Mayor's ruling to be recorded in the minutes.

- 66.8 Councillor Hilton proposed that the Council agree to support the County Council's commitment to set aside £50,000 to carry out an independent study to look at the 30+ Air Quality Management Areas and examine solutions to reducing levels of pollution at those sites by setting aside a maximum of £8,000 to participate in the study.

He explained that the total cost of the amendments he was proposing was £80,500 and that he proposed to fund this by moving all Council staff into Herbert and Kimberley warehouses and mothballing Phillpotts warehouse until it could be prepared for letting to the voluntary sector and start-up businesses. He stated that it could save the Council in the region of £83,000 initially and then between £300,000 and £700,000 when let. He also proposed to end the Council's LGIU subscription, saving £3,000 per year, as it duplicated information already provided by the LGA and was therefore an unnecessary expense.

He noted the savings amounted to £86,000 plus additional income from renting out Phillpotts Warehouse. He proposed that the £3,000 surplus be added to the Council balances.

- 66.9 Councillor Haigh stated that the Conservative Administration had accepted the unreasonable cuts forced upon the Council by central government and that

COUNCIL
25.02.16

ultimately residents would end up paying more Council Tax for lower quality services. She remarked that the poorest and most deprived were worst hit by the cuts and that the devolution agenda was primarily about devolving the decisions on cuts. She noted that savings continued to be delivered through shared services, job losses and increased fees and charges. She raised concerns about whether the Amey contract savings could be achieved and questioned how long the Council could continue to fund Marketing Gloucester Limited. She further questioned the Council's ability to continue protecting frontline services whilst also delivering significant savings. She stated that the Labour Group would not be supporting the proposed budget.

- 66.10 Councillor Hilton moved his first amendment proposing to reduce the annual cost of a green bin for garden waste collections by £5.
- 66.11 Councillor McLellan seconded the amendment.
- 66.12 Councillor James did not accept the amendment. He stated that it was based upon assumptions that could not be quantified.
- 66.13 Councillor Hampson stated that the amendment was not supported by any evidence.
- 66.14 Councillor Porter referenced the results of the budget consultation which demonstrated that 75% of respondents supported either an increase in the green waste collection charge or leaving it at the same level. He reported that an additional 2000 residents had taken up the service since the bin stickers had been introduced and stated that there was no evidence that to support the supposition that reducing the charge would increase the uptake.
- 66.15 Councillor Haigh explained that the premise for the garden waste charge came from a Task and Finish Group study and that it was intended to cover the cost of the service. The service should neither make a profit, nor be subsidised. If the charge was reduced it would be being subsidised by other council taxpayers.
- 66.16 Councillor McLellan commented that the increase in uptake reported by Councillor Porter would pay for the proposed reduction in cost making the service cost neutral again.
- 66.17 Councillor Hilton stated that there would be at least a 5% increase in uptake and that this could increase further in the future.
- 66.18 The amendment was put to the vote and was lost.
- 66.19 Councillor Hilton moved his second amendment seeking to set aside a maximum of £8,000 to participate in a study to look of the 30+ Air Quality Management Areas.
- 66.20 Councillor McLellan seconded the amendment.
- 66.21 Councillor James did not accept the amendment, but agreed to bring forward a report to Cabinet exploring the matter properly and gave a commitment to deal with

COUNCIL
25.02.16

the costs associated as an in-year pressure if the Council decided to participate in the study.

66.22 Councillor Hilton accepted the proposal and withdrew the amendment.

66.23 Councillor Hilton moved his third amendment proposing to move all Council staff into Herbert and Kimberley warehouses and mothball Phillpotts warehouse until it could be prepared for letting to the voluntary sector and start-up businesses. He stated that it could save the Council in the region of £83,000 initially and then between £300,000 and £700,000 when let. The amendment also proposed to end the Council's LGIU subscription, saving £3,000 per year, as it duplicated information already provided by the LGA and was therefore an unnecessary expense.

66.24 Councillor McLellan seconded the amendment.

66.25 Councillor James did not accept the amendment.

66.26 Councillor Haigh welcomed the proposal for a review of the City Council's office accommodation, but that it would need to be a thorough report. She added that she valued the LGIU subscription.

66.27 Councillor Pullen stated that mothballing a building was not a simple task and that security and maintenance matters had to be properly considered prior to making any decisions.

66.28 Councillor James highlighted his disappointment that the Liberal Democrat Group, unlike the Labour Group, had not taken up the offer of a discussion about the proposed budget and he noted that the amendments had not been subject to any consultation. He advised that an accommodation review was underway and that it was important to await the outcome before making any decisions. He noted that the figures quoted in the amendment were unachievable. He advised that he would reconsider the LGIU subscription when it was up for renewal and undertake appropriate consultation with Members.

66.29 Councillor Smith stated that mothballing a building would not simply reduce the accommodation costs by a third and that the rental estimates were unrealistic and unachievable. She reported that she found the information from the LGIU to be very valuable.

66.30 Councillor McLellan noted that his Group had at least put forward some alternative budget proposals, unlike the Labour Group. He reported that many areas of the Docks warehouse complex were empty resulting in unnecessary costs. He stated that he understood the need for a full review, but that the amendment would save the Council money in the short term.

66.31 Councillor Hilton stated that the financial estimates were realistic and that a variety of options were available for the renting out of Phillpotts Warehouse and significant income could be achieved.

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

**COUNCIL
25.02.16**

- 66.33 Councillor Noakes noted the achievement of a £200,000 reduction in the management fee for Aspire and explained that there were no savings plans for the Culture and Leisure portfolio in 2016-17 due to the implementation of a new Cultural Strategy that would drive key aspirations. She advised that £20,000 match funding was required, plus £30,000 support in kind from the Council and its partners, to meet the requirements for Arts Council funding and support in taking the strategy forward. She stated that the Festival and Events Programme demonstrated the role of MGL in supporting the Council's objectives and added that staff would continue to work hard to reduce costs and maximise revenue across her portfolio.
- 66.34 Councillor Dallimore noted that there were no forecasted savings in the Communities and Neighbourhoods portfolio, but that it was unlikely to be able to continue indefinitely. As a result of savings made in previous years, it was possible to fund the advice services at the same levels and continue grant funding for the voluntary and community sector. The Council would continue to support and engage residents via asset based community development and the successful of community building scheme would be expanded. The newly renamed Councillors' Community Fund would be increased to £2,000 through the redistribution of existing budgets and an £8,000 saving had been made in the community safety budget. She thanked staff and Members for their work on the budget, which she believed showed that the Council valued and listened to feedback from residents.
- 66.35 Councillor Porter reported that significant savings had been proposed in the Environment portfolio and that work was already underway to achieve them, with the Amey contract currently subject to negotiation. By increasing charges for some services, encouraging a higher uptake of others and working to increase recycling rates opportunities for income would be maximised.
- 66.36 Councillor McLellan stated that he considered the savings identified against the Amey contract to be unrealistic, particularly given that the contract of the fleet of vehicles was due to expire in December 2016.
- 66.37 Councillor S. Witts asked why 657 of the 1928 responses to the budget consultation were deemed to be unusable.
- 66.38 Councillor James noted that the Labour Group had not put forward any alternative budget proposals. He highlighted the significant contributions from central government for important regeneration projects, which demonstrated the government's support for the City's ambitions. He praised the work of MGL and their role in bringing visitors and external funding into the City. He undertook to ensure that Councillor S. Witts received a written response regarding the budget consultation.
- 66.39 The motion was put to the vote and, in accordance with Part 4 Rule 18.05 of the Constitution and at the request of Councillors James, Dallimore, D. Norman, Porter and Noakes, names were recorded as follows:

**COUNCIL
25.02.16**

| <u>For</u> | <u>Against</u> | <u>Abstentions</u> |
|------------|----------------|--------------------|
| James | Field | |
| Dallimore | Beeley | |
| Noakes | Haigh | |
| Norman D. | Hilton | |
| Porter | McLellan | |
| Gravells | Smith | |
| Tracey | Hobbs | |
| Hanman | Lugg | |
| Lewis | Witts C. | |
| Llewellyn | Bhaimia | |
| Williams | Witts S. | |
| Dee | Brown | |
| Taylor | Hansdot | |
| Patel | Chatterton | |
| Randle | Pullen | |
| Toleman | Hampson | |
| Etheridge | | |
| Norman H. | | |
| Pearsall | | |
| (19) | (16) | (0) |

66.40 The motion was carried.

66.41 **RESOLVED** –

- (1) That the proposals for the 2016/17 budget included in the report be approved.
- (2) That the implementation of the target budget reductions set in the Money Plan 2016/2021 be approved.
- (3) That it be noted that consultation has been undertaken on budget savings proposals to achieve the level of savings required in 2016/17.

67. COUNCIL TAX SETTING 2016/17

- 67.1 Council considered a report of the Leader of the Council concerning the statutory resolutions relating to the setting of Council Tax.
- 67.2 Councillor James moved the recommendations in the report.
- 67.3 Councillor Dallimore seconded the motion.
- 67.4 Councillor Haigh stated that local Councils had little choice over what rate of Council Tax to set due to central government restrictions and therefore the Labour Group would abstain from voting.
- 67.5 Councillor Hilton stated that the Council had a duty to set Council Tax and collect it on behalf of ourselves and the other preceptors. He accepted the need to set the rate at the proposed level, but he noted the abolition of the Council Tax freeze

**COUNCIL
25.02.16**

incentive and added that the decision had indirectly been made by central government.

- 67.6 Councillor Pullen noted the adult social care levy that formed part of Council Tax rises across the country and sought assurances that the levy raised in Gloucester would be spent on adult social care in Gloucester.
- 67.7 Councillor Williams advised that the money raised from the adult social care levy would be spent in Gloucestershire.
- 67.8 Councillor James explained that the adult social care need was greater in Gloucester than in other parts of the County and that it was therefore likely that the City would draw more heavily on the funds raised.
- 67.9 The motion was put to the vote and, in accordance with Part 4 Rule 18.05 of the Constitution and at the request of Councillors James, Dallimore, D. Norman, Porter and Noakes, names were recorded as follows:

| <u>For</u> | <u>Against</u> | <u>Abstentions</u> |
|------------|----------------|--------------------|
| Field | | Haigh |
| Beeley | | Smith |
| James | | Hobbs |
| Dallimore | | Lugg |
| Noakes | | Bhaimia |
| Norman D. | | Hansdot |
| Porter | | Chatterton |
| Hilton | | Pullen |
| Gravells | | Hampson |
| Tracey | | |
| McLellan | | |
| Witts C. | | |
| Hanman | | |
| Lewis | | |
| Witts. S | | |
| Llewellyn | | |
| Williams | | |
| Brown | | |
| Dee | | |
| Taylor | | |
| Patel | | |
| Randle | | |
| Toleman | | |
| Etheridge | | |
| Norman H. | | |
| Pearsall | | |
| (26) | (0) | (9) |

67.10 The motion was carried.

67.11 **RESOLVED** – That the statutory resolutions, as set out in the Appendix 1 to the report, be passed.

COUNCIL
25.02.16

68. REVISED LICENSING POLICY STATEMENT - LICENSING ACT 2003

- 68.1 Council considered a report of the Head of Public Protection concerning the results of the consultation on the Draft Revised Licensing Policy Statement and to seek approval for the adoption of the revised policy statement.
- 68.2 Councillor Randle (Chair of the Licensing and Enforcement Committee) moved the recommendations in the report and explained it was not adopted in January due to an administrative oversight. She summarised the three consultation responses and reported that two had been incorporated into the revised policy.
- 68.3 Councillor Patel seconded the recommendations and urged Members to adopt the revised policy statement.
- 68.4 **RESOLVED** - That the Licensing Policy Statement 2016-2021 – Licensing Act 2003 be adopted.

69. NOTICES OF MOTION

- 69.1 No Notices of Motion had been received.

Time of commencement: 6.00 pm hours

Time of conclusion: 8.25 pm hours

Chair



| | | |
|-------------------------|--|------------------------------------|
| Meeting: | Council | Date: 24 March 2016 |
| Subject: | Appointment of Honorary Recorder | |
| Report Of: | Leader of the Council | |
| Wards Affected: | All | |
| Key Decision: | No | Budget/Policy Framework: No |
| Contact Officer: | Tanya Davies, Democratic and Electoral Services Manager | |
| | Email: tanya.davies@gloucester.gov.uk | Tel: 39-6125 |
| Appendices: | None | |

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 This report proposes that Gloucester City Council appoint to the role of Honorary Recorder for Gloucester and that the appointment of Judge Jamie Tabor to the role be approved.

2.0 Recommendations

2.1 Council is asked to **RESOLVE** that Judge Jamie Tabor be appointed to the role of Honorary Recorder for Gloucester during his tenure as Resident Judge at Gloucester Crown Court.

3.0 Background and Key Issues

3.1 An Honorary Recorder is an unpaid, ceremonial office created to maintain and develop close links between councils and the judiciary, and to encourage an understanding of the judicial system among the community. The functions of Honorary Recorder include attending ceremonial and civic functions, and inviting Members of the Council to attend judicial events. The Lord Chief Justice is keen for Councils to use the power available to them to make such an appointment.

3.2 The role of Honorary Recorder is normally reserved to Senior Circuit Judges or Resident Judges. The usual approach is for the position to be attached to a specific judge, continuing for as long as they remain the Senior Circuit or Resident Judge for the area.

3.3 Judge Jamie Tabor is the Resident Judge at Gloucester Crown Court and is best placed to be appointed to the role of Honorary Recorder for Gloucester.

3.4 On behalf of the Council, the Leader of the Council approached Judge Tabor to seek an indication of his interest in the role and he has indicated that he would accept the appointment.

3.2 The appointment of Honorary Recorders is in the sole gift of local authorities, however, the Lord Chief Justice's Guidelines for the appointment of Honorary Recorders requests that Councils consult the Senior Presiding Judge for England and Wales prior to making an appointment. The Democratic and Electoral Services Manager wrote to Lord Justice Fulford on behalf of the Council and he has confirmed that he approves of the Council's proposal to appoint Judge Tabor to the role of Honorary Recorder for Gloucester.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 There are no ABCD implications, however the Lord Chief Justice considers that appointing an Honorary recorder contributes to the building of strong and proud local communities.

5.0 Alternative Options Considered

5.1 The Council could decide not to appoint an Honorary Recorder, however, the City would not benefit from the positive outcomes detailed in the body of the report.

6.0 Reasons for Recommendations

6.1 To appoint an Honorary Recorder for Gloucester to formalise the relationship between the judiciary and the Council.

7.0 Future Work and Conclusions

7.1 If the appointment is approved by Council, there are no specific tasks for the Honorary Recorder. However, in recognition of the importance of the appointment, the post holder will normally be invited to attend major civic events and may occasionally be involved in hosting relevant visitors to the City.

8.0 Financial Implications

8.1 The role of Honorary Recorder is an unpaid position, therefore there are no financial implications associated with making an appointment.

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

9.0 Legal Implications

9.1 Section 54 of the Courts Act 1971 gives the Council power to appoint an Honorary Recorder for Gloucester. The appointment does not require the approval of the Lord Chancellor or Lord Chief Justice.

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

10.0 Risk & Opportunity Management Implications

10.1 There are no risks associated with appointing an Honorary Recorder. Making an appointment provides as opportunity for strengthening the relationship between the judiciary and the Council.

11.0 People Impact Assessment (PIA):

11.1 The appointment of an Honorary Recorder is a ceremonial act therefore a PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 Promoting the role of Judges through the appointment of an Honorary Recorder will be a positive contribution towards building strong and proud local communities. Improved liaison between the judiciary and the community, facilitated by the Council, should support crime reduction and community safety initiatives across Gloucester.

Sustainability

12.2 There are no sustainability implications.

Staffing & Trade Union

12.3 There are no staffing implications.

Background Documents:

Lord Chief Justice's Guidelines for the appointment of Honorary Recorders

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|-------------------------|---|---------------------------------|----------------------|
| Meeting: | Overview and Scrutiny | Date: | 7 March 2016 |
| | Cabinet | | 9 March 2016 |
| | Council | | 24 March 2016 |
| Subject: | Cultural Strategy | | |
| Report Of: | Cabinet Member for Culture & Leisure | | |
| Wards Affected: | All | | |
| Key Decision: | No | Budget/Policy Framework: | Yes |
| Contact Officer: | Ross Cook, Corporate Director | | |
| | Email: ross.cook@gloucester.gov.uk | Tel: | 39-6276 |
| Appendices: | 1. Cultural Strategy 2. Indicative Outline Budget for the Cultural Board | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 This report presents the proposed draft Cultural Strategy 2016-2026, for the City of Gloucester. The Strategy identifies 6 key objectives and informs Council of the establishment of a Cultural Board.

2.0 Recommendations

2.1 **Overview and Scrutiny Committee** is asked to note the work to date and make any comments on the proposed Cultural Strategy prior to its adoption.

2.2 **Cabinet** is asked to **RECOMMEND** to Council that

- (1) the Cultural Strategy 2016 - 2026 be adopted;
- (2) the Council notes the establishment of a new Cultural Board, as set out in paragraphs 3.5 – 3.7;
- (3) the Council authorises the Corporate Director to enter into an agreement with the formed Cultural Board on terms approved by the Council Solicitor to deliver the Cultural Strategy on behalf of the Council for the period 2016- 2018; and
- (4) appoints the Cabinet Member for Culture and Leisure as the Council’s nominee on the new Cultural Board.

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

- (1) the Cultural Strategy 2016 - 2026 be adopted;

- (2) the establishment of a new Cultural Board, as set out in paragraphs 3.5 – 3.7, be noted;
- (3) the Corporate Director be authorised to enter into an agreement with the formed Cultural Board on terms approved by the Council Solicitor to deliver the Cultural Strategy on behalf of the Council for the period 2016- 2018; and
- (4) the Cabinet Member for Culture and Leisure be appointed as the Council's nominee on the new Cultural Board.

3.0 Background and Key Issues

- 3.1 The current Cultural Strategy was adopted in 2007 and has delivered a number of key projects and set a clear path for how culture is delivered in the City. However, with that Strategy now coming to the end of its natural life, we have been working on a revised Strategy for the period 2016 – 2026.
- 3.2 To help deliver this, an Interim Cultural Board was established in 2015 and Festivals and Events International (FEI) were appointed as consultants to draft the strategy, including carrying out consultation with all interested groups and individuals. The consultation took a number of different forms, including focus groups, workshops and face to face discussions. Further details of the Consultation process is set out in Appendix G of the consultant's report. The attached Strategy is formed from the final report provided by FEI.
- 3.3 Having carried out a reflective review of the current cultural offer within the City, including a benchmarking exercise of existing activity, as well as a thorough challenge to the expectations and deliverability of cultural activity in the City for the next ten years, the draft Strategy identifies 6 clear Objectives –

Objective 1 – Develop Artists and Arts Organisations
Objective 2 – Broaden the Cultural Offer
Objective 3 – Develop a Vibrant City Centre
Objective 4 – Develop Audiences
Objective 5 – Put Gloucester on the Cultural Map
Objective 6 – Make Things Happen
- 3.4 The report seeks approval of the Cultural Strategy 2016 – 2026 and associated Action Plan, but also acknowledges that this cannot be delivered by the City Council alone and Section 5 of the Strategy sets out how it should be delivered.
- 3.5 Key to this is the establishment of a Cultural Board that will be tasked with the delivery of the Strategy and identifying partners to deliver this together for the first 2 years of the Strategy. The City Council will not be responsible for setting up the Board, but will be one of the equal partners and will look to work with the Board to deliver the Strategy. The Board will consist of approximately twelve people and the opportunity to apply to join the Board will be advertised . An Independent Chair will also be advertised for and will be appointed. It is proposed that the Cabinet Member for Cultural and Leisure be appointed as the City Council's representative.

- 3.6 It is proposed that the Board should be set up as a Charitable Incorporated Organisation (CIO) and as such will be able to seek external funding and support. An indicative outline three year budget for the Board is attached at Appendix 2.
- 3.7 The Indicative budget identifies required income for year one, from the Arts Council and the City Council. As part of the City Council's 2016/17 budget setting, a sum of £20,000 has been identified to support the establishment of the new Cultural Board. An agreement between the City Council and the Cultural Board is necessary to deliver the Objectives set out in the Cultural Strategy for the period 2016-18 following which the Board will continue to operate as a private independent company. It is also proposed that the following services in kind will be provided by the Council to help establish the Board:
- HR support- £4,000
 - Marketing- £8,000 (from the Communications contractual arrangement with the County Council)
 - Administration- £5,000
 - Accommodation/utilities - waive licence fee of £4,500
 - Stationery- £800
 - Accountancy- £1,000
- 3.8 It is noted that the indicative budget includes the employment of a Director to help shape and deliver the Strategy.
- 3.9 In addition to the Council's commitments, the Board will be seeking further financial support and in-kind support.

4.0 Alternative Options Considered

- 4.1 The existing Cultural Strategy could be refreshed with a revision of objectives identified. However, it is felt that a new Strategy and the establishment of a new Cultural Board is the right vehicle to build on the cultural offer in the City and to ensure that Gloucester is firmly on the map

5.0 Reasons for Recommendations

- 5.1 The current Cultural Strategy requires renewing and updating, and having carried out a significant consultation exercise, a new Strategy has now been produced and is presented to Cabinet and on to Council for approval.
- 5.2 It is acknowledged that the City Council cannot deliver the Strategy alone, and so it is proposed to support the establishment of a Cultural Board. The City Council will be one of the key partners and will look to set up an agreement with the Board for the delivery of the objectives set out in the Strategy in the early years.
- 5.3 This is the path recommended by The Arts Council who have supported Gloucester City Council with £15,000 towards the work required to produce the new Strategy and who have indicated further financial support towards the setting up of a Cultural Board and the employment of a Director.

6.0 Future Work Conclusions

- 6.1 Following adoption of the Cultural Strategy, the Council will work with partners to formally establish the Cultural Board and to then set up the required agreement with the Board to deliver the objectives set out in the Strategy for the period 2016-18.

7.0 Financial Implications

- 7.1 The City Council has already agreed to set aside £20,000 in 2016/17 and 2017/18 towards the establishment of the Cultural Board and to enable funding from the Arts Council of £100,000 to be delivered in the City. In addition, the Council will seek to offer some payments in kind and all necessary agreements will need to be concluded before any payments are made.

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

8.0 Legal Implications

- 8.1 The delivery of the objectives in the Cultural Strategy 2016- 2026, if adopted, will be the responsibility of the Council.
- 8.2 It is proposed that the Council provides £20,000 financial support to a newly created company to deliver the objectives for the first 2 years of the Strategy. It is possible for this Council to provide support to the company by entering into a contractual arrangement for the delivery of specified objectives in the Strategy and a Licence to occupy in respect of accommodation (as a benefit in kind). As the contractual sum is below the EU procurement threshold, the Council may support this company without first going out to tender. It is important to note, however, that the Council cannot provide on- going support without complying procurement legislation and the Council must also be mindful of the constraints imposed by the State Aid requirements.
- 8.3 Although the company is an independent private company, in which the Council has no direct interest, it is proposed that the Council has the right to nominate 1 councillor to the Board. It will then be possible for the council nominee to promote the interests of the Council on this Board.

(One Legal have consulted in the preparation of this report)

9.0 Asset Based Community Development

- 9.1 Many of the Cultural activities across the City are delivered by community groups and organisations based. The Strategy looks to build on those strengths and to support community lead events.

9.0 Risk & Opportunity Management Implications

- 9.1 The decision to support the establishment of the Cultural Board and then commissioning it to deliver the Cultural Strategy means that the Council will relinquish some of the control as to how this will be delivered. Whilst this could be seen as a risk, it is felt that entrusting the Board to deliver this will create greater opportunities for culture in Gloucester.

10.0 People Impact Assessment (PIA):

10.1 A PIA screening review was undertaken. It did not identify any potential or actual negative impact. For this reason, 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: None

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Gloucester City Council

GLOUCESTER'S CULTURAL VISION AND STRATEGY 2016 - 2026



PUTTING CULTURE
AT THE HEART OF
GLOUCESTER FOR
THE GOOD OF ALL



CONTENTS

FOREWORD

OUR VISION

KEY FACTS ABOUT GLOUCESTER

CULTURE IN GLOUCESTER

THE STRATEGY

DELIVERING OUR CULTURAL STRATEGY

Page 30





Gloucester is clearly a city 'on the up' but we still have a long way to go to have the cultural offering that residents deserve, not just for their own enjoyment and wellbeing but also for the economic benefit of the city.

That is why the City Council has been instrumental in setting up a Culture Board. It knows that it can't act alone to develop culture in our city. It is also vital that we develop culture alongside the bricks and mortar regeneration which is already underway.

I'd like to thank the key players who worked so hard to produce this updated cultural strategy which will help continue the cultural growth in Gloucester. The new Culture Board will have a lot of work to do to deliver the aspirations identified, but by continuing to work in partnership with the support from Arts Council England as well as so many local organisations, then surely culture will be at the heart of the city for the good of all. I'm sure you're as excited about the future as I am.

Lise Noakes
Cabinet Member for Culture and Leisure
Gloucester City Council



Gloucester is a city with a famous history: what this strategy aims to do is ensure that it also enjoys a famous future.

The city council understands the transformative role culture can play in our lives: it creates jobs and economic growth; it builds stronger communities; it offers hope and aspiration to children and young people; it puts places on the map.

The key to this strategy will be effective partnerships. As well as the city council, the university, the cathedral, the business community, the city's arts organisations and its schools and colleges – all have a role to play in making Gloucester an exceptional place to live, work and play. We look forward to playing our part in making those partnerships, and that exciting future, become a reality.

Phil Gibby
Area Director, South West, Arts Council England



OUR VISION

Putting Culture at the Heart Of Gloucester for the Good of All.

We are committed to making Gloucester a better place to live, work and play by engaging and empowering local communities and leaders to transform the city.

Gloucester will be known for its distinctive culture; which will be innovative and excellent, quirky and edgy, diverse and community-based with a strong focus on young people.

DEVELOPING OUR STRATEGY

Gloucester is changing, things are happening, but we have not yet realised our cultural potential; too often seen as a cultural desert and poor relation to our neighbours, we recognise that we have a long way to go. This ten-year cultural plan is a positive statement of our ambition, building on the strengths of our diverse communities and pointing to the opportunities for development of culture in the City.

This strategy is integrated with the City Council's other strategic plans, particularly the City Vision 2012-2022 and the Regeneration and Economic Development Strategy whose vision is that 'Gloucester will be a flourishing, modern and ambitious City which all residents can enjoy'.

A cultural plan cannot be delivered by the City Council alone and we have developed our vision and strategy after consultation with a wide range of artists, arts organisations, community leaders and the public. Without these people, groups and organisations the scale of change envisaged will be impossible to achieve. We need to develop new ways of working which will ensure that the whole community is engaged in developing culture in Gloucester.

OUR DEFINITION OF CULTURE

For the purpose of this strategy the term Culture focuses on arts and heritage and is used to describe activities such as the visual arts, music, the performing arts, crafts, the creative industries, the arts-science interface and the provision of facilities and services such as theatres, museums and galleries, cinemas, community halls and archives in addition to the protection of the historic environment and the inclusion of artworks in the public

realm. Sports and leisure, whilst vitally important are not so underdeveloped, and are not therefore included in this current strategy.

WHY CULTURE MATTERS TO GLOUCESTER

Culture should never be a privilege; it is a birth right that belongs to us all ... and if you believe in publicly-funded arts and culture, as I passionately do, then you must also believe in equality of access, attracting all, and welcoming all.
- David Cameron, Prime Minister, January 2016

Great cities are defined by their culture. They are defined by their history; through their local heritage, museums and archives, historic buildings, festivals, food and local traditions. But a great city is also defined by its contemporary culture; its artists and arts venues, film and music, photography and crafts, fashion and design, and its buzzing restaurants, pubs and night clubs.

Great cities are also defined by their ambitions for the future.

The arts, culture, and creative industries are widely acknowledged for their positive impact on the economy and society. Employment in the the creative industries is recognised by the Department for Culture Media and Sport (DCMS) as one of our most powerful tools in driving growth. The latest economic growth figures released by DCMS confirm that the creative industries are booming, growing by 8.9 per cent in 2014, almost double the wider UK economy's growth as a whole. The creative industries were worth £84.1bn to the UK economy in the year 2013-2014, up from nearly £77bn the year before, with employment also up by 5.5 per cent to 1.8 million jobs.



Economic development

Culture is a vital component of economic growth. The number of jobs in the creative and digital sector elsewhere in the country is well documented and often strongly connected to the cultural sector. Culture helps to attract visitors and investment, creates jobs and generates economic activity. Culture is important as a means of attracting and retaining talent and as part of a high quality education experience that helps to attract further and higher education students.

Community regeneration

Culture can be an important tool in community regeneration projects. It can bring communities together, attract investment and help to foster a strong sense of place and identity. Culture can also improve health and education and whilst enhancing the economic profile of an area, can

help ensure that these changes are sustainable. Increasingly, the arts and culture are also used to foster social inclusion, promote mental health and wellbeing, and inspire children and young people. Across all public services from education to health, from inward investment to community, culture can act as a catalyst for human and city regeneration and growth.

A way of life

We believe there is a real opportunity for culture to increase the liveability of Gloucester, from providing entertainment and intellectual pursuits, to expertise in areas such as heritage and inclusion. We also want the intrinsic value of culture and creative learning to be at the heart of our community. We believe that culture should be integral to the way we do things in Gloucester as part of the core fabric of our city; we believe in culture as a way of life.

When I arrived in Gloucester in 1981, I thought it was a cultural desert. How things have changed in recent years with the introduction of concerts and festivals (Tall Ships, History, Food, Street performances etc.) throughout the year. Keep going Gloucester and make our city a centre of cultural excellence!

John Smith, Resident of Longlevens



KEY FACTS ABOUT GLOUCESTER

HISTORY

- Gloucester has been variously described as "The Gateway to the West" and "The Crossroads of England"
- It is the cathedral city and county town of Gloucestershire located in the South West of England. The City lies close to the Welsh border, and is on the River Severn, approximately 32 miles (51 km) north-east of Bristol, and 45 miles (72 km) south-southwest of Birmingham
- In 1827 Gloucester became a port city following the completion of the Gloucester and Sharpness canal. On completion it was then the longest, deepest and widest ship canal in Britain. The Docks contains fifteen Victorian warehouses which make up what is Britain's most inland port and are now a major tourist attraction
- Gloucester was home to iconic manufacturing firms including the Gloucester Aircraft Company and Fielding & Platt
- The City contains 707 listed buildings including 37 Grade I's
- The City is the birth place of Robert Raikes, the founder of the Sunday School Movement and John Stafford Smith, who composed the American National Anthem
- The historic Roman streets, magnificent Norman Cathedral and Victorian Docks have been used for various films and TV productions including Harry Potter and Doctor Who. Disney recently shot scenes for the sequel to Alice in Wonderland at the Docks.

DEMOGRAPHICS

- The City has a population of 123,439 (ONS Mid-Year Population Estimates 2012). It is the most populated conurbation within the County of Gloucestershire and has the highest population density
- Gloucester will experience the greatest population growth of all county districts, expected to increase by 20.1% or 23,800 people between 2010 and 2035
- Gloucester is a relatively young city with 25% of the population aged 19 and under (highest in the South West) and 39% under 30. The City is expected to experience the greatest increase of Gloucestershire's

districts in the number of children and young people between 2010 and 2035, with an increase of 16.4%

- It is a diverse City, the black and minority ethnic population (BME) stands at 9.8% with approximately 100 languages and dialects spoken.

EDUCATION

- The City boasts high performing schools and over 17,000 college and university students
- It is home to top education providers including further and higher education campuses for the University of Gloucestershire, the University of the West of England and Gloucestershire College
- Over 30% of Gloucester's working age population has achieved NVQ level 4 or higher.

ECONOMY

- Gloucester is home to world leading advanced engineering companies providing cutting edge technical products and services e.g. Prima Dental
- Gloucester has a strong finance and insurance cluster including being the location for the HQ of the specialist insurance company Ecclesiastical Insurance Group
- Gloucester has the headquarters of EDF Energy, one of the largest energy companies in the UK
- The City supports a growing cluster of information security, web hosting, CAD/CAM development, defence communications and security, ICT infrastructure development and IT content management businesses
- The City has a strong independent retail and leisure sector with over 100 independent city centre shops
- Gloucester attracts 5.9 million visitor trips each year. Annually, visitor spend is £207 million
- The City's physical regeneration continues apace, having secured over £700 million of private sector investment, and Objective 7 of the Council's 2016 Regeneration and Economic Development Strategy is to 'Recognise and Improve the City's cultural offer; hand in hand with the successful regeneration of the city'.

CULTURE IN GLOUCESTER

Gloucester is, in many ways, a vibrant progressive city that is forging ahead with an exciting redevelopment and regeneration programme. The Gloucester Docks development has been largely successful and is now attracting 5 million visitors a year. Further regeneration projects are in train, notably the redevelopment of the areas known as Blackfriars, the Kings Quarter, the University's Oxstalls Campus and the Cathedral's Project Pilgrim.

However, with respect to cultural provision, Gloucester lags behind cities of similar size and status, nor does it compare especially well with regional neighbours. This is evidenced, in part, by not having any organisation, venue or performing company that is included in Arts Council England's National Portfolio. There is, despite some new and notable exceptions, a real lack of high quality arts and cultural provision in the City; the night-time economy, outside the new Docks, is generally underdeveloped; heritage interpretation, despite some outstanding assets and investment, does not yet provide an exciting visitor experience; and the cultural sector generally is underdeveloped, fragmented and feels undervalued.

The extensive research and consultation exercise, undertaken as part of our planning, has confirmed this assessment and a willingness to help lead the required change. It has also identified a very positive range of activity, organisations and community events on which to build for the future, including:

- Gloucester's Music Scene: one of the City's strengths ranging from the Three Choirs Festival, the Gloucester Blues Festival, the SportBeat Music Festival to a diverse pubs and clubs sector. Music training and development is delivered strongly by organisations like Music Works and Gloucester Academy of Music
- History and Heritage: with its 700 listed buildings, historic Roman streets, magnificent Norman cathedral and Victorian docks, Gloucester has some of the best heritage assets in the country, many the subject of successful Heritage Lottery Fund bids. The annual History Festival and Heritage Open Days are growing significantly and the City has four main museums with potential to develop
- Festivals and Events: Gloucester has some extraordinary public spaces in which to stage events and Marketing Gloucester and Gloucester Quays organize a large range

of successful events, supported with funds from the Council, including the biennial Tall Ships and the Victorian Christmas Market

- Strike a Light Festival: of new, cutting edge theatre and dance is now staging its sixth edition and runs two festivals a year (April and October). Developing as a producer that supports artists, recently supported Marketing Gloucester in the delivery of the cultural programme of the Rugby World Cup in Gloucester
- Inclusive Art and Dance: championed by G-Dance and Art Shape through initiatives like the Arts Inc Academy, designed for disabled and disadvantaged young people, giving them access to an exciting arts programme alongside their non-disabled peers
- Gloucester Cathedral: for many the heart of the City, the Cathedral stages over 110 cultural events a year including the hugely popular Crucible sculpture exhibition organised by Pangolin Gallery. It is currently embarking on a 10 year programme of regeneration and community engagement
- University of Gloucestershire: has recently opened a new performing arts and events venue at its Oxstalls campus and plays an active part in the cultural life of the city. It plans a significant increase in the number of students based in Gloucester's Oxstalls Campus
- Gloucester Guildhall and Blackfriars Priory: managed by the City Council these two venues present an increasingly vibrant programme of music, comedy, film, visual arts, dance, theatre and events at capacities up to 400
- Create Gloucestershire: made up of over 130 members and associate members from across the county's arts and cultural sector who think, research, test and share ideas to encourage arts to become "everyday" in Gloucestershire
- Gloucestershire Arts Council: a thriving creative community, including individual practitioners, small businesses, small professional organisations, amateur and voluntary groups making use of community venues like the King's Theatre, the Olympus Theatre and St Barnabas Hall.



THE STRATEGY

OBJECTIVE 1 DEVELOP ARTISTS AND ARTS ORGANISATIONS

Develop artists and arts organisations so as to build the cultural and creative industries

- Attract and nurture creative people to the city, developing a creative factory of talent whilst acting as a catalyst for growth in the hospitality sector and the creative industries
- Create affordable workplaces for artists and micro-arts organisations to develop new work in the City as equally important to big bricks and mortar projects
- Develop the quality of the Guildhall and Museum's programmes to attract a broader audience and releasing the potential of our cultural venues for innovation, entrepreneurial development and fundraising
- Invest in Gloucester's existing artists and arts organisations who can produce high quality work and the leaders who can deliver

ACTION

1. Develop an arts, culture and creative industries hub and incubator in one of the City's many underutilised buildings
2. Consider an alternative delivery model such as a charitable Trust for the Council-run cultural venues - the Guildhall, Blackfriars Priory, the City Museum and Art Gallery, the Folk Museum - to release their potential for innovation, entrepreneurial development and fundraising
3. Encourage grass-roots community arts activity that works with the NHS and others to deliver health and wellbeing outcomes
4. Develop a Cultural Leadership Group to ensure a future generation of cultural leaders in the city
5. Fundraise to support investment in high quality projects and fundraising capacity building in the sector

Gloucester has so much to offer culturally. To see people working collaboratively and to see artists making work from Gloucester and touring it nationally is so exciting. Gloucester is on the cusp of becoming a city with a high cultural offer, where work is programmed, where festivals are common place, where young people have consistent and high quality activities in their city and Gloucester residents are able to affordably access brilliant arts on their doorstep.

Sarah Blowers, Strike a Light

OBJECTIVE 2 BROADEN THE CULTURAL OFFER

Broaden the cultural offer to support social and economic development

- Improve the quality of life of the people of Gloucester by increasing cultural provision and participation, leading to increased social cohesion, civic pride, confidence and ambition and ultimately improved health and wellbeing
- Ensure that the City's cultural plans match the ambition of its physical regeneration and are embedded at the heart of the Regeneration and Economic Development Strategy and the G-First Local Enterprise Partnership
- Ensure that proper cultural infrastructure is in place for the long-term to enable the City to benefit fully from the regeneration improvements, thereby realising the full economic and social benefits that cultural regeneration can achieve
- Support young people to develop their musical talent and participation by investing in a place for them to develop, rehearse and record new work and learn new skills
- Build partnerships with national cultural organisations that have the potential to bring large-scale projects to the city whilst home grown infrastructure matures

ACTION

6. Work closely with the Council's Economic Development team, the Media and Culture Group of G-First LEP and Marketing Gloucester to ensure that cultural planning is aligned
7. Scope the potential for a new large-scale arts and cultural venue in the city centre that could also be used as space for other commercial activity
8. Make contact with national cultural organisations that have the potential to bring substantial projects to the city, particularly for young people and in the areas of music and heritage
9. Support the development of Gloucester Carnival as the most inclusive carnival in the UK and create a greater sense of community ownership and quality
10. Support Gloucester based arts organisations like G-Dance and ArtShape to collaborate further, making inclusive art and dance programmes for the community

THE STRATEGY

OBJECTIVE 3 DEVELOP A VIBRANT CITY CENTRE

Develop a vibrant city centre full of cultural activity and things to do

- Encourage all communities, and particularly young people and families, to use the city centre as a safe and enjoyable focal point to their lives, building a sense of place and community
- Find a better way of telling Gloucester's heritage and history story involving our museums, tourist information centre and other attractions, including consolidating the expected impact of Project Pilgrim

ACTION

11. Commission a regular programme of high quality outdoor arts events, including street arts and parades, using the city's fantastic outdoor spaces
12. Review the current programme of events and festivals supported by Marketing Gloucester and the Council to ensure they meet the objectives of this strategy, including economic impact, pride in the city and community cohesion
13. Scope the potential for a new visitor orientation centre in the city centre that could include the Tourist Information Centre and heritage interpretation involving the museums



OBJECTIVE 4 DEVELOP AUDIENCES

Develop audiences who enjoy the new cultural opportunities being created

- Build audiences for new cultural developments by stimulating local appetite and demand for quality cultural experiences through a long term audience development strategy
- Attract visitors to Gloucester's new high quality cultural activity

ACTION

14. Map out and raise investment for a long term audience development strategy that sits alongside the developing cultural infrastructure
15. Work with Marketing Gloucester to develop a cultural tourism marketing strategy and campaign, collaborating with neighbouring towns and regions, to promote the existing and newly developed, quality, heritage and cultural attractions of the City

OBJECTIVE 5 PUT GLOUCESTER ON THE CULTURAL MAP

Put Gloucester on the cultural map by developing high profile events

- Develop distinctive Signature Events that raise the image and profile of the city to attract visitors, building on our strengths in heritage and music
- Consider bidding for UK City of Culture 2025 as a Major Event to inspire the sector and the City, acting as a beacon to signal the cultural regeneration of Gloucester

ACTION

16. Invest in and develop one or two existing Growth Events, and encourage the creation of new events with potential, into a small portfolio of nationally significant Signature Events. Examples include the existing Strike a Light Festival, the Gloucester History Festival and a potential Folk Festival
17. Evaluate the potential investment required and return on investment to develop a bid for UK City of Culture in 2025 as a Major Event to inspire the sector and the City, acting as a beacon to signal the cultural regeneration of Gloucester

OBJECTIVE 6 MAKE THINGS HAPPEN

Make things happen to continue the momentum for change

- Develop a new way of making things happen where people feel involved and create the right level of cultural leadership in the city who can deliver
- Bring together Gloucester's thriving creative community, empowering them to collaborate effectively and take charge of developing their own cultural future
- Develop and implement a fundraising plan to support the initiatives in this strategy, commissioning and funding local arts organisations to deliver

ACTION

18. Set up a Cultural Partnership consisting of a wide Cultural Forum and led by a Culture Board acting as a Taskforce to make things happen
19. Develop an online platform to support and advocate for the development of the cultural and creative sector to engage and build creative and art based communities and to promote cultural activity in Gloucester similar to the Creative Assembly websites of Torbay, Swindon and others
20. Apply for funding from Arts Council England and other fundraising to support the strategy



This cultural strategy cannot be delivered by the City Council alone and must involve a wide range of artists, arts organisations, partner organisations and community leaders if it is to be successful.

It is these people, groups and organisations who will have to bring about the change to which we aspire and a new way of working which we believe will engage the whole community in developing culture in Gloucester.

We intend to set up a new cultural partnership to bring together all of these groups and to delegate delivery of this Strategy to them. This will be a strategic development organisation, facilitating and fundraising for projects and then creating partnership or commissioning for delivery. This partnership will consist of two distinct elements; the Cultural Forum and the Culture Board.

THE CULTURAL FORUM

The Cultural Forum will be a vital part of the partnership whose purpose is to support the development of culture in Gloucester; contribute to the strategy of the Culture Board and to receive updates on its delivery. This will be an open, self-selecting group of those with an interest in the success of culture in Gloucester. It will involve representatives from the broad culture sector and the public. The Forum will meet twice a year with meetings organised and chaired by the Culture Board. One of these will be an annual meeting, open to the public, where the Culture Board provides a progress report to the Forum.

THE CULTURE BOARD

This will be the leadership group tasked with delivering this strategy by identifying partners and holding them to account to deliver what has been agreed. This will include working with such organisations as the City Council, Marketing Gloucester, the Cathedral and University as well as a whole range of smaller organisations. A group of approximately twelve people with an Independent Chair and a nominated representative of the Council, they will act as the trustees of a proposed new charitable organisation that will manage the cultural partnership. An open call for trustees will be made with a formal appointments process. A key role of the Board will be fundraising, from both the



public and private sectors, to support the development of this Strategy with delivery commissioned from existing and new cultural organisations in Gloucester.

Having undertaken an appraisal of the options for delivery of this cultural partnership we have concluded that a new Charitable Incorporated Organisation or CIO is the right vehicle to achieve our aims of leadership by the sector; focusing on the City of Gloucester; effective fundraising and rapid progress towards our goal of putting culture at the heart of Gloucester for the good of all.

DIRECTOR

The partnership will engage a full-time Director to raise funds directly, support the fundraising work of the Board, develop cultural activity through partnership and oversee the day to day administration of the Forum and Board. It is expected that one of the members of the new partnership will host the Directorship and a small office.

RESOURCES

This strategy has been prepared on the basis that there will be limited funding available from the local authority and partnership funding will be essential if the strategy is to be successful. Ultimately the partnership will be self-financing, raising substantial funds for delivery of the strategy's development projects, and supporting its own core costs. Seed funding will be required for the first three years and Arts Council England (ACE) have indicated that this might be available. Gloucester City Council and other partners will need to match fund any investment from ACE, some of which can be value-in-kind support.

Potential partners and those involved in the Interim Culture Board to date include:

- Arts Council England
- Gloucester Cathedral
- University of Gloucestershire
- G-First Local Enterprise Partnership
- Gloucestershire County Council
- Developers and major employers

It is also important to support cultural developments through the planning system by taking note of the National Planning Policy Framework which seeks to support local strategies that deliver community and cultural facilities in response to demand, and by using instruments like Section 106 agreements and the Community Infrastructure Levy.

A Business Plan for delivery has been prepared.

MONITORING AND REVIEW

This is a long-term plan for the successful cultural regeneration of Gloucester. We will monitor activity on an on-going basis against the Objectives and Actions from a formal review carried out annually by the Cultural Forum and Culture Board. These reviews will also examine the local, regional, national and international context to make sure that the vision and strategy remain valid.

PROGRAMME

Given the long-term nature of some of the projects and our starting point, this strategy is defined over a 10 year period, although it will be important to deliver a significant amount of activity in the first three years. Setting up the partnership and recruiting the director are important first steps. The strategy will be assessed against the following milestones to ensure progress is made to deliver the cultural regeneration of Gloucester:

Coordinating and having shared responsibility for a joined up cultural strategy is something that has been missing from Gloucester. Art and culture creates social cohesion, bringing people together from a wide range of backgrounds and abilities. It's crucially important for the city to have cultural events and activities continue. It lifts peoples' spirits and creates pride in the city.

Cath Wilkins, Director Of GDance



| Activity and Year (April to March) | Year 1 2016/17 | Year 2 17/18 | Year 3 18/19 | Year 4 19/20 | Year 5 20/21 | Year 6 21/22 | Year 7 22/23 | Year 8 23/24 | Year 9 24/25 | Year 10 25/26 | | |
|---|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 1 Develop an arts, culture and creative industries hub and incubator | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 2 Consider an alternative delivery model for the Council run cultural venues | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 3 Encourage grass-roots community arts activity to deliver health and wellbeing outcomes | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 4 Develop a Cultural Leadership Group to ensure a future generation of cultural leaders in the city | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 5 Fundraise to support investment in high quality projects from Gloucester artists and organisations | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 6 Work closely with economic development colleagues to ensure that planning is aligned | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 7 Scope the potential for a new large-scale arts and cultural venue | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 8 Make contact with national cultural organisations that have the potential to bring projects to the city | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 9 Support the Carnival Arts Partnership in its vision to develop Gloucester Carnival | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 10 Support Gloucester based arts organisations making inclusive art and design programmes for the community | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 11 Commission a regular programme of high quality outdoor arts events, including street arts and parades | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 12 Review the current programme of events and festivals to ensure they meet the objectives of this strategy | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 13 Scope the potential for a new visitor orientation centre in the city centre | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 14 Map out and implement a long term audience development strategy | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 15 Work with Marketing Gloucester to develop a cultural tourism marketing strategy and campaign | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 16 Invest in and develop a small portfolio of nationally significant Signature Events | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 17 Evaluate and develop a bid for UK City of Culture in 2025 | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 18 Set up a cultural partnership consisting of a wide Cultural Forum and Culture Board | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 19 Develop an online platform to support and advocate for the development of the cultural and creative sector | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| 20 Apply for funding from Arts Council England and other fundraising to support the strategy | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ | █ |

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Nick Turner

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APPENDIX 2

| Gloucester Culture Board | | | | | |
|-------------------------------------|------------------|----------------|----------------|----------------|----------------|
| Indicative Outline Budget | | | | | |
| 2016-2019 | | Year 1 | Year 2 | Year 3 | |
| £ | | 2016/17 | 2017/18 | 2018/19 | |
| Expenditure | | | | | |
| Start up costs | | | | | |
| Legal costs | | 7,500 | v | | |
| Director & Board recruitment | | 4,000 | v | | |
| Director & Board recruitment | | 3,500 | | | |
| | Sub-Total | 15,000 | | - | - |
| Marketing | | | | | |
| Design | | 5,000 | v | | |
| Website | | 4,000 | | | |
| Printed materials | | 5,000 | | | |
| Launch Event | | 3,000 | v | | |
| | Sub-Total | 17,000 | | 17,500 | 17,500 |
| Staff | | | | | |
| Director | | 50,000 | | 51,000 | 52,000 |
| Administrator | | 5,000 | v | | |
| Telephone | | 500 | | | |
| Travel | | 1,000 | | | |
| | Sub-Total | 56,500 | | 57,500 | 58,500 |
| Overheads | | | | | |
| Office rental | | 4,000 | v | | |
| Utilities | | 500 | v | | |
| Stationary | | 800 | | | |
| Accountancy | | 1,000 | v | | |
| Bank charges | | 67 | | | |
| IT support | | 300 | | | |
| | Sub-Total | 6,667 | | 6,667 | 6,667 |
| Fundraising | | | | | |
| Fundraising costs | | - | | 5,000 | |
| | Sub-Total | - | | 5,000 | 5,000 |
| Total Fixed Costs | | 95,167 | | 86,667 | 87,667 |
| Contingency | | 4,758 | | 4,333 | 4,383 |
| Fixed costs plus Contingency | | 99,925 | | 91,000 | 92,050 |
| Project Costs | | | | | |
| Commissions | | 20,000 | | 250,000 | 500,000 |
| | Sub-Total | 20,000 | | 250,000 | 500,000 |
| Total Expenditure | | 119,925 | | 341,000 | 592,050 |
| Income | | | | | |
| Arts Council England | | 50,000 | | | |
| Gloucester City Council - cash | | 20,000 | | | |
| In kind support | | 30,000 | v | | |
| Partner 3 | | - | | | |
| Partner 4 | | - | | | |
| Sub-Total core funding | | 100,000 | | 100,000 | 100,000 |
| Fundraising | | 20,000 | | 250,000 | 500,000 |
| Total Income | | 120,000 | | 350,000 | 600,000 |
| Surplus/Deficit | | 75 | | 9,000 | 7,950 |

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| | | | |
|-------------------------|---|---------------------------------|----------------------|
| Meeting: | Audit & Governance Committee | Date: | 14 March 2016 |
| | Council | | 24 March 2016 |
| Subject: | Treasury Management Strategy 2016/17 | | |
| 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 2016/17 | | |

FOR GENERAL RELEASE

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) 2016/17 £30m
 - b) 2017/18 £30m
 - c) 2018/19 £30m
- (3) The prudential indicators set on in section two of the strategy be approved.

3.0 Background and Key Issues

3.1 The Council's financial profile has changed significantly since the transfer of Housing Stock to Gloucester City Homes in March 2015. At the end of March 2015, the Council was holding market debt from the stock transfer due to uncertainty in the market around debt premia and as a result was in an over-borrowed position. The Council was able to repay the market debt at the start of the 2015/16 financial year, returning the Council to an under borrowed position.

- 3.2 The 2016/17 treasury management strategy proposes to continue operating within an under-borrowing position. This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.
- 3.3 There will be short term cashflow balances that 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 investments to reduce short term borrowing. Once investments have been applied 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 2016/17.
- 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 borrow long term rather than sort term. This remains an option should interest rates change but at the moment short terms rates are only 0.50% whereas long term rates are over 3% (25 years plus).

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 Council will continue to monitor the under borrowed strategy and is prepared to adapt this strategy if there is changes within the markets.

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 Asset Based Community Development (ABCD) Considerations

8.1 This report notes the Treasury Strategy of the Council. There are no ABCD implications from this report.

9.0 Legal Implications

9.1 The Council is required to have a Treasury Management Strategy 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.

10.0 Risk & Opportunity Management Implications

10.1 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.

10.2 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.

11.0 People Impact Assessment (PIA):

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

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Background Documents:

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

Appendix 1: Treasury Management Strategy 2016/17

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).

A mid year treasury management report – 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 2016/17

The strategy for 2016/17 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, with an update provided in 15/16 for new members. Further training will be arranged as required during 16/17 following full Council elections. 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 2016/17 – 2018/19

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 | 2014/15 Actual £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|-------------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Corporate Director 1 | 0.699 | 1.236 | 0.622 | 0.557 | 0.557 |
| Corporate Director 2 | 0.334 | 1.802 | 0.976 | 0.565 | 0.420 |
| Regeneration & Economic Development | 7.062 | 5.616 | 8.774 | 1.054 | 0.100 |
| Finance & Business Improvements | 0.169 | 0.256 | 0.400 | 0.300 | 0.00 |
| Total Non-HRA | 8.264 | 8.910 | 10.772 | 2.476 | 1.077 |
| | | | | | |
| HRA | 7.126 | 0 | 0 | 0 | 0 |
| | | | | | |
| Total | 15.390 | 8.910 | 10.772 | 2.476 | 1.077 |

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 | 2014/15 Actual £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|--|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total | 16.110 | 8.910 | 10.772 | 2.476 | 1.077 |
| Financed by: | | | | | |
| Capital receipts | 2.142 | 4.797 | 2.856 | 0.657 | 0 |
| Capital grants | 0.906 | 3.889 | 7.916 | 1.819 | 0.729 |
| HRA Major repairs | 2.022 | 0 | 0 | 0 | 0 |
| HRA Revenue | 4.783 | 0 | 0 | 0 | 0 |
| Net financing need for the year | 6.257 | 0.224 | 0.00 | 0.00 | 0.348 |

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:

| | 2014/15 Actual £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|--------------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Capital Financing Requirement | | | | | |
| Total CFR | 22.837 | 20.928 | 20.422 | 19.952 | 19.805 |
| Movement in CFR | (58.038) | (1.910) | (0.506) | (0.470) | (0.147) |

| Movement in CFR represented by | | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|
| Net financing need for the year (above) | 6.257 | 0.224 | 0.00 | 0.00 | 0.348 |
| Less MRP/VRP and other financing movements | (1.545) | (2.134) | (0.506) | (0.470) | (0.495) |
| Housing Stock Transfer | (62.750) | 0 | 0 | 0 | 0 |
| Movement in CFR | (58.038) | (1.910) | (0.506) | (0.470) | (0.147) |

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. The Council is recommended to approve the following MRP Statement:

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.

| % | 2014/15 Actual | 2015/16 Estimate | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate |
|-------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Ratio | 4.73% | 5.37% | 4.97% | 4.83% | 5.03% |

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

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

| £ | 2014/15 Actual £ | 2015/16 Estimate £ | 2016/17 Estimate £ | 2017/18 Estimate £ | 2018/19 Estimate £ |
|---------------------------------|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Council Tax - Band D | 1.43 | 2.45 | 0 | 0 | 0.52 |

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 2015, 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.

| | 2014/15 Actual £m | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt | | | | | |
| Debt at 1 April | 71.142 | 43.997 | 15.000 | 15.000 | 15.000 |
| Expected change in Debt | (27.145) | (28.997) | 0 | 0 | 0.500 |
| 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 | 43.997 | 15.000 | 15.000 | 15.000 | 15.500 |
| The Capital Financing Requirement | 22.837 | 20.928 | 20.422 | 19.952 | 19.805 |
| Under / (over) borrowing | (21.160) | 5.928 | 5.422 | 4.952 | 4.305 |

At the 31st March 2015 there was an over borrowing of £21.160m compared with the capital financing requirement. The 15/16 estimate is an under borrowed position. The over borrowed position at the 31st March 2015 was the result of the Council holding market debt relating to the stock transfer while uncertainty remained in the market

around debt premia. Certainty returned to the markets early in 2015/16, the Council repaid debt and returned to an under borrowed position.

The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. 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 | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| Debt | 45 | 25 | 25 | 25 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 45 | 25 | 25 | 25 |

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 | 2015/16 Estimate £m | 2016/17 Estimate £m | 2017/18 Estimate £m | 2018/19 Estimate £m |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| Debt | 50 | 30 | 30 | 30 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 50 | 30 | 30 | 30 |

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 2016 | 0.50 | 2.00 | 3.40 | 3.20 |
| Jun 2016 | 0.50 | 2.10 | 3.40 | 3.20 |
| Sep 2016 | 0.50 | 2.20 | 3.50 | 3.30 |
| Dec 2016 | 0.75 | 2.30 | 3.60 | 3.40 |
| Mar 2017 | 0.75 | 2.40 | 3.70 | 3.50 |
| Jun 2017 | 1.00 | 2.50 | 3.70 | 3.60 |
| Sep 2017 | 1.00 | 2.60 | 3.80 | 3.70 |
| Dec 2017 | 1.25 | 2.70 | 3.90 | 3.80 |
| Mar 2018 | 1.25 | 2.80 | 4.00 | 3.90 |
| Jun 2018 | 1.50 | 2.90 | 4.00 | 3.90 |
| Sept 2018 | 1.50 | 3.00 | 4.10 | 4.00 |
| Dec 2018 | 1.75 | 3.10 | 4.10 | 4.00 |
| Mar 2019 | 1.75 | 3.20 | 4.10 | 4.00 |

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, most worldwide economic statistics have been weak and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was also notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. However, the first round of falls in oil, gas and food prices over late 2014 and also in the first half

2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but a second, more recent round of falls in fuel prices will now delay a significant tick up in inflation from around zero: this is now expected to get back to around 1% in the second half of 2016 and not get to near 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase. There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then pulled back to 2.1% in quarter 3. The run of strong monthly increases in nonfarm payrolls figures for growth in employment in 2015 has prepared the way for the Fed. to embark on its long awaited first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this lacklustre progress in 2015 together with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2% and to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;

- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 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 currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 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.*
- *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 an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase 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

The purpose of treasury management limits 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:

| | 2016/17 | 2017/18 | 2018/19 |
|---|--------------|--------------|--------------|
| 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 and variable interest rate borrowing 2016/17 | | | |
| | 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% | 100% | |
| 10 years and above | 0% | 100% | |

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.

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. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected

changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

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. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; 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
-

| Y | Pi1 | Pi2 | P | B | O | R | G | N/C |
|------------|------------|------------|------------|-----------|-----------|-------------|---------------|-----------|
| 1 | 1.25 | 1.5 | 2 | 3 | 4 | 5 | 6 | 7 |
| Up to 5yrs | Up to 5yrs | Up to 5yrs | Up to 2yrs | Up to 1yr | Up to 1yr | Up to 6mths | Up to 100days | No Colour |

| | 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) | Barclays Bank | 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 |
| | | | |

The Capita Asset Services’ creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it 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 equivalents) 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 the Capita Asset Services’ 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 daily basis via its Passport website, provided exclusively to it by Capita Asset Services. 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 any external support for banks to help support its decision making process.

4.4 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- 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 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.75%
- 2017/18 1.25%
- 2018/19 1.75%

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:

| | |
|-------------|-------|
| 2016/17 | 0.60% |
| 2017/18 | 1.25% |
| 2018/19 | 1.75% |
| 2019/20 | 2.25% |
| 2020/21 | 2.50% |
| 2021/22 | 3.00% |
| 2022/23 | 3.00% |
| Later years | 3.00% |

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

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 | | | |
|--|----------------|----------------|----------------|
| | 2016/17 | 2017/18 | 2018/19 |
| 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 2016 – 2019

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-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 |
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% |
| 3 Month LIBID | 0.50% | 0.50% | 0.60% | 0.80% | 0.90% | 1.00% | 1.10% | 1.30% | 1.40% | 1.50% | 1.60% | 1.80% | 1.90% |
| 6 Month LIBID | 0.70% | 0.70% | 0.80% | 0.90% | 1.00% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 1.80% | 2.00% | 2.20% |
| 12 Month LIBID | 1.00% | 1.00% | 1.10% | 1.20% | 1.30% | 1.50% | 1.60% | 1.80% | 1.90% | 2.00% | 2.10% | 2.30% | 2.40% |
| 5yr PWLB Rate | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% |
| 10yr PWLB Rate | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% |
| 25yr PWLB Rate | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% | 4.10% |
| 50yr PWLB Rate | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% | 4.00% |
| 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% | 1.50% | 1.75% | 1.75% |
| Capital Economics | 0.50% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | - | - | - | - | - |
| 5yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% |
| Capital Economics | 2.60% | 2.70% | 2.80% | 3.00% | 3.10% | 3.20% | 3.30% | 3.50% | - | - | - | - | - |
| 10yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.60% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% |
| Capital Economics | 3.35% | 3.45% | 3.45% | 3.55% | 3.65% | 3.75% | 3.85% | 3.95% | - | - | - | - | - |
| 25yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% | 4.10% |
| Capital Economics | 3.35% | 3.45% | 3.45% | 3.55% | 3.65% | 3.75% | 3.85% | 3.95% | - | - | - | - | - |
| 50yr PWLB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% | 4.00% |
| Capital Economics | 3.40% | 3.50% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | - | - | - | - | - |

5.2 APPENDIX: Economic Background

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong; this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this more recent lacklustre progress, combined with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created

nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

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 evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. 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.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

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 economic growth turns significantly 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.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate 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 | Blue Orange Red Green No Colour | £5M £5M £5M 0 | 1 year 1 year 6 Months 100 days Not for use |

| | | | |
|--|------------------------|-----|-------------|
| CDs or corporate bonds with banks and building societies | Blue | 0 | 1 year |
| | Orange | 0 | 1 year |
| | Red | 0 | 6 Months |
| | Green | 0 | 100 days |
| | No Colour | | Not for use |
| 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
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

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.

Gloucester City Council

| | | |
|-------------------------|--|------------------------------------|
| Meeting: | Council | Date: 24 March 2016 |
| Subject: | Pay Policy Statement 2016-17 | |
| 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 2016/17.
- 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
 - (1) The pay policy statement for 2016/17 attached as Appendix A be approved.

3.0 Background and Key Issues

- 3.1 The Council's proposed pay policy for 2016/17 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 2016/17

Introduction and Purpose

Gloucester City Council employs approximately 270 staff which equates to 237 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 £174m (gross expenditure as per Comprehensive Income and Expenditure Statement for 2014/15).

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 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.

All Salary Scales are 2015/16, Appendix will be updated when 2016/17 scales are confirmed.

| 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 | 27,974 | 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 | - | - | | |

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 will be amended following the conclusion of national negotiations over an annual cost of living pay award for 2016/17.

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 April 2016.

a) Managing Director

The current salary of the post is £115,000 per annum. This is a joint role, with the Managing Director spending 50% of their time as a Commissioning Director for Gloucestershire County Council.

In addition to this, payments for returning officer duties are made to the Managing Director. 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.

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.

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

c) Heads of Regeneration 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 three 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 not normally 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.

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 relationship between the remuneration of Chief Officers and employees who are not Chief Officer.

The Council does not have a policy on pay multiples but recognises that the Hutton Review of Fair Pay in the Public Sector recommends a maximum ratio of the highest remunerated post compared with the lowest remunerated post of 1: 20.

In accordance with the Local Government Transparency Code (2014), the Council uses the principle of pay multiples to provide a wider understanding of the relationship between its highest and lowest paid employees. It recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

The multiples are as follows:

| | Annual salary FTE | Multiplier |
|-------------------------------|-------------------|------------|
| Highest paid taxable earnings | £80,427 ** | |
| Median earnings | £22,212 | 3.98 |
| Lowest earnings | £15,207 | 5.28 |

* Data is accurate as of the 31 March 2016.

** Contract of employment will be effective after the 1 April 2016.

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.

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 Pullen to the Cabinet Member for Communities and Neighbourhoods | <p>In March 2015 the council unanimously passed a motion to develop a Gloucester City Youth Council. Since then there has been very little significant progress on this initiative, no outcomes and no development plan.</p> <p>It appears that the minimal progress is due to a lack of capacity within the council to deliver such a project, a lack of understanding and appropriate skills on the part of officers and a general under resourcing. This is despite several offers of support, ideas and guidance from the Labour Group.</p> <p>Can the Cabinet Member confirm that despite the slow progress, the council is still committed to deliver a youth council. Can she also confirm what steps she will take make sure that significant progress can be made and that the development of youth council is properly resourced</p> |
| Response | | |
| <p>When the question of a Youth Council was first raised the Cabinet Member was happy to support the proposal and to support it with funding from the County Council Youth grants provided the approach was asset based. The Cabinet Member also stated that if Councillor Pullen knew of a group of interested young people we would be willing to work with them on the initiative.</p> <p>Since March 2015 Council Officers have twice met Members to discuss the structure of a Youth Council. Following these meetings, it was agreed that feedback from the G15 Schools Group would form a necessary primary consultation with young people about the structure and purpose of a Youth Council. The City Council facilitated a meeting between the leader of the G15 Group and the Members. The meeting between Members and G15 took some time to arrange due to the young people's schooling commitments. It is understood that the G15 Schools Group is currently considering the guidance presented by Members in a meeting with G15 in February. There is a commitment to act upon the feedback from G15, as this will make clear what young people want from a Youth Council, and how it will work with the City Council.</p> | | |

| |
|---|
| <p>The Council is committed to the asset based approach to community development and therefore we will not create a Youth Council but will work with Young People if they wish to have such a forum to help them achieve their aspirations.</p> |
|---|