

Date: 6 February 2019

The logo for Eden District Council features the word "Eden" in a large, elegant, serif font. A decorative wavy line is positioned above the letter "E".

District Council

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Dear Sir/Madam

Council Agenda - 14 February 2019

Notice is hereby given and you are hereby summoned to attend a meeting of the Council to be held at 6.45 pm on Thursday, 14 February 2019 at the Council Chamber, Town Hall, Penrith.

1 Apologies for Absence

2 Declarations of Interest

To receive declarations of the existence and nature of any private interests, both disclosable pecuniary and any other registrable interests, in any matter to be considered or being considered.

3 Minutes

RECOMMENDATION that the public minutes CI/47/11/18 to CI/59/11/18 of the meeting of Council held on 8 November 2018 be confirmed and signed by the Chairman as a correct record of those proceedings (copies previously circulated).

4 Chairman's Announcements

5 Questions by the Public

To receive questions from the public under Rule 10 of the Constitution

6 Questions by Members

To receive questions from Members under Rule 12 of the Constitution

7 Motions on Notice (Pages 7 - 8)

To consider motions on notice under Rule 13 of the Constitution

8 Annual Review of the Treasury Management and Capital Strategy - Resources Portfolio Holder (Pages 9 - 30)

To consider report F6/19 of the Director of Finance which sets out and seeks

approval for the Treasury Management and Capital Strategy for 2019-2020, the Prudential Indicators for years 2018-2022 and the Minimum Revenue Provision Statement for 2019-2020.

RECOMMENDATIONS that:

1. the 2019-2020 Treasury Management and Capital Strategy Statement, as detailed in section 3, including the Minimum Revenue Provision Policy, be approved; and
2. the Prudential and Treasury Indicators for 2019-2020, set out in Appendix A, including external borrowing limits, be approved.

9 Approval of Revenue and Capital Budgets 2019-2020 - Resources Portfolio Holder *(Pages 31 - 50)*

To consider report F7/19 of the Director of Finance which sets out the revised revenue budget for 2018-2019, the proposed revenue budget for 2019-2020 (the 'Budget Requirement') and the proposed capital budget (2018-2023 Capital Programme) for the approval of Council. These are based on recommendations to Council by the Executive at its meeting on 22 January 2019, plus changes required for priority actions and, where appropriate, changes agreed at the Executive meetings on 22 January 2019 and 5 February 2019 and elsewhere on this agenda. In addition, to consider the formal advice of its Chief Financial Officer on the robustness of the estimates included in the budget and the adequacy of the reserves.

RECOMMENDATIONS that:

1. the Council's revenue budget in 2018-2019 be a net cost of services of £8,338,275 a contribution from reserves of £778,150 (section 3.5);
2. the Council's revenue budget in 2019-2020 be a net cost of services of £8,720,684, with a deficit of £1,026,688 made up as follows (section 3.6):

	£
Budgeted Expenditure	8,561,354
Growth (See appendix B)	159,330
	<u>8,720,684</u>
Less: Council Tax (0% increase)	-3,932,460
Add: deficit on Collection Fund	101,900
Less: Rural Services Delivery Grant	-677,638
Less: Business Rates Retention Scheme	-2,575,000
Less: New Homes Bonus	-610,798
Deficit	<u>1,026,688</u>

3. the Council's Budget Requirement (inclusive of local precepts) be £8,790,858 in 2019-2020 (section 3.6);
4. the Council's Council Tax Requirement (inclusive of local precepts be £5,029,322 (section 3.6); and

5. the Council's capital budget for 2018-2023 be £11,523,000 (section 3.7).

10 Proposed Calendar of Ordinary Meetings 2019-2020 *(Pages 51 - 56)*

To consider report G5/19 of the Deputy Chief Executive which seeks Members' provisional approval of a calendar of meetings for the 2019-2020 municipal year.

RECOMMENDATIONS that:

1. a draft calendar of ordinary meetings 2019-2020 be approved;
2. all Members and Standing Deputies of the Planning, Licensing and Accounts and Governance Committees be required to undertake full training prior to the first meeting of the respective committees; and
3. the definitive Calendar of ordinary meetings, together with dates for Portfolio meetings, be presented to the Annual Meeting of Council in May 2019 for verification.

11 Allocation of Seats on Committees *(Pages 57 - 68)*

To consider report G24/19 of the Deputy Chief Executive which seeks to make an appointment to the Environment and Economy Scrutiny Committee for the remainder of the 2018-2019 municipal year following a request by members.

RECOMMENDATION that Councillor Robinson be appointed to the Environment and Economy Scrutiny Committee in place of Councillor Ladhams for the remainder of the 2018/2019 municipal year.

12 Senior Management Review Update - Leader Portfolio Holder *(Pages 69 - 74)*

To consider report CE6/19 of the Chief Executive which provides an update on the implementation of the revised Senior Management structure as agreed on 10 January 2019 by Council.

RECOMMENDATIONS that:

1. Members note the appointment of officers to the revised Senior Management Structure;
2. Members approve the termination of employment which arises from the appointment and redeployment process of which details are contained in the private and confidential report on this matter;
3. Members designate the Assistant Director Finance, Peter Notley as the Council's Chief Finance Officer (Section 151), effective 15 February 2019;
4. Members designate the Assistant Director Governance, Lisa Tremble as the Council's Monitoring Officer, effective 15 February 2019;

5. Members approve the designation of the Senior Legal Adviser, Paul Foote as the Council's Monitoring Officer for the anticipated period of absence of the Assistant Director Governance until her return to full time duties; and
6. Members note the setting up of a sub-panel of the HR and Appeals Committee to interview and appoint the Director of People and Place.

13 Date of Next Scheduled Meeting

The next scheduled meeting of Council be confirmed as 7 March 2019.

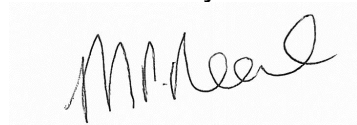
14 Exclusion of Press and Public

To consider whether, in accordance with Section 100A(4) of the Local Government Act 1972, members of the public (including the press) should be excluded from the meeting during discussion of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 to Schedule 12A of the Act.

15 Senior Management Review Update *(Pages 75 - 78)*

To consider an addendum to report CE6/19 of the Chief Executive.

Yours faithfully



Matthew Neal
Deputy Chief Executive

Democratic Services Contact: Claire Watters

Encs

For Attention

All members of the Council

Chairman – Councillor M Robinson (Independent Group)

Vice Chairman – Councillor W Patterson (Independent Group)

Councillors

A Armstrong, Conservative Group
D Banks, Independent Group
K Beaty, Conservative Group
P Breen, Conservative Group
I Chambers, Conservative Group
M Clark, Independent Group

E Martin, Conservative Group
A Meadowcroft, Conservative Group
G Nicolson OBE, Conservative Group
R Orchard, Conservative Group
J Owen MBE, Conservative Group
J Raine, Conservative Group

A Connell, Liberal Democrat Group
J Derbyshire, Liberal Democrat Group
M Eyles, Liberal Democrat Group
P Godwin, Independent Group
K Greenwood, Independent Group
L Grisedale, Conservative Group
A Hogg, Conservative Group
D Holden, Liberal Democrat Group
S Jackson, Conservative Group
V Kendall, Conservative Group
T C Ladhams, Independent Group
J C Lynch, Conservative Group

M Rudhall, Liberal Democrat Group
H Sawrey-Cookson, Independent Group
R Sealby, Conservative Group
L Sharp, Labour
M Slee, Conservative Group
M Smith, Independent Group
V Taylor, Liberal Democrat Group
M Temple, Conservative Group
J G Thompson, Conservative Group
A Todd, Conservative Group
J Tompkins, Liberal Democrat Group
M Tonkin, Independent Group

Please Note:

- 1. Access to the internet in the Council Chamber and Committee room is available via the guest wi-fi – no password is required**
- 2. Under the Openness of Local Government Bodies Regulations 2014 this meeting has been advertised as a public meeting (unless stated otherwise)**

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Eden District Council

**Council
14 February 2019**

Motion on Notice

Motion by Councillor M Eyles

This council urges Post Office Limited to retain the Post Office building in Crown Square rather than moving the services to retail premises in Angel Square, and to continue to support this valuable community resource at its current location.

Michael Eyles

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Eden District Council

Council

14 February 2019

Annual Review of the Treasury Management and Capital Strategy

Portfolio:	Resources
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

1. To set out and seek approval for the Treasury Management and Capital Strategy for 2019-2020, the Prudential Indicators for years 2018-2022 and the Minimum Revenue Provision Statement for 2019-2020.

2 Recommendations

It is recommended that:

1. The 2019-2020 Treasury Management and Capital Strategy Statement, as detailed in section 3, including the Minimum Revenue Provision Policy, be approved; and
2. The Prudential and Treasury Indicators for 2019-2020, set out in Appendix A, including external borrowing limits, be approved.

3. Report Details**2019-2020 Treasury Management and Capital Strategy Statement****Regulatory background**

- 3.1 The Code of Practice for Treasury Management in Public Services and the Prudential Code (CIPFA) require local authorities to determine the Treasury Management Strategy Statement and Prudential Indicators on an annual basis and that Council approve an overall Capital Strategy. The Ministry for Housing, Communities and Local Government (MHCLG) also issued statutory guidance that the Council should approve an Investment Strategy and a Minimum Revenue Provision statement before the start of the financial year. This document meets all those requirements.
- 3.2 The main aim of both the CIPFA and MHCLG guidance is to ensure that treasury management governance arrangements include both the traditional cash management activities as well as investments which would previously have been outside scope, for example, direct investment in commercial property. The aim being to ensure that decisions around 'non-financial' investments are appropriately controlled, integrated into the cash flow requirements and capital plans of the authority and investment activity is proportionate to the size of the authority.

3.3 The remainder of this report is structured in the following order:

- Clauses to be adopted – this is standard wording recommended by CIPFA for the Council to adopt, setting out the definition of Treasury Management and the main principles
- Economic update – to provide an update on the economy and interest rates
- Capital Strategy – an overarching strategy to set out the Council’s approach to capital investment, treasury and governance.
- Borrowing Strategy – to set out the Council’s approach to capital investment financed through borrowing.
- Minimum Revenue Provision (MRP) Statement – to set out how the Council will make prudent revenue provision to repay any capital investment financed through borrowing
- Investment Strategy – to set out the Council’s approach to investing cash balances, service loans, share purchase and other non-financial investments
- Other Governance matters – to set out the Council’s approach to other issues including training and use of external advisors.

Clauses to be adopted

3.4 Treasury management is about the management of risk. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. All treasury activity undertaken will comply with relevant statutes, guidance and accounting standards.

3.5 The Council has adopted CIPFA’s definition of treasury management, as follows:

“The management of the organisation’s investment 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.” (CIPFA 2017)

3.6 The successful identification, monitoring and control of risk should be the prime criteria by which the effectiveness of the Council’s treasury management activities should be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.

3.7 Effective treasury management will provide support towards the achievement of the Council’s business and service objectives. The Council should adhere to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.

3.8 CIPFA’s recommended clauses around the operation and responsibilities for treasury management have been adopted into the Council’s Constitution (Part 4, Section G, Accounting and Audit Rules, clause 23).

Economic Update (data supplied by Arlingclose Limited).

3.9 A key economic event during 2018-2019 in the United Kingdom (UK) was the increase in the Bank Rate in August 2018 by 0.25% to 0.75%, making it the first increase by the Bank of England’s Monetary Policy Committee to rates since November 2017. The Bank has reiterated that it expects any future increases in Bank Rate to be at a gradual pace and limited in extent.

- 3.10 The UK Consumer Price Inflation (CPI) index at December 2018 CPI was 2.1%, slightly above the Bank of England target of 2%. The fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices.
- 3.11 The number of unemployed in the economy remained low at 4.1% (as at December 2018). Consumers' wages grew in real terms at 1%. Economic activity expanded modestly as evidenced by Q2 and Q3 Gross Domestic Product ("GDP") growth of 0.4% and 0.6% respectively.
- 3.12 In the face of challenges to the economy and Brexit-related uncertainty, Arlingclose Limited expects the Bank of England to take a very measured approach to any monetary policy tightening. Any increases will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.
- 3.13 Arlingclose Limited forecast that official UK interest rates will remain at 0.75% until after March 2019 but then may rise up to 1.25% by the end of 2020-2021. The gilt rates (and so the cost of borrowing from the Public Loans Work Board) are projected to increase moderately over the period.

Interest rate projections

	March 2018	March 2019	March 2020	March 2021
Base Rate %	0.50	0.75	1.00	1.25
5 year Gilt	0.75	0.95	1.30	1.40
50 year Gilt	1.70	1.65	2.00	2.15

Source: Arlingclose Limited

- 3.14 Overall, interest rates are projected to remain at relatively low levels, in terms of both investment return and the cost of borrowing. It is acknowledged that no forecast can be entirely accurate. The Council will continue to re-appraise its strategies periodically in response to economic, financial, or political events.

Capital strategy

- 3.15 Under the revised Prudential Code, the Council is now required to annually to approve a strategy that sets out plans for capital investment, demonstrates the linkages to treasury management and demonstrates that the plans are proportionate to the size and risk appetite of the Council. The Council acknowledges that non-financial investments need appropriate governance around decision making and that the principals of security, liquidity and yield still apply and need to be considered as part of the due diligence process.
- 3.16 There are a number of controls around non-financial investments. A key trigger is that these will generally count as capital expenditure. This means that the capital expenditure and financing plans are subject to Council approval as part of the annual budget setting process. Within limits, cost neutral changes to the capital programme can be made in year but any additional resource requires approval by the Executive, up to £50,000, or Full Council for any sum higher than £50,000. The full details are set out within the Council's Audit and Accounting rules within the constitution.

- 3.17 As part of the budget to be approved for 2019-2020, a Capital Programme has been prepared. The borrowing impact of this is reflected in the Prudential and Treasury Indicators within this report. It contains no plans to borrow to fund acquisition of investment properties for purely commercial gain. Due to the controls around the capital programme any material amendment to this would require further approval by Council. This would also ensure that as part of the due diligence, cash flow and other risks, including whether the magnitude of investment is proportional to Council's size, would be considered and documented. The details of the Council's capital programme, including the funding assumptions, can be found on the agenda for Executive 22 January 2019.
- 3.18 The impact of capital investment on cash balances and liquidity is reflected in the investment and borrowing strategies below. The projections of how much cash will be available include the impact of the capital and revenue budgets as set out in the budget report presented elsewhere on this agenda. Given the planned capital expenditure and revenue projections in the medium term financial plan, the cash balances could potentially reduce significantly over the next 4 years. A process has started to address the revenue deficit. Investment and borrowing decisions need to be made in the context of potential reductions to usable reserve balances (see also 3.23 below).
- 3.19 Where a local authority holds a non-financial investment relating to a physical asset, the authority should consider whether the asset retains sufficient value to provide security of investment using the fair value model in line with CIPFA's Code of Accounting Practice for Local Authorities in the UK. Where there is evidence that this is no longer sufficient to provide security against loss, this will be reported. Values will be reviewed annually as part of the statement of accounts and any issues around the value of the underlying assets will be reported as part of the treasury and capital out-turn.
- 3.20 In addition to traditional financial investments, the Council also has a significant level of investment property which makes an important contribution to the Council's income. As at 31 March 2018, the Council's investment property was valued at £17.2m. Net income from investment property for 2017-2018 was £947,000, providing a yield of 5.5%. None of the portfolio was funded through prudential borrowing. The single largest element of this relates to Penrith New Squares, which was valued at £14.8m. This single asset makes a significant contribution to the Council's revenue; risks to the Council are mitigated through the terms of the lease. Investment properties are pro-actively managed by the Council through the Asset Management Working Group. This involves officers from Legal, Finance, Property Services and the Council's external valuers. It considers acquisitions, disposals and rental issues across the portfolio.
- 3.21 The Council has not borrowed disproportionately to fund acquisition of investment property. As at 31 March 2018, the Council's Capital Financing Requirement was £378,000 with external loans of £83,000. No further borrowing to acquire investment assets for pure commercial gain is included within the proposed 2018-2023 capital programme.

Borrowing Strategy

- 3.22 A key element of integrating the Capital investment and the treasury planning, particularly borrowing, is through the Capital Financing Requirement. This is the underlying need to borrow for capital purposes and so is the starting point for assessing the need for any external borrowing.

3.23 The forecast and movement in the Capital Financing Requirement in coming years is one of the Prudential Indicators (see also Appendix A). The movement in actual external debt and usable reserves combine to identify the Council's borrowing requirement in the underlying potential to invest in current and future years.

Investment capacity projection

	2017-2018 Actual £'000	2018-19 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Capital Financing Requirement	378	671	3,229	4,022	4,466
External Borrowings*	83	83	1,290	1,725	2,000
Internal Borrowing	-295	-588	-1,939	-2,297	-2,466
Usable Reserves	15,768	12,269	8,990	6,371	4,449
Investment Capacity	15,473	11,681	7,051	4,074	1,983

*This is the liability benchmark based on the assumed level of internal borrowing.

3.24 The above table shows that the expenditure plans of the Council could be funded with a proposed balance of internal and external borrowing. This balances the potential benefits related to minimising external borrowing with the liquidity needs and medium term interest rate risk. By using its own surplus cash resources, the Council is able to minimise borrowing costs and security risk by reducing the level of its external investment balances.

3.25 The Council is permitted by law to borrow further, or undertake debt rescheduling. Any new borrowing will be subject to the prudential and treasury indicators set out below. The Public Loans Work Board is a common source of loans to local authorities; other offerings in the market will be assessed to ensure value for money.

3.26 The Council's balance sheet also includes a significant net Pension fund liability relating to the Council's share of the Local Government Pension Scheme. As at 31 March 2018, this was £9.6m. This is excluded from the Prudential Indicators and has no direct impact on the Council's powers to borrow. There are also a small number of other long-term liabilities relating to contract bonds, similarly, these are outside the scope of the Prudential Code.

2019-2020 Minimum Revenue Provision Statement

3.27 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on local authorities to make a prudent provision for debt redemption. Guidance on minimum revenue provision has been issued by the Secretary of State and local authorities are required to have regard to such guidance under Section 21(1A) of the Local Government Act 2003. The MRP guidance was reviewed by MHCLG in 2018.

3.28 The four minimum revenue provision options are:

- Regulatory method;
- Capital financing requirement method;
- Asset life method; and
- Depreciation method.

3.29 The Council will generally apply the asset life method to determine its minimum revenue provision. MHCLG guidance suggests maximum asset lives of 50 years. Any MRP will be calculated with this in mind, but the Council retains the option to use a longer period where there is evidence to support that this is reasonable and prudent.

- 3.30 Minimum revenue provision which arises as a result of capitalising leases or lease type arrangements will match the annual principal repayment for the associated liability.
- 3.31 When a loan is granted that results in capital expenditure, the Council will retain the option to treat repayments of principal as satisfying the requirement for making prudent provision, subject to assessment on a case-by-case basis.
- 3.32 Any MRP relating to expenditure capitalised under statute will be in line with the charge periods recommended by MHCLG.

Investment Strategy

- 3.33 The potential long-term cash balances available for investment are set out at 3.23 above. These represent a year-end position with cash balances significantly higher during the year. They do however show a projection for reduced 'average' cash balances going forward. This is largely linked to the reduction in revenue reserves, in line with the MTFP, as well as anticipated utilisation of existing resources to support the capital programme.
- 3.34 In order to diversify the investment portfolio, currently largely invested in cash, investments are placed with a range of approved investment counterparties in order to achieve a wide portfolio of prudent counterparty investment periods and rates of return. Maximum investment levels with each counterparty are set to ensure risk is mitigated. Greater returns can be achieved by considering lengthening the term of investments. Where cash requirements allow, and where suitable counterparties are available, this will be considered.
- 3.35 Money market funds are used, but good treasury management practice prevails and, whilst money market funds provide useful vehicles, the Council will also seek to diversify any exposure by using more than one money market fund. The Council has also invested £4m in a strategic property asset pooled fund and has granted long-term loans to local enterprises.
- 3.36 From 1 April 2018, International Financial Reporting Standard 9 (IFRS 9) came into force. This standard brought in several changes in relation to accounting for investments, which have a direct impact on how income or expenses are calculated. The Council's business model for its investments is generally to hold until maturity or for long-term investment rather than for active trading. This means that any gains or losses on investments held at fair value will not directly impact on the general fund until the point at which they are disposed. The main investment which this impacts on to date is the property fund, which has risen in value by circa £450,000 (as at January 2019). Any gain (or loss) will only come into the general fund on sale of the investment.
- 3.37 In addition, IFRS 9 requires that for assets not held at fair value, a charge for predicted credit losses should be made, to reflect the risk of loss of capital. The Council's investment policy is to deposit with high quality counterparties and, generally, to obtain security on capital loans. As such, the anticipated credit loss model is not likely to result in significant charges to the General Fund. When an investment matures, any charge for anticipated losses is reversed.

3.38 The Council has opted up to professional status with counterparties under Markets in Financial Instruments Directive II (MIFID II). This recognises the Council's level of knowledge and governance around investment activity. It allows access to a broad number of counterparties and ensures the portfolio can be diversified.

Investment Policy - Treasury Investments

3.39 In accordance with investment guidance issued by the MHCLG, and best practice, the Council's primary objective in relation to the investment of public funds is the security of capital. The liquidity or accessibility of the Council's investments is the next most important factor followed by the yields earned on investments (Security, Liquidity, Yield, in that order). Markets remain volatile and it is against this backdrop that the Council's Investment Strategy is determined.

3.40 The limits in this section do not apply to non-financial investments that result in capital expenditure. Financial investments are categorised as 'specified' or 'non-specified' within the investment guidance issued by the MHCLG. Specified investments are sterling-denominated investments, with a maximum maturity of one year. They also meet the high credit quality as determined by the Council and are not deemed capital expenditure investments under statute. Non-specified investments are, effectively, any other kind of investment. A full definition is provided in Appendix B. These limits apply to service loans that are revenue in nature.

3.41 The types of investment that will be used by the Council whether they are specified, or non-specified, are as follows:

Credit Rating	Banks** Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government	Not Applicable	Not Applicable	£ Unlimited 50 years	Not Applicable	Not Applicable
AAA	£2m 5 years	£2m 20 years	£3m 50 years	£1m 20 years	£1m 20 years
AA+	£2m 5 years	£2m 10 years	£3m 25 years	£1m 10 years	£1m 10 years
AA	£2m 4 years	£2m 5 years	*	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£2m 4 years	*	£1m 4 years	£1m 10 years
A+	£1m 2 years	£2m 3 years	*	£1m 3 years	£1m 5 years
A	£1m 13 months	£2m 2 years	*	£1m 2 years	£1m 5 years
A-	£1m 6 months	£2m 13 months	*	£1m 13 months	£1m 5 years
None (also including all Local Authorities)	£1m 6 months	Not Applicable	£3m 25 years	£50,000 5 years	£1m 5 years
AAA rated Money Market Funds (instant access)	£5m per fund				
Other pooled funds (including Property Fund)	£4m per fund based on initial purchase price at the time of investment				

*Sector limits prevent investment in non-UK Governments with a rating lower than AA+.

**Banks includes other financial institutions, for example, Building Societies.

- 3.42 Registered Providers have been included within specified and non-specified investments since 2014-2015. Investments with Registered Providers will be analysed on an individual basis and discussed with Arlingclose Limited prior to investing.
- 3.43 Investments with other organisations have been included as a non-specified investment category. This would include investment opportunities with small and medium sized enterprises (SMEs) and other businesses in the UK. Because of the higher perceived credit risk of SMEs, such investments may provide considerably higher rates of return. An external credit assessment will be undertaken and advice sought from the Council's treasury management adviser (where available) before any investment decision is made.
- 3.44 The Council, on the advice of Arlingclose Limited, selects countries and financial institutions after analysis and ongoing monitoring of:
- Published credit ratings for financial institutions (minimum long-term rating of A- or equivalent for counterparties. AA+ or equivalent for non-UK sovereigns);
 - Credit default swaps (where quoted);
 - Sovereign support mechanisms;
 - Share prices;
 - Corporate developments, news, articles, market sentiment and momentum; and
 - Economic information.
- 3.45 Any institution can be suspended, or removed, should any of the factors identified above give rise to concern.
- 3.46 The Council's policy for specified investments is to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets the selection criteria may be suspended, but institutions not meeting criteria will not be added.
- 3.47 The Council banks with Barclays Bank PLC. At the current time, it meets the minimum credit criteria of A- (or equivalent) long-term. If the credit rating falls below the Council's minimum criteria, Barclays Bank PLC will continue to be used for short-term liquidity requirements and business continuity arrangements, should this be required.
- 3.48 Appendix B also contains a number of sector and other limits to ensure that the portfolio remains diverse and balanced with sufficient capacity to manage the anticipated cash balances.

Investment Policy Non-Financial Investments (Capital Expenditure)

- 3.49 In addition, the Council may make investments with third parties that are not purely for management of cash resources but with a longer-term capital investment element either in the form of loans or acquisition of share capital. These would be classed as capital expenditure and so require budget approval as part of the capital programme. The detailed arrangements, including the required due diligence and risk assessment for each investment would be considered as part of that approval process.

Other Governance matters

- 3.50 The Chief Finance Officer will report to Members on treasury management activity/ performance and Performance Indicators as follows:
- Council will receive twice-yearly reports on the Strategy approved for the year;
 - The Executive and Scrutiny Co-ordinating Board will consider an outturn report on its treasury activity no later than 30 September, after the financial year end;
 - The Scrutiny Co-ordinating Board will be responsible for the scrutiny of treasury management activity and practices; and
 - All investments are reviewed at monthly meetings of the Resources Portfolio Holder.
- 3.51 CIPFA's Code of Practice requires the Chief Finance Officer to ensure that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Regular reporting of treasury activity provides Members with opportunities to scrutinise activity and seek clarification on any technical issues.
- 3.52 Council officers regularly attend regional CIPFA technical seminars and workshops provided by Arlingclose Limited. Day to day technical support is also provided by Arlingclose Limited.
- 3.53 As noted, any non-financial assets will form part of the capital programme. Monitoring of these will come through capital budget monitoring (acquisition) and then through revenue budget monitoring (subsequent income) and final accounts (valuation movements). As noted, schemes require approval either as part of the approved capital programme or through separate Council decision. The relevant due diligence, including any relevant external professional support will be obtained to inform the decision by Council.
- 3.54 The Council has appointed Arlingclose Limited as its treasury management advisers and receive advice on:
- Balance sheet analysis and review;
 - Credit worthiness, including recommended investment counterparties and maximum recommended investment periods;
 - Advice on the Council's compliance with the Treasury Management Code, the Prudential Code for Capital Accounting and calculation of the required Indicators;
 - Market and economic news; and
 - General treasury management matters.
- 3.55 The Treasury Management Practices Document has additional operational detail covering day-to-day practices for officers. This will be reviewed and updated in line with any changes to the strategies above.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council.
- 4.2 This report supports the Quality Council corporate priority.

5 Consultation

- 5.1 A draft copy of this report has been discussed with the Council's treasury management advisers, Arlingclose Limited and the Portfolio Holder.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.
- 6.1.3 The governance arrangements set out in this document enable Officers to manage cash and borrowings within the risk appetite of the Council and in compliance with the relevant regulations.

6.2 Legal

- 6.2.1 Treasury management activities are covered in the Accounting and Audit Rules and prescribe the practices, which are identified as being appropriate by the officer responsible for the proper administration of the Council's financial affairs (Section 151 of the Local Government Act 1972).

6.3 Human Resources

- 6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
<ul style="list-style-type: none">• loss of investments;• the poor rate of returns;• interest on any borrowings being higher than appropriate;• liquidity;• markets or investments;• credit and counterparty;• legal and regulatory.	Poor practices implemented, diminished interest returns, loss of capital invested, poor liquidity (funds available when required).	Annually update Treasury and Capital Strategies with comprehensive governance arrangements set out in the report.

7 Other Options Considered

- 7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

- 8.1 To ensure the governance arrangements around treasury management are clearly set out and comply with the relevant guidance from CIPFA and MHCLG.
- 8.2 To ensure the capital investment plans are integrated with the treasury management strategy and reflected in the relevant prudential and treasury indicators.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	31 January 2019
Monitoring Officer (or Deputy)	31 January 2019
Assistant Director	Not Applicable

- Background Papers:** **The current Treasury Management Policy and Practices Document**
CIPFA's Treasury Management and Prudential Codes are available to view at the Council's offices
MHCLG Investment Guidance (2018) and Minimum Revenue Provision guidance (2018) available via:
<https://www.gov.uk/government/publications>
- Appendices:** **Appendix A: Prudential and Treasury Indicators 2018-2019 to 2021-2022**
Appendix B: Detailed Policy on Investment Instruments
- Contact Officer:** **Peter Notley, Assistant Director Finance, 01768 212209**

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Prudential and Treasury Indicators 2018-2019 to 2021-2022

1. Background

- 1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that, over the medium term, borrowing will only be for a capital purpose, the Council should ensure that the external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year, plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
- 2.2 As set out in the Borrowing Strategy above, the Council has no difficulty meeting this requirement, nor are there any difficulties envisaged for future years with an element of underborrowing anticipated. This view takes into account current commitments, existing plans and the proposals in the budget.

3. Estimates of Capital Expenditure

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits:

	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Capital Expenditure	3,202	4,724	1,818	1,062

- 3.2 Capital Expenditure will be financed or funded as follows:

Capital Financing	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Capital Receipts	209	1,000	0	0
Capital Grants and contributions	915	440	440	440
Reserves	1,773	537	508	72
Revenue Contributions	0	167	0	0
Total Financing	2,897	2,144	948	512
Prudential Borrowing	305	2,580	870	550
Total Finance and Prudential Borrowing	3,202	4,724	1,818	1,062

4. Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. A negative figure indicates that investment income is higher than borrowing and debt repayment costs.

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

	2018-2019 Estimate %	2019-2020 Estimate %	2020-2021 Estimate %	2021-2022 Estimate %
Ratio of Financing Costs to Net Revenue Stream	-2.9%	-4.8%	-4.8%	-4.6%

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the capital financing requirement is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing:

	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
CFR opening	378	671	3,229	4,022
Prudential borrowing	305	2,580	870	550
Less MRP	-12	-22	-77	-106
Capital Financing Requirement	671	3,229	4,022	4,466

6. Authorised Limit and Operational Boundary for External Debt

6.1 The Council has an integrated Treasury Management Strategy and manages its treasury position in accordance with its approved Strategy and Practice. Overall borrowing will, therefore, arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the capital financial requirement.

6.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (long and short-term borrowing, overdrawn bank balances and long-term liabilities). It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved Treasury Management Policy Statement and Practices.

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

6.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit):

Authorised Limit for External Debt	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Borrowing	83	1,290	1,725	2,000
Internal Borrowing	588	1,939	2,297	2,466
Headroom	5,000	5,000	5,000	5,000
Total	5,671	8,229	9,022	9,466

6.5 The Operational Boundary links directly to the Council's estimates on the cash flow requirements. This indicator is based on the same estimates as the Authorised Limit, reflecting the most likely prudent, but not worst-case scenario, but without the additional headroom included within the Authorised Limit. It also reflects the Authority's liability benchmark, which takes into account an assumption about the level of internal borrowing. The Council may go over this limit on a temporary basis to support cash flow needs but should not exceed this on a long-term basis.

Operational Boundary for External Debt	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Borrowing	83	1,290	1,725	2,000

7. Interest Rate Exposure

7.1 The Council's policy has been to mainly borrow at fixed rates to obtain certainty over funding costs. Investments are generally more subject to interest rate risk being either variable instruments or short-term fixed instruments. This reflects the products available in the market that fit within the Council's investment strategy. The risks around interest costs and returns are mitigated through regular budget monitoring and assessment of medium term market data from the Council's Treasury advisors, Arlingclose Limited.

8. Maturity Structure of Fixed Rate Borrowing

8.1 This indicator is designed to protect against excessive exposures to interest rate changes in any one period, in particular, in the course of the next ten years.

8.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The Council reserves the option to utilise the best value route to deliver its cash requirements which could involve use of short or long-term borrowing.

Maturity Structure of Fixed Rate Borrowing	Lower Limit for 2018-2020 %	Upper Limit for 2018-2020 %
Under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and above	0	100

9. Credit Risk

- 9.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.
- 9.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.
- 9.3 The Council also considers alternative assessments of credit strength and information on corporate developments of, and market sentiment towards, counterparts. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns where available);
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
 - Corporate developments, news, articles, markets sentiment and momentum; and
 - Subjective overlay.
- 9.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative, rather than absolute, terms.

10. Upper Limit for Total Principal Sums Invested over 364 Days

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

	2018-2019 Estimate £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2020-2021 Estimate £'000
Upper Limit for total principal sums invested over 364 days	10,000	7,000	4,000	4,000

11. Local indicators for non-treasury investments

- 11.1 As noted in the Capital strategy, the Council has a number of investment properties, loans and an equity holding in the Council Company, the Heart of Cumbria limited. The income performance of these instruments is monitored through the revenue budget. The loans and equity are also included within the treasury reports to Scrutiny Coordinating board. The terms of any new investment will form part of the due diligence process.

Summary of Policy on Investment Instruments

1. Investment types

- 1.1 The Council receives creditworthiness advice from its treasury advisers, Arlingclose Limited, with whose advice the limits and criteria for counterparties are determined as set out in the main report above.
- 1.2 There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the Banking Reform Act 2014 and the European Union Bank Recovery and Resolution Directive are implemented.
- 1.3 In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.
- 1.4 Current Account Bank: just meets the minimum credit criteria of A- (or equivalent) long-term in Table 1. Should the credit ratings fall below A-, the Authority may continue to deposit surplus cash with Barclays Bank plc providing that investments that can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).
- 1.5 Registered Providers: Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.
- 1.6 Building Societies: The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.
- 1.7 Money Market Funds: These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for low volatility on net asset value will be used as an alternative to instant access bank accounts, while funds whose values may be more volatile and/or have a notice period will be used for longer investment periods. The Council also restricts its exposure to money market funds with lower levels of funds under management and will not exceed 0.5% of the net asset value of any money market fund used. In the case of Government liquidity funds, the Council will restrict exposure to 2% of the net asset value of such money market funds.

- 1.8 Other Pooled Funds: Table 1 above indicates that the Authority will have substantial cash balances available for investment over the medium term. It will therefore continue to use pooled bond, equity and property funds that offer enhanced returns over the longer-term, but are potentially more volatile in the shorter term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 1.9 Other Organisations: The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.
- 1.10 Additionally, the Council may invest in covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where available, the credit rating relevant to the specific investment or class of investment is used to determine cash and time limits in the table above. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

2. Risk Assessment and Credit Ratings

- 2.1 The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- No new investments will be made,
 - Any existing investments that can be recalled or sold at no cost will be, and
 - Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 2.2 Where a credit rating agency announces that an A- rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

3. Other Information on the Security of Investments

- 3.1 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 3.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

4. Specified Investments

- 4.1 The Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - ▷ the UK Government,
 - ▷ a UK local authority, parish council or community council, or
 - ▷ a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

5. Loans

- 5.1 A local authority may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:
- Total financial exposure to these type of loans is proportionate;
 - They have used an expected loss model to assess the impact on their balanced budget requirements if the capital loaned is at risk;
 - They have appropriate credit control arrangements to recover overdue repayments in place; and
 - The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

- 5.2 For the purposes of this strategy, investments meeting the criteria above will be included within the limits set for non-specified investments below. For 2018-2019, the provisions of IFRS 9 will mean that the expected loss model is applied to the relevant financial instruments. As part of the due diligence on any new loans, the expected loss allowance will be assessed. There will be an ongoing assessment at least annually to assess whether the risks for loans and deposits have changed since initial recognition. This will be based on payment history on the instruments held by the Council, market information about the financial standing of the counterparty, other relevant information such as the likelihood of third party support.
- 5.3 Practice to date has been to limit service loans to those that count as capital investment. This puts a limit on the amounts in line with the authority granted through the capital programme. Similarly, any investment property acquisition would need an approved capital budget. Any capital scheme greater than £50,000 requires Council approval.
- 5.4 Should any revenue service loans be granted, these would form part of the treasury limits for non-specified investments (see below), alongside the capital loans. Reporting to Scrutiny Coordinating Board will continue to include a comprehensive list of all cash, treasury investments, loans and shares.

6. Non-Specified Investments

- 6.1 Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. They will also include any investments deemed to be capital expenditure. Limits on non-specified investments are shown in the table below.

Non-Specified Investment Limits

	Cash Limit
Total long-term investments	£10m
Total investments without credit ratings or rated below A-	£10m
Total investments in foreign countries rated below AA+	£0m
Total non-specified investments	£20m

7. Non-financial investment

- 7.1 Non-financial investments are not included in the limits above. The Council holds £17.2m as investment properties (as at 31/3/2018). There is no borrowing against any of the Investment Properties. Should the value of the properties decrease, the Council is protected from a direct charge to revenue for capital losses through statute.

8. Investment Limits

- 8.1 In order that no more than 10% of available cash resources will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £3m (based on maximum portfolio size of £30m). A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (for example, King & Shaxson), foreign countries and industry sectors as below:

Investment Limits

	Cash Limit
Any single organisation (excluding the UK Central Government, pooled funds and wholly owned Council subsidiaries).	£3m each
Local Authority	£10m in total
UK Central Government	Unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£8m per broker
Foreign countries	£3m per country
Registered Providers	£5m in total
Building Societies	£5m in total
Loans to small businesses	£2m in total
Money Market (instant access)	£15m in total
Other pooled funds	£10m in total

9. Approved Instruments

- 9.1 The Authority may lend or invest money using any of the following instruments:
- Interest-bearing bank accounts,
 - Fixed term deposits and loans,
 - Callable deposits and loans where the Authority may demand repayment at any time (with or without notice),
 - Callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £2m in total,
 - Certificates of deposit,
 - Bonds, notes, bills, commercial paper and other marketable instruments, and
 - Shares in money market funds and other pooled funds.
- 9.2 Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as the London Interbank Officer Rate, subject to the limits on interest rate exposures below.

10. Liquidity Management

- 10.1 The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.
- 10.2 The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength (for example, statements of potential Government support). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.
- 10.3 It should be noted that the length of deposit is based on advice from Arlingclose Limited and is often considerably shorter than the maximum recommended period.
- 10.4 No instrument, other than those listed above may be used. The Council will review the investment instruments and counterparty limits on an annual basis in order that they are proportionate and practical to the Council's investment balances. The Chief Finance Officer may, however, propose to Council any interim changes due to changes in legislation/guidance or in the level of the Council's investment balances and activity.

Eden District Council

Council

14 February 2019

Approval of Revenue and Capital Budgets 2019-2020

Portfolio:	Resources and Leader
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To set out the revised revenue budget for 2018-2019, the proposed revenue budget for 2019-2020 (the 'Budget Requirement') and the proposed capital budget (2018-2023 Capital Programme) for the approval of Council. These are based on recommendations to Council by the Executive at its meeting on 22 January 2019, plus changes required for priority actions and, where appropriate, changes agreed at the Executive meetings on 22 January 2019 and 5 February 2019 and elsewhere on this agenda. In addition, to consider the formal advice of its Chief Financial Officer on the robustness of the estimates included in the budget and the adequacy of the reserves.

2 Recommendation

- The Council's revenue budget in 2018-2019 be a net cost of services of £8,338,275 a contribution from reserves of £778,150 (section 3.5).
- The Council's revenue budget in 2019-2020 be a net cost of services of £8,720,684, with a deficit of £1,026,688 made up as follows (section 3.6):

	£
Budgeted Expenditure	8,561,354
Growth (See appendix B)	159,330
	8,720,684
Less: Council Tax (0% increase)	-3,932,460
Add: deficit on Collection Fund	101,900
Less: Rural Services Delivery Grant	-677,638
Less: Business Rates Retention Scheme	-2,575,000
Less: New Homes Bonus	-610,798
Deficit	1,026,688

- The Council's Budget Requirement (inclusive of local precepts) be £8,790,858 in 2019-2020 (section 3.6).
- The Council's Council Tax Requirement (inclusive of local precepts be £5,029,322 (section 3.6).
- The Council's capital budget for 2018-2023 be £11,523,000 (section 3.7).

3 Report Details

3.1 Revenue Budget 2019-2020

- 3.1.1 Section 32 of the Local Government Finance Act 1992, requires the Council to calculate its Budget Requirement for each financial year. The Council is doing this as part of the consideration of this report. In effect, this is when the Council sets its own Council Tax.
- 3.1.2 At the Accounts and Governance Committee meeting on 21 February 2019, the Council's own Council Tax (including local precepts) will be added to the Council Tax set by the County Council and the Police and Crime Commissioner to produce the total amount that Eden's residents will pay for Council Tax in 2019-2020. Council has previously delegated Council Tax setting to the Accounts and Governance Committee.
- 3.1.3 For this Council, the Budget Requirement is the sum of:
- 1 The net expenditure on the General Fund revenue account which the Council will incur in performing its functions during the coming year;
 - 2 Any amounts which the Council estimates that it would be appropriate to transfer to, or from, balances during the year; and
 - 3 The amount of any precept issued to it for the year by a local precepting authority (town council, parish council, or parish meeting).
- 3.1.4 Once the Budget Requirement has been determined, the amount of Government funding, and any surplus or deficit on the Collection Fund, is deducted to produce the demand on the Council Tax payers (the Council Tax Requirement). For this purpose, Government funding is taken as Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), New Homes Bonus (NHB) and the estimated income from the Business Rates Retention Scheme (BRRS).
- 3.1.5 Set out at Appendix A is the Council's Medium Term Financial Plan (MTFP), based on the budget recommended by the Executive on 22 January 2019, as adjusted for the changes set out at Appendix E. After taking account of non-recurring growth and other one-off expenditure, this shows a deficit budget throughout the period of the MTFP.
- 3.1.6 The MTFP includes projected Council Tax levels up to 2022-2023. This assumes that the Council Tax will increase annually by 2.99% per annum from 2020-2021 onwards. Councils have the power to increase Council Tax by up to 3%.
- 3.1.7 The recommendations in this report were made by the Executive on the basis of the provisional Local Government Finance Settlement made in December 2018. The final Settlement has now been announced, and included in the figures.
- 3.1.8 Each year the Council sets a five year Capital Programme (see 3.7). This needs to be set at the same time as the revenue budget, as there is a linkage between the two: how the Capital Programme is financed impacts directly on the revenue budget. The Minimum Revenue Provision (MRP) and interest costs relating to the capital programme have been built into the revenue budgets.

3.2 Chief Financial Officer (CFO) Opinion on the Estimate Process and Reserve Levels

3.2.1 Section 25 of the Local Government Act 2003 requires the CFO to report to his/her Council when it is making the statutory calculations required to determine its Council Tax or precept. Government guidance states, '*The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. What is required is the professional advice of the CFO on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together.*'

3.3 Section 25: Report of the CFO - Robustness of the Estimates

3.3.1 The Chief Financial Officer's opinion is that the estimates are robust, although there are a number of risks and uncertainties as set out below.

3.3.2 Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff and Management Team prior to submission to Members. The Council has no history of budgetary problems.

3.3.3 The Council's revenue and capital budgets are 'joined up', both for next year's budget and for the longer term. This means that the full cost of the proposed Capital Programme is reflected in the revenue estimates. Both revenue and capital budgets include the funding needs of the Council's Asset Management Plan.

3.3.4 Budgeting is an inherently risky process. However, this Council's budgets do not cover some of the areas that have traditionally caused problems for local authorities, such as social services and direct labour organisations.

3.3.5 The main uncertainty in the 2019-2020 budget relates to the BRRS income. Whilst this is essentially part of Central Government funding, the actual income received will vary depending on actual Business Rates income. It is difficult to predict the likely income with accuracy. It will be affected by many variables beyond the Council's control, for example, the level of appeals by ratepayers against their rating assessments. The funding mechanism gives a degree of in year protection against volatility but this only defers the impact of variances to future years.

3.3.6 The main uncertainties in the MTFP are:

- BRRS – uncertainty is heightened by the planned introduction of 75% localised Business Rates in 2020-2021. The Council may still receive appeals relating to the 2018 revaluation beyond 2019-2020;
- Inflation – the MTFP assumes inflation will remain low. The Bank of England and economic commentators are forecasting that inflationary risks are increasing. Inflation is currently above government targets. This view is reinforced as the Bank of England recently increased the base rate by 0.25%. Employers and trade unions negotiated a 2% pay offer from 1 April 2019 which is built in to the estimates.
- European Union Withdrawal (Brexit) – the overall effects of Brexit are difficult to quantify. It does remain a significant risk, which will only become clear when the withdrawal takes place. This will require careful attention;

- Central Government Funding – the MTFP shows income from NHB continuing from 2020-2021. As already stated, government are consulting on a revised funding formula. There is no certainty around any of the streams of government funding.
- Pension contributions - the next triennial revaluation of the Cumbria pension fund will produce a new employer's contribution rate and new deficit-reducing lump sums from 1 April 2020. No provision has been made for additional cost at this time. A meaningful estimate can only be made when the review is published in autumn 2019.

3.3.7 From 2020-2021, there is considerable uncertainty around the new funding system which will be in place. There will be no RSG and Business Rates are expected to be 75% 'localised'. In addition, Councils will have to take on a number of new functions from Central Government. It is therefore vital that the Council closely scrutinises and monitors its budget in future. In addition, realisation of new income streams and efficiencies and savings should be sought.

3.4 Adequacy of Reserves

3.4.1 For a Council of Eden's size, a 'normal' level of balances is probably about £1.5m to £2m (see Policy on the Use of Reserves: report F69/18, to the Resources Portfolio Holder, 25 October 2018).

3.4.2 The Council's reserves, as shown in the appended MTFP, are estimated to be about £6.5m at 31 March 2020. The Council faces a number major risks and liabilities:

- The key risks are as highlighted above, particularly around central government funding. The MTFP at appendix A shows a scenario where the General Fund could be significantly reduced over the financial plan. The reserves position will allow the Council to be robust and make coordinated plans to address the deficit position.
- The deficit on the Council's share of the Cumbria pension fund deficit has a direct impact on the contribution rates. As noted, there is full valuation due over the next year; the impact will be monitored and reflected in future iterations of the MTFP.
- The potential costs of resolving the current footway lighting issues; and
- The other risks outlined above in terms of the MTFP.

3.4.3 Taking account of the above, and the level of risk within the budget, the Director of Finance judges that reserves are at an appropriate level throughout the period of the MTFP. This will need to be reviewed if there are any major unplanned calls on reserves, for example, to fund capital expenditure.

3.5 Revised Budget 2018-2019

3.5.1. On 22 January 2019, the Executive considered report F2/19. Following consideration of this report, the Executive recommended the following revised budget for 2018-2019:

	£
Gross Expenditure	22,253,460
Gross Income	-13,006,260
Service Portfolios' Net Requirement	9,247,200
Contribution to Parish Councils' Reserve	300,000
Accounting Adjustments	-1,212,125
Net Expenditure	8,335,075
Less: Revenue Support Grant	-87,296
Less: Rural Services Delivery Grant	-677,638
Less: Business Rate Retention Scheme	-2,262,899
Less: New Homes Bonus	-615,546
Less: Council Tax	-3,916,746
Deficit: Contribution from Reserves	774,950

3.5.2 There is one change to be incorporated into the above (see Appendix E). This increases net expenditure by £3,200 to £8,338,275 and increase the contribution from reserves to £778,150.

3.6 Budget 2019-2020

3.6.1 On 22 January 2019, the Executive considered report F2/19. Following consideration of this report, the Executive recommended the following budget for 2019-2020:

- Council Tax does not increase in 2019-2020 and remains at £190.75;
- Non-recurring growth items of £115,930 be included.
- The budget including growth to be as follows:

	£
Service Portfolios' Net Requirement	9,190,174
Accounting Adjustments	-512,890
Net Expenditure	8,677,284
Less: Revenue Support Grant	0
Less: Rural Services Delivery Grant	-677,638
Less: Business Rate Retention Scheme	-2,606,019
Less: New Homes Bonus	-610,798
Less: Council Tax	-3,842,460
Deficit: Contribution from Reserves	940,369

- A Transformation Reserve of £500,000 and a Place Shaping Reserve of £250,000 to be set up, funded from the Business Rates Reserve.

3.6.2 In considering any Council Tax increase, the Executive bore in mind:

- The limit of 3% set by the Secretary of State for any Council Tax increase. Beyond that a referendum is required;
- The projected reductions in RSG and NHB over the period of the MTFP; and
- On balance, the Executive considered that Council Tax should not be increased in 2019-2020. In recognising the risks of so doing, the Council has strong revenue balances. There is a recognition that increases will probably be required in future

years, especially in the light of reduced Government funding and demands on services.

3.6.3 Confirmation of the final Settlement has now been received. In the light of this, the Leader and the Resources Portfolio Holder are confirming their support for no increase in 2019-2020 a Band D Council Tax of £190.75.

3.6.4 Incorporating other changes since the Executive on 22 January 2019 gives updated net expenditure and funding as follows (see also Appendix E):

	£
Net Expenditure (including growth)*	8,720,684
Less: Rural Services Delivery Grant	-677,638
Less: BRRS	-2,575,000
Less: New Homes Bonus	-610,798
Less: Council Tax	-3,932,460
Add: Deficit on Collection Fund	101,900
Deficit	<u>1,026,688</u>

*Includes growth of £159,330 (see Appendix B).

The deficit has changed from £940,369 to £1,026,688

3.6.5 The Council's Budget Requirement for 2019-2020 is therefore:

	£
Net Expenditure	8,720,684
Less: Deficit	-1,026,688
Plus: Local Precepts (Appendix C)	<u>1,096,862</u>
Budget Requirement	<u>8,790,858</u>

3.6.6 The Council Tax Requirement for 2019-2020 is therefore:

	Excluding Local Precepts £	Local Precepts £	Including Local Precepts £
Budget Requirement	7,693,996	1,096,862	8,790,858
Less: RSDG, NHB and BRRS	-3,863,436		-,3,863,436
Add: deficit on Collection Fund	101,900		101,900
Council Tax Requirement	<u>3,932,460</u>	<u>1,096,862</u>	<u>5,029,322</u>

3.7 Capital Budget 2018-2023

3.7.1 On 22 January 2019, the Executive considered report F3/19 on the proposed Capital Budget 2018-2023. The Executive recommended a capital programme of £11,523,000. The details are presented in the Executive report; a summary by portfolio is presented in Appendix D. The following table summarises the proposed funding:

	Balance 1/4/2018 £000	Income £000	Expenditure £000	Balance 31/3/2023 £000
Capital Reserves	3,333	1,480	2,947	1,866
Revenue Contributions	0	167	167	0
Grants	407	2,203	2,610	0
Other Contributions	0	65	65	0
Capital Receipts	1,357	90	1,209	238
Borrowing	0	4,525	4,525	0
Total	5,097	8,530	11,523	2,104

4 **Policy Framework**

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council

4.2 This report supports the Quality Council corporate priority.

5 **Consultation**

5.1 A range of consultees were asked if they wished to comment on the draft budget. These were:

- Members of the public
- Scrutiny;
- Staff; and
- Unison

6 **Implications**

6.1 **Financial and Resources**

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.

6.1.2 The financial implications are set out in section 3 above.

6.2 **Legal**

6.2.1 The Council is required to set a balanced budget, which sets out how expenditure is to be funded from income, and any required contribution from balances.

6.2.2 This report complies with the relevant legislation by setting out:

- the Budget Requirement for 2019-2020 in accordance with the Local Government Finance Act 1992; and
- the advice of the Council’s Chief Financial Officer on the robustness of the estimates and adequacy of reserves in accordance with the Local Government Act 2003.

6.3 Human Resources

6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No implications
Health, Social Environmental and Economic Impact	No implications
Crime and Disorder	No implications
Children and Safeguarding	No implications

6.5 Risk Management

Risk	Consequence	Controls Required
<p>Good progress has been made in balancing the budget in past years. This was reflected in the Annual Audit Letter by the Council’s External Auditor (reported to Council, 6 September 2018). However, given the continuing reductions and uncertainty in funding, the Council’s finances do necessarily remain a risk and officers and Members will need to work hard to ensure the budget is balanced over the next few years. It is especially important that any additional spending does not create ongoing commitments.</p> <p>A range of specific risks are set out in the report.</p>	<p>Poor financial management.</p> <p>Reserves decline due to deficit budgets.</p> <p>Financial difficulties; possible withdrawal of services.</p> <p>External Audit and public criticism and reputational damage.</p>	<p>Rigorous budget setting process involving all officers and Members.</p> <p>Effective and timely budget monitoring processes.</p>

7 Other Options Considered

7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

- 8.1. The Council has to consider the formal advice of its Chief Financial Officer on the robustness of the estimates included in the budget and the adequacy of the reserves.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	31 January 2019
Monitoring Officer (or Deputy)	4 February 2019
Assistant Director	Not Applicable

Background Papers: Resources Plan to Council, 6 September 2018, report F55/18

Multi-Year Financial Settlement: Council, 8 September 2016 – report F77/16

Policy on the Use of Reserves: Resources Portfolio, 25 October 2018, F69/18

Proposed Revenue Budget 2019-2020: Executive, 22 January 2019 - report F2/19: this includes details of the proposed growth items and all consultation responses received

Proposed Capital Budget 2017-2022: Executive, 22 January 2019, report F3/19

Budget Section of the website: this includes the detailed estimates, as considered by the Portfolio Holders:

your-council/council-business/council-finances/council-budget/budget-consultation-2019-2020/

www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019

Appendices: **Appendix A: Medium Term Financial Plan 2019-2023**
Appendix B: Proposed Growth 2019-2020
Appendix C: Local Precepts 2019-2020
Appendix D: Summary Capital Programme
Appendix E: Changes since Executive, 22 January 2019

Contact Officer: **Clive Howey, Director of Finance, 01768 212213**

Medium Term Financial Plan 2019-2023

	2019-20	2020-21	2021-22	2022-23	Notes
	£'000	£'000	£'000	£'000	
Base Budget	9252	9516	9726	9975	
Penrith New Squares	-820	-826	-831	-837	1
Local Elections	80	0	0	0	
Parish Grant re CTRS	15	15	16	16	2
Interest/Property Fund Rents Receivable	-396	-423	-453	-441	3
Capital Programme Financing Costs	16	77	123	153	4
Growth: Recurring	35	36	37	38	5
Recurring Expenditure	8,182	8,395	8,618	8,904	
Non-Recurring Costs:					
Recommissioning of Service Contracts	65	120	0	0	6
Proposed Growth: Non-Recurring	159	0	0	0	7
Previous Growth: Non-Recurring	93	76	53	0	
Appleby Heritage Action Zone	50	72	53	0	
Armed Forces Support Hub and Outreach	5	5	0	0	8
Revenue Contribution to Capital	167	0	0	0	9
Non-Recurring Expenditure	539	273	106	0	
Net Expenditure (Recurring and Non-Recurring)	8,721	8,668	8,724	8,904	
Government Funding and Council Tax Income	-7,694	-6,947	-6,937	-7,144	10
Deficit	1,027	1,721	1,787	1,760	

Memo

<i>General Fund Balance at End of Year (incorporates annual deficit/surplus as above)</i>	6,533	4,812	3,025	1,265
Memo – Recurring Surplus (-)/Deficit for the year	488	1,448	1,681	1,760

Notes

- This comprises:
 - An annual rental in lieu of car parking income: indexed linked; and
 - The rental from the retail store: fixed amount
- As agreed by Executive on 1 October 2013, varies pro rata to total Government funding (BRRS based on Baseline Funding Level).
- This is made up of:
 - Interest of 1.25% on cash deposits is assumed in 2019-2020 and 1.5% thereafter;
 - Rental share from the Property fund - budgeted at £216,000 per annum; and
 - Interest receipts from lending to Heart of Cumbria Limited.
- This is the expected costs of borrowing/loss of interest on investments of funding the Council's Capital Programme.

5. Recruitment and appointment of a Business and Marketing Officer; approved by Executive 4 December 2018 (Ref G99/18)
6. The Council's service contracts are due for renewal from 1 April 2022. The sums are to commission expert external assistance.
7. See Appendix B.
8. Contribution to Carlisle and Eden Armed Forces Community Support Hub and Outreach Pilot, approved by Executive on 4 December 2018 (Ref TES58/18)
9. Revenue contribution to Castle Park, Penrith, capital scheme.
10. Government Funding and Council Tax:

	2019-20	2020-21	2021-22	2022-23	Notes
	£'000	£'000	£'000	£'000	
Rural Services Delivery Grant	678	0	0	0	1, 2
New Homes Bonus	611	340	123	115	3
Business Rates Retention Scheme:					
Base Income	2,409	2,512	2,550	2,590	4
Deficit from Previous Year	-228	0	0	0	4
Pool	394	0	0	0	5
Total Government Funding	<u>3,864</u>	<u>2,852</u>	<u>2,673</u>	<u>2,705</u>	
Council Tax					
Base Income	3,932	4,095	4,264	4,439	6
Surplus/Deficit (-) from Previous Year	-102	0	0	0	
Total	<u>7,694</u>	<u>6,947</u>	<u>6,937</u>	<u>7,144</u>	

Notes

1. For 2019-2020, RSDG was increased from £544,000 to £678,000. All figures after 2019-2020 are assumptions, as there is no guidance available on funding post 2020.
2. Assumes RSDG is discontinued and a recognition of rural issues is made in BRRS funding from 2020-2021. The figures are largely speculative, as no guidance has been given by MHCLG.
3. Figure prepared from the 2019-2020 provisional Settlement. The following years' figures assume NHB is phased out and a revised incentive mechanism offered in future years.
4. Based on the NNDR 1 return, figures as at January 2019. In addition, figures from 2020-2021 are prepared on a speculative basis. No indication has been given as to levels of tier split or baselines without which it is impossible to compile an accurate estimate. As stated in note 1, an allowance has been included to recognise rural issues. It is assumed any surplus or deficit on the Collection Fund is balanced at 31 March 2020.
5. The Council is currently part of the Cumbria BRRS Pool. It is assumed no pooling arrangement is available from 2020-2021.
6. Council Tax has been estimated by:
 - Assuming no increase in 2019-2020 and, thereafter, an annual increase of 2.99%;
 - Using the final 2019-2020 Tax Base; and
 - Assuming an increase in Tax Base of 1.1% per annum after 2019-2020. This is consistent with the Local Plan. The impact of increased households has been reflected in expenditure within the MTFP.

Proposed Growth 2019-2020

Further details can be found in the report to Executive 22 January 2019. All items are non-recurring

Description	Service	£
Support for strategic corporate projects and programmes	Chief Executive Business Unit	20,000
Software Purchase	Information Technology	20,000
Long Service Awards	Central Expenses	5,000
Legal Services Support	Legal Services Business Unit	23,430
Upgrade ticket machines to accept payment by card	Off-Street Parking – pay and display machine upgrades	6,000
Car park signage updates	Off-Street Parking - signs	2,000
To provide a budget for repairs to car park surfaces	Off-Street Parking – Abnormal maintenance of car parks	3,500
Cosmetic works to pay and display machines	Off street Parking	1,000
Signature Events	Town Centres	25,000
Community Development Fund	Community Development	10,000
Costs to support devolution of public toilets*	Public Toilets	43,400
Total		159,330

*Additional item since Executive 22 January 2019. Full report on the details of this proposal to go to Executive 5 March 2019.

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Local Precept Amounts 2019-2020

Parish	Amount £	Parish	Amount £
Ainstable	12,144	Langwathby	15,800
Alston Moor	47,561	Lazonby	11,744
Appleby-in-Westmorland	110,307	Little Strickland	500
Asby	6,965	Long Marton	4,937
Askham	5,934	Lowther	2,500
Bampton	5,971	Mallerstang	540
Bandleyside	2,200	Martindale	0
Barton and Pooley Bridge	4,200	Matterdale	4,500
Bolton	6,750	Melmerby (new parish)	4,500
Brough	14,258	Milburn	5,000
Brough Sowerby	700	Morland	7,000
Brougham	1,200	Mungrisdale	4,830
Castle Sowerby	2,500	Murton	4,365
Catterlen	7,000	Musgrave	3,000
Cliburn	2,292	Nateby	1,050
Clifton	7,000	Newbiggin	950
Crackenthorpe	0	Newby	695
Crosby Garrett	3,000	Orton	17,000
Crosby Ravensworth	12,440	Ousby (New Parish)	6,000
Culgaith	11,335	Patterdale	7,000
Dacre	15,209	Penrith	437,813
Dufton	4,781	Ravenstonedale	26,457
Glassonby	3,979	Shap	21,498
Great Salkeld	8,700	Skelton	14,000
Great Strickland	2,500	Sleagill	300
Greystoke	9,500	Sockbridge and Tirril	6,700
Hartley	917	Soulby	5,000
Helbeck	0	Stainmore	0
Hesket	12,910	Tebay	12,400
Hunsonby	5,400	Temple Sowerby	7,000
Hutton	1,991	Threlkeld	10,000
Kaber	1,600	Waitby	400
Kings Meaburn	0	Warcop	5350
Kirkby Stephen	82,909	Wharton	200
Kirkby Thore	12,722	Winton	2,493
Kirkoswald	14,215	Yanwath and Eamont Bridge	4,250
		TOTAL	1,096,862

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Summary Capital Programme

Portfolio	2018-19	Reprofiling and Adjustments	2018-19 Revised	2019-20	2020-21	2021-22	2022-23	Total 2018-2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services	771	-746	25	746	0	0	0	771
Commercial Services	59	-59	0	59	0	0	0	59
Housing and Health Communities	1,319	-160	1,159	888	440	440	440	3,367
Resources Leader	2,469	-2,320	149	2,320	0	0	0	2,469
	1,561	-271	1,290	295	870	550	220	3,225
Total Programme	6,388	-3,678	2,710	4,495	1,310	990	660	10,165
IT Renewals	194	-31	163	52	70	70	57	412
Cash Receipting Renewals	0	36	36	0	0	0	0	36
DDI Renewals	143	0	143	0	0	0	0	143
Leisure Renewals	150	0	150	177	438	2	0	767
Total Capital	6,875	-3,673	3,202	4,724	1,818	1,062	717	11,523

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Changes since Executive, 22 January 2019

2018-2019

	Deficit	Notes
	£	
At Executive, 22 January 2019	774,950	
Arboriculture contract	3,200	1
	<u>778,150</u>	

1. Additional amount to allow completion of high priority Tree Preservation Orders.

2019-2020

	Net Expenditure	RSDG	BRRS	NHB	Council Tax (inc Surplus)	Deficit	Notes
	£	£	£	£	£	£	
At Executive, 22 January 2019	8,677,284	-677,638	-2,606,019	-610,798	-3,842,460	940,369	
Additional growth for devolution of Toilets	43,400					983,769	1
Final collection fund deficit (Council Tax)					11,900	995,669	2
Final estimate of Business Rates income			31,019			1,026,688	3
Total	8,720,684	-677,638	-2,575,000	-610,798	-3,830,560	1,026,688	

1. As discussed at Executive, 22 January 2019, additional amounts to support the devolution of Toilets.
2. Final estimate of the Council Tax surplus/deficit as at 31/3/2019, to be distributed in 2019/20.
3. As per the final budgeted figure for business rates income in line with the National Non-Domestic Rates Return 1 for 2019/20 (NNDR 1) and final Finance Settlement.

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Report No: G5/19

**Eden District Council
Council**

14 February 2019

Proposed Calendar of Ordinary Meetings 2019-2020

Portfolio:	
Report from:	Deputy Chief Executive
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To ask for Members' provisional approval of a calendar of meetings for the 2019-2020 municipal year.

2 Recommendation

- 2.1 A draft calendar of ordinary meetings 2019-2020 be approved;
- 2.2 All Members and Standing Deputies of the Planning, Licensing and Accounts and Governance Committees be required to undertake full training prior to the first meeting of the respective committees; and
- 2.3 That the definitive Calendar of ordinary meetings, together with dates for Portfolio meetings, be presented to the Annual Meeting of Council in May 2019 for verification.

3 Report Details

- 3.1 The Constitution prescribes the number of meetings that should be held in each year and Appendix 1 to this report provides for the following frequency of meetings to accord to the Constitution:

Meeting	Frequency per Annum
Council	At least 6 times per year (plus AGM and budget)
Executive	At least 12 times per year
Portfolio Holder meetings	12
Scrutiny Co-ordinating Board	At least 6 times per year
Environment and Economy Scrutiny Committee	At least 4 times per year
Housing and Communities Scrutiny Committee	At least 4 times per year
Scrutiny Review Groups	As required
Accounts and Governance Committee	At least 4 times per year
Planning Committee	Monthly
Planning Committee Site Visits	As required
Licensing Committee	As required

- 3.2 Two meetings of the Executive are scheduled in December as part of the budget cycle to consider a draft and then final budget recommendation to Council. Likewise an additional meeting of a Scrutiny Co-ordinating Board will be scheduled for January to enable the work of the annual Budget Scrutiny Group to be considered before being submitted to the Executive.
- 3.3 In order to accord to the previously expressed preferences of Members regarding the timings of meetings, ordinarily the day and time of meetings will be as follows:
1. Council is scheduled to take place on a Thursday evening commencing at 6.45pm;
 2. Executive is scheduled to take place on a Tuesday evening commencing at 6.00pm;
 3. Scrutiny Committees are scheduled to take place on a Thursday evening commencing at 6.45pm. Scrutiny Review Group meetings will take place at times and venues to be agreed by the Group;
 4. Accounts and Governance Committee is scheduled to take place on a Thursday evening commencing at 6.45pm
 5. Planning Committee is scheduled to meet on a Thursday morning at 9.30am whilst Planning Site Visit meetings are scheduled to take place on a Thursday with the time and venue being agreed at the preceding full Planning Committee meeting;
 6. Licensing Committee will meet, when required and as far as possible, on the first Wednesday of the month, in the morning commencing at 9.30am;
 7. Human Resources and Appeals Committees and Sub-Committees will be convened as and when required; and
 8. Portfolio Holder meetings are scheduled to take place during a set week every month so that reports can go forward to other Committees and Council if required. A convenient date and time during the prescribed weeks will be arranged with the Portfolio Holder. These dates and times will be finalised on the final calendar that is ratified at the Annual Meeting.
- 3.4 The proposed Calendar for the 2019-2020 municipal year is attached at Appendix 1. The proposed dates of meetings follows patterns used in previous years.
- 3.5 Due to Planning Committee being held at 9.30am, there is the potential for a clash of dates for meetings. Where possible, any clash has been avoided, however due to the number of meetings to be held within a month, as well as certain statutory dates to be met, on occasion a clash is unavoidable.
- 3.6 On 22 January 2019 Executive accepted a proposal from the 2019-2020 Budget Scrutiny Review Group that all the Portfolio Holders' budget meetings should be held on one day, to enable the same Scrutiny members to attend

and have an overview of the entire budget. This will be scheduled for one day in November 2019. This date will be confirmed when the final Calendar of meetings is confirmed at Annual Council on 9 May 2019.

- 3.7 As for the municipal year 2018-2019 no meetings of the Council have been scheduled to take place away from the Town Hall. However there remains scope for meetings to be organised at alternative locations within the District should the need arise.
- 3.8 The proposed Calendar also retains scope for additional 'Special' meetings of the Council or its committees to be arranged should the need arise
- 3.9 It is important to note that all members of the Planning, Licensing and Accounts and Governance Committees must undertake full training prior to taking any decisions at the first meeting in the municipal year. The dates of training sessions will be communicated by officers in advance.
- 3.10 The Calendar will be formally approved at the Annual Meeting of Council, as required by the Constitution.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council

4.2 This report meets the Quality Council corporate priority

5 Consultation

5.1 This report has been prepared based on previously expressed preferences of Members.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19 as agreed at Council on 17 September 2015.

6.1.2 This report contains provision for holding meetings such as the Executive and Planning Committee Site Visits, at locations other than Council owned premises, if required.

6.1.3 This will incur costs associated with the hiring of venues to conduct meetings. These costs will vary depending on the location of the venue.

6.1.4 All such costs will be met from existing budgets

6.2 Legal

6.2.1 There are no direct legal implications arising from this report.

6.3 Human Resources

6.3.1 There are no human resources implications arising from this report.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	The report contains provision for the Council to conduct meetings in the community where appropriate.
Health, Social Environmental and Economic Impact	No implications arising from this report
Crime and Disorder	No implications arising from this report
Children and Safeguarding	No implications arising from this report

6.5 Risk Management

Risk	Consequence	Controls Required
If the Council does not set a Calendar of Meetings there is a risk that business is not concluded and that Members, Officers and the public are unaware of when meetings are due to take place	May cause harm to the Council's reputation.	To publicly publish the Council's Calendar of Ordinary Meetings

7 Other Options Considered

7.1 No other options considered

8 Reasons for the Decision/Recommendation

8.1 To set a calendar of meetings for the 2019-2020 municipal year which can be published for all to see.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	5 February 2019
Monitoring Officer (or Deputy)	4 February 2019
Relevant Assistant Director	

Background Papers: None

Appendices: Draft Calendar of Ordinary Meetings 2019-2020

Contact Officer: Claire Watters, Member Services Officer

EDEN DISTRICT COUNCIL –
DRAFT CALENDAR OF MEETINGS 2019–2020

2019	COUNCIL 6.45pm	EXECUTIVE 6.00pm	SCRUTINY CO-ORDINATING BOARD 6.45pm	HOUSING & COMMUNITY SCRUTINY COMMITTEE 6.45pm	ENVIRONMENT & ECONOMY SCRUTINY COMMITTEE 6.45pm	ACCOUNTS AND GOVERNANCE COMMITTEE 6.45PM	LICENSING CTTEE 9.30 am	PLANNING CTTEE 9.30am	Planning Committee (Provisional Site Visit dates) Various
MAY	9 (Annual Meeting)	14	23					16	30
JUNE		4			13	27	5	20	
JULY	11	2	18	4		25	3	18	4
AUGUST								15	1 29
SEPTEMBER	12	3	19			26	4	19	27
OCTOBER		1		10	24		2	17	3 31
NOVEMBER	7	5	14	21		28	6	14	28
DECEMBER		3 10 (Budget)			5		4	12	
2020									
JANUARY	9	21 (Budget)	9	23			8	16	2 30
FEBRUARY	13 (Budget)	4			6	20	5	13	27
MARCH	12	3	26	19			4	19	26
APRIL	23	7			30	2 (Constitution)	1	16	30
MAY									

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Report No: G24/19

Eden District Council

Council

14 February 2019

Allocation of Seats on Committees

Report from:	Deputy Chief Executive
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To make an appointment to the Environment and Economy Scrutiny Committee for the remainder of the 2018-2019 municipal year following a request by members.

2 Recommendation

That the Councillor Robinson be appointed to the Environment and Economy Scrutiny Committee in place of Councillor Ladhams for the remainder of the 2018/2019 municipal year.

3 Report Details

- 3.1 The seats on the Council's Committees should be allocated in accordance with the principles set out in the Local Government and Housing Act 1989 to the political groups amongst the Members of the Council so far as is reasonably practicable. The principles seek to achieve proportionality in the allocation of seats. The principles, which are paraphrased, are in order of priority:
- a) all seats on a committee cannot be allocated to the same political group;
 - b) the majority of the seats allocated on any body, including each Committee, are allocated to the group, if any, which has a majority on the Council;
 - c) the number of seats on the total of all committees allocated to each political group bears the same proportion as the proportion the membership of that group has to the membership of the entire Council; and
 - d) the number of seats on each committee allocated to each group bears the same proportion as the proportion the membership of that group has to the total membership of the entire Council.
- 3.2 The current political make up of the Council is as follows:
- | | |
|------------------------|----|
| Conservative Group | 20 |
| Independent Group | 10 |
| Liberal Democrat Group | 7 |

Labour	1
	<hr style="width: 50%; margin: auto;"/> 38

The Conservative Group has an overall majority.

- 3.3 There are sixty six seats on the seven Council Committees. For the purposes of calculating political proportionality, a political group should consist of two or more members. This means that Labour, with only one member, cannot be considered a political group in terms of calculating the allocation of seats.
- 3.4 The Liberal Democrat Group has expressed a desire to allocate two of their Committee places and one standing deputy place to the Labour Councillor. It needs to be acknowledged in terms of calculating political proportionality that these seats are Liberal Democrat seats they intend to 'gift' to the Labour Councillor.
- 3.5 The Conservative Group has a majority of seats on each Committee and has thirty six seats. The Liberal Democrat Group has two seats on each Committee and the Independent Group make up the balance of seats with sixteen seats.
- 3.6 The allocation of the seats of the political groups are as follows:
- | | |
|--------------------|----|
| Conservative Group | 36 |
| Independent Group | 16 |
| Liberal Democrat | 14 |
- 3.7 An explanation of the calculation for determining the allocation can be found at appendix 1 to this report.
- 3.8 It is the wish of the Liberal Democrat Group to allocate two of their 14 seats to the Labour Councillor and the resultant allocation of seats is set out in appendix 2 to this report.
- 3.9 Councillor Ladhams currently has a dispensation for attendance from meetings which was granted by the Accounts and Governance Committee on 27 September 2018. As a result he is unable to take up his place on the Environment and Economy Scrutiny Committee, and the Independent Group Leader has requested that Councillor Robinson takes Councillor Ladhams' seat on that Committee.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council
- 4.2 This report meets Quality Council corporate priority.

5 Consultation

- 5.1 The Independent Group Leader has approached officers with regard to the change of membership of the Environment and Economy Scrutiny Committee.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19 as agreed at Council on 17 September 2015.
- 6.1.2 There are no proposals in this report that would reduce or increase resources.

6.2 Legal

- 6.2.1 Section 15 of the Local Government and Housing Act 1989 places a duty on the Council to review the representation of political groups on its committees where the members of the Council are split into different political groups.
- 6.2.2 The Act requires that the Council should allocate seats on committees in accordance with the following principles set out at paragraph 3.1 of this report.
- 6.2.3 Once political group allocations have been determined, it is the duty of the Council to exercise the power to make appointments committees to give effect to the nominations of the political groups concerned. These political balance requirements also apply to the 3 Scrutiny Committees.

6.3 Human Resources

- 6.3.1 There are no Human Resources implications associated with this report.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None arising from this report.
Health, Social Environmental and Economic Impact	None arising from this report.
Crime and Disorder	None arising from this report.
Children and Safeguarding	None arising from this report.

6.5 Risk Management

Risk	Consequence	Controls Required
There is a need to allocate the appointment of Members to seats with regard to the statutory principles set out in the	Failure to allocate seats in line with these principles may result in error and/or legal challenge.	Appendix 1 to the report sets out the calculations used in relation to the principles of proportionality.

Local Government and Housing Act 1989.		
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7 Other Options Considered

7.1 There are no alternative options

8 Reasons for the Decision/Recommendation

8.1 To comply with the Local Government and Housing Act 1989 and associated regulations in relation to the appointment of members to Committees in accordance with express wishes of the political groups to which seats have been allocated.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	4 February 2019
Monitoring Officer (or Deputy)	4 February 2019
Relevant Assistant Director	

Background Papers: None

Appendices: Appendix 1 – Explanation of calculations
Appendix 2 – Allocation of seats to Committees

Contact Officer: Vivien Little, Member Services Team Leader

Appendix 1 - Explanation of calculations

Calculation and Allocation of Seats with regard to the Four Principles

Principle 1:

All seats on a committee cannot be allocated to the same political group.
Each Committee must contain Members from different groups.

Principle 2:

The majority of the seats allocated on any body, including each committee, are allocated to the group, if any, which has a majority on the Council.

The Conservative Group has a majority on the Council and is therefore entitled to a majority of seats on the Council.

Principle 3:

The number of seats on the total of all committees allocated to each political group bears the same proportion as the proportion the membership of that group has to the membership of the entire Council.

There are 66 seats on all the Council's Committees. There are 38 Members. The proportions for each group as a whole and the number of seats, subject to principles 1 and 2, which must be allocated to each group are:

Political Group	Proportion of seat allocation
Independent Group	10 of 38 = 0.263
Conservative Group	20 of 38 = 0.526
Liberal Democrat Group	7 of 38 = 0.184
Labour	1 of 38 = 0.026

Principle 4:

The number of seats on each committee allocated to each group bears the same proportion as the proportion the membership of that group has to the total membership of the entire Council.

Committee name	Proportion of seat allocation	Number of seats
Planning	(11 Seats)	
Independent Group	0.263 = (2.89)	3
Conservative Group	0.526 = (5.79)	6

Liberal Democrat Group	0.184 = (2.03)	2
Labour	0.026 = (0.29)	0

Licensing (10 Seats)

Independent Group	0.263 = (2.63)	3
Conservative Group	0.526 = (5.26)	5
Liberal Democrat Group*	0.184 = (1.84)	1
Labour*	0.026 = (0.26)	1

*The Liberal Democrat Group wish to allocate one of their two seats to the Labour Councillor

Scrutiny Co-ordinating Board (9 Seats)

Independent Group	0.263 = (2.37)	2
Conservative Group	0.526 = (4.74)	5
Liberal Democrat Group	0.184 = (1.66)	2
Labour	0.026 = (0.24)	0

Environment and Economy Scrutiny Committee (9 Seats)

Independent Group	0.263 = (2.37)	2
Conservative Group	0.526 = (4.74)	5
Liberal Democrat Group	0.184 = (1.66)	2
Labour*	0.026 = (0.24)	0

*The Liberal Democrat Group wish to allocate one of their two seats to the Labour Councillor

Housing and Communities Scrutiny Committee (9 Seats)

Independent Group	0.263 = (2.37)	2
Conservative Group	0.526 = (4.74)	5
Liberal Democrat Group	0.184 = (1.66)	2
Labour	0.026 = (0.24)	0

Accounts and Governance	(9 Seats)	
Independent Group	0.263 = (2.37)	2
Conservative Group	0.526 = (4.74)	5
Liberal Democrat Group	0.184 = (1.66)	2
Labour	0.026 = (0.24)	0

Human Resources and Appeals	(9 Seats)	
Independent Group	0.263 = (2.37)	2
Conservative Group	0.526 = (4.74)	5
Liberal Democrat Group	0.184 = (1.66)	2
Labour	0.026 = (0.24)	0

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Allocation of Seats on Committees 2018-2019

Accounts and Governance Committee – 9 Members

Independent Group	2	K Greenwood, P Godwin
Conservative Group	5	A Hogg, S Jackson, V Kendall, J Lynch, R Orchard
Liberal Democrat Group	2	A Connell, V Taylor
Standing Deputies		J Raine, G Nicolson M Robinson, M Tonkin M Rudhall, J Tompkins

Scrutiny Co-ordinating Board – 9 Members

Independent Group	2	D Banks, M Tonkin
Conservative Group	5	I Chambers, R Orchard, J Raine, R Sealby, J Thompson
Liberal Democrat Group	2	D Holden, J Derbyshire
Standing Deputies		A Meadowcroft M Robinson, M Smith V Taylor, J Tompkins

Environment and Economy Panel - 9 Members

Independent Group	2	K Greenwood, M Robinson
Conservative Group	5	A Armstrong, I Chambers, S Jackson, M Temple, J Thompson
Liberal Democrat Group	1	M Rudhall

Labour*	1	L Sharp
Standing Deputies		V Kendall, A Meadowcroft, R Sealby D Banks, W Patterson J Derbyshire, J Tompkins

Housing and Communities Panel - 9 Members

Independent Group	2	M Clark, H Sawrey-Cookson
Conservative Group	5	A Meadowcroft, R Orchard, J Raine, M Temple, R Sealby
Liberal Democrat Group	1	J Derbyshire
Labour*	1	L Sharp
Standing Deputies		A Armstrong, I Chambers, V Kendall P Godwin, M Robinson M Rudhall, V Taylor

Human Resources and Appeals - 9 Members

Independent Group	2	P Godwin, M Robinson
Conservative Group	5	L Grisedale, J Lynch, G Nicolson, J Owen, M Temple
Liberal Democrat Group	2	M Eyles, V Taylor
Standing Deputies		A Hogg, M Slee K Greenwood, M Smith A Connell, D Holden

Licensing Committee - 10 Members

Independent Group	3	D Banks, M Clark, M Tonkin
Conservative Group	5	A Hogg, A Meadowcroft, G Nicolson, J Raine, R Sealby

Liberal Democrat Group	2	M Rudhall, V Taylor
Standing Deputies		J Lynch, J Thompson W Patterson, M Robinson J Derbyshire L Sharp*

Planning Committee - 11 Members

Independent Group	3	M Clark, W Patterson, H Sawrey-Cookson
Conservative Group	6	A Armstrong, I Chambers, V Kendall, J Lynch, R Sealby, J Thompspon
Liberal Democrat Group	2	M Eyles, D Holden
Standing Deputies		A Hogg, J Raine D Banks, M Smith, V Taylor, M Rudhall

*Seats allocated to the Labour Member have been given from the Liberal Democrat Group in line with their respective wishes

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Report No: CE6/19

**Eden District Council
Council**

14 February 2019

Senior Management Review Update

Portfolio:	Resources
Report from:	Chief Executive
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 This report provides an update on the implementation of the revised Senior Management structure as agreed on 10 January 2019 by Council.

2 Recommendation

1. To note the appointment of officers to the revised Senior Management Structure.
2. To approve the termination of employment which arises from the appointment and redeployment process of which details are contained in the private and confidential report on this matter.
3. To designate the Assistant Director Finance, Peter Notley as the Council's Chief Finance Officer (Section 151), effective 15 February 2019.
4. To designate the Assistant Director Governance, Lisa Tremble as the Council's Monitoring Officer, effective 15 February 2019.
5. To approve the designation of the Senior Legal Adviser, Paul Foote as the Council's Monitoring Officer for the anticipated period of absence of the Assistant Director Governance until her return to full time duties.
6. To note the setting up of a sub-panel of the HR and Appeals Committee to interview and appoint the Director of People and Place.

3 Report Details

- 3.1 The Council approved the revised Senior Management Structure of the Council at its meeting on 10 January 2019. The Council authorised the Chief Executive to implement this revised structure and report back to the Council on the outcomes of this process. The majority of the posts in the revised Senior Management Structure were filled through a process of assimilation and redeployment and in accordance with Council policies. The Chief Executive made appointments to the remaining posts. The appointments are as follows:

Director of Corporate Services	Matthew Neal
Assistant Director Finance	Peter Notley
Assistant Director Governance	Lisa Tremble
Head of Revenue and Benefits	Suzanne Fairer
Director of People and Place	No appointment made
Assistant Director Community Services	Robert Docherty
Assistant Director Commissioning and Technical Services	Jane Langston
Assistant Director Planning and Economic Development	Oliver Shimell

Reporting to the Chief Executive

Head of Transformation and Customers	Linda Methven
Head of Policy Performance and Human Resources	Bibian McRoy

- 3.2 The appointment to posts below Director level were made as a result of the deliberations of the Redeployment Panel which determined that based on the information provided, those officers were able to demonstrate a greater than 70% match to roles within the new structure. The assimilation took account of the functions of the role and the core skills and competencies which are required for posts at that level.
- 3.3 The new Director posts are significantly different to the existing Director roles with a shift in focus to a strategic, outward looking leadership role as opposed to the current inward looking corporate functions and statutory roles. The outcome of the redeployment process was that the two existing Director roles did not achieve a 70% match to the requirements of the new roles.
- 3.4 Where a 70% match cannot be achieved Officers are considered for appointment to vacant posts. Officers must demonstrate that they meet the essential criteria for vacant posts in order to be appointed to that post.
- 3.5 The key competencies for the new Director posts are motivation, leadership, drive and performance, organisational awareness, political acumen and collaborative working. The competencies are recognised performance indicators for people in senior management roles.
- 3.6 Solace in Business was appointed to support the Chief Executive in testing for these key competencies and appointing to the Director posts. Solace are considered to be experts in this field.
- 3.7 To ascertain whether the existing Directors met the essential criteria to be redeployed into a new Director roles, the officers went through a series of exercises including written analysis and fact finding exercises, psychometric profiling, presentation and interview.
- 3.8 As set out above in section 3.1, an appointment has been made to the Director of Corporate Services post which leaves the post of Director of People and Place vacant. Appointments at Director Level can be subject to approval of members and it is recommended that a sub-panel of the HR and

Appeals Committee be convened in order to interview and appoint to the Director of People and Place post. It is anticipated that with a successful recruitment campaign, an appointment should be made by mid-April with the successful candidate commencing in July 2019.

- 3.9 The appointment and dismissal of staff must be undertaken in accordance with the Local Authorities (Standing Orders) Regulations, 2001, as amended. The Council must apply those regulations and formally approve any termination of and appointments to statutory officer functions. To achieve the aims of the new management structure and to support a more strategic outlook by the Directors the statutory functions of Monitoring Officer and Chief Finance Officer (Section 151 Officer) have been moved to roles which report in to the Directors. Therefore it is recommended that approval be given for the proposed statutory appointments set out below.
- 3.10 Peter Notley is to be appointed as Assistant Director Finance. Under the new structure this post is designated to hold the statutory function of Chief Finance Officer (Section 151 Officer). The Council must appoint an officer who is responsible for the proper administration of its financial affairs. The post holder must be suitably qualified and will be Chief Finance Officer and Section 151 Officer. It is recommended that Peter Notley be designated the Council's Chief Finance Officer (Section 151 Officer) with effect from 15 February 2019. Peter Notley is considered to be suitably qualified to fulfil this role.
- 3.11 Lisa Tremble is to be appointed as Assistant Director Governance. Under the new structure this post is designated as the Monitoring Officer. It is recommended that Lisa Tremble be approved to become the Council's Monitoring Officer. Every Local Authority is obliged to designate one of its officers as the Monitoring Officer. Lisa Tremble is considered to be suitably qualified to fulfil this role.
- 3.12 Lisa Tremble is anticipated to go on leave in April 2019. It is recommended that an officer is designated as the Monitoring Officer in her absence and that officer is Paul Foote, the Council's Senior Legal Adviser. Paul Foote is currently employed by the Council as a Senior Legal Advisor on a part-time basis. Paul Foote held the statutory role of Monitoring officer at the Council for over 13 years prior to his retirement from the post of Director of Corporate and Legal Services in 2016.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council
- 4.2 A new Council Plan for 2019-23 is currently under development. The proposed structure will help deliver on the priorities in both the existing and emerging Council Plan priorities and will help the Council meet the challenges facing local government in the coming years.

5 Consultation

- 5.1 As set out in the report to Council 10 January 2019, a consultation process was undertaken which included Unions and staff. Full details are set out in the appendix of that report.
- 5.2 In accordance with the Standing Order Regulations all members of the Executive were informed of the proposed appointment of Officers in the new senior management structure. A period of seven days was allowed within which objections could be raised to the appropriate officer. That period ended on 11 February 2019 and a verbal update of the outcome will be provided at Council.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19 as agreed at Council on 17 September 2015.
- 6.1.2 The financial implications of the termination of employment, which arises from the appointment and redeployment process, are contained in the private and confidential report on this matter.

6.2 Legal

- 6.2.1 Legal advice on following a fair and legal restructuring process has been sought from two external bodies.
- 6.2.2 Advice has been taken from the Council's Senior Legal Adviser (who is not part of the restructuring process) in respect of the constitutional requirements.
- 6.2.3 The Monitoring Officer will make the changes to the Constitution which arise from the changes to the job titles and roles which have arisen as a result of the transition to the new senior management structure.
- 6.2.4 The appointment and dismissal of staff is subject to the Local Authorities (Standing Orders) Regulations, 2001, as amended. Ordinarily, the functions of appointing, disciplining and dismissing staff must be discharged by or through the Chief Executive as the Head of Paid Service. The Council has applied the regulations in its officer employment procedure rules, although they are intended to be updated as part of the current review of the Constitution.
- 6.2.5 The post holders of the posts which are identified in section 3.1 are either non-statutory chief officers or deputy chief officers within the meaning of the regulations. The Chief Executive was authorised to undertake the implementation process and appointments to these posts. The Council has a duty to appoint one of its officers as its Monitoring Officer. Similarly the Council must appoint one of its officers who must be suitably qualified as its Chief Financial Officer (Section 151 Officer).

6.3 Human Resources

- 6.3.1 The Human Resource implications are set out in the private and confidential report on this matter.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Equality and diversity implications have been considered. There are no implications arising as a result.
Health, Social Environmental and Economic Impact	There are no implications arising as a result.
Crime and Disorder	There are no implications arising as a result.
Children and Safeguarding	There are no implications arising as a result.

6.5 Risk Management

Risk	Consequence	Controls Required
The Council is at risk of not being able to deliver on its corporate plans and priorities if it doesn't have the right staffing structure in place.	Corporate priorities aren't met.	Refocussing the roles of Directors and the senior management team to align with corporate priorities and provide leadership and organisational capacity to deliver major strategic projects.

7 Other Options Considered

- 7.1 This report provides an update to the senior management review report which was presented and approved by Council on 10 January 2019. All relevant options were considered at that time.

8 Reasons for the Decision/Recommendation

- 8.1 The proposed structure will be essential for the Council to deliver on its priorities in the coming months and years.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	4 February 2019
Monitoring Officer (or Deputy)	5 February 2019
Relevant Assistant Director	N/A

Background Papers: Report CE2/19

Appendices:

Contact Officer: Rose Rouse, Chief Executive

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