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Nottingham City Council

You are hereby summoned to attend a meeting of **CITY COUNCIL**

at Council Chamber - at the Council House on Monday, 4 March 2019 at 2.00 pm to transact the following business

AGENDA		**Pages**
1	**APOLOGIES FOR ABSENCE**	
2	**DECLARATIONS OF INTERESTS**	
3	**QUESTIONS FROM CITIZENS**	
4	**PETITIONS FROM COUNCILLORS ON BEHALF OF CITIZENS**	
5	**TO CONFIRM THE MINUTES OF THE LAST MEETING OF COUNCIL HELD ON 21 JANUARY 2019**	5 - 24
6	**TO RECEIVE OFFICIAL COMMUNICATIONS AND ANNOUNCEMENTS FROM THE LEADER OF THE COUNCIL AND/OR THE CHIEF EXECUTIVE**	
7	**QUESTIONS FROM COUNCILLORS - TO THE CITY COUNCIL'S LEAD COUNCILLOR ON THE NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY**	
8	**QUESTIONS FROM COUNCILLORS - TO A MEMBER OF EXECUTIVE BOARD, THE CHAIR OF A COMMITTEE AND THE CHAIR OF ANY OTHER CITY COUNCIL BODY**	
9	**DECISIONS TAKEN UNDER URGENCY PROCEDURES** Report of the Leader of the Council	25 - 30
10	**TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL INVESTMENT STRATEGY 2019/20** Report of the Deputy Leader and Portfolio Holder for Finance, Resources and Commercial Services	31 - 104
11	**BUDGET 2019/20** Report of the Deputy Leader and Portfolio Holder for Finance, Resources and Commercial Services	105 - 110
12	**PAY POLICY STATEMENT 2019-20** Report of the Portfolio Holder for Transport and HR	111 - 196

13 RE-DESIGNATION OF DIRECTOR OF ADULT SOCIAL SERVICES RESPONSIBILITIES FROM THE CORPORATE DIRECTOR OF CHILDREN AND ADULTS TO THE DIRECTOR OF ADULT SOCIAL CARE 197 - 208

Report of the Portfolio Holder for Transport and HR

14 MEMBERSHIP CHANGES

To note that:

- Councillor Linda Woodings has stood down from Planning Committee
- Councillor Corall Jenkins has stood down from Greater Nottingham Light Rapid Transit Advisory Committee
- Councillor Carole McCulloch has stood down from Licensing Committee, Regulatory and Appeals Committee and Health and Wellbeing Board
- Councillor Linda Woodings has been appointed to replace Councillor Jane Urquhart on Joint Committee on Strategic Planning and Transport

15 DATES OF FUTURE MEETINGS

(1) To agree to hold the Annual General Meeting on Monday 20 May 2019 at 2pm at the Council House.

(2) To note the proposal to meet at 2pm on the following Mondays:

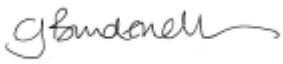
- 8 July 2019
- 9 September 2019
- 11 November 2019
- 13 January 2020
- 9 March 2020

Please note that questions to Council are received after the agenda has been published. Questions will be published as a supplementary agenda by 5pm on Friday 1 March 2019.

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE

MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.



22 February 2019
Corporate Director for Strategy and Resources
To: All Councillors of Nottingham City Council

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MINUTES OF THE MEETING OF THE CITY COUNCIL

held at the Council Chamber - at the Council House

on 21 January 2019 from 2.00 pm - 4.50 pm

ATTENDANCES:

✓ Councillor Liaqat Ali (Lord Mayor)	
✓ Councillor Cat Arnold	✓ Councillor Sally Longford
✓ Councillor Jim Armstrong	✓ Councillor Carole McCulloch
✓ Councillor Leslie Ayoola	✓ Councillor Nick McDonald
✓ Councillor Ilyas Aziz	✓ Councillor David Mellen
✓ Councillor Cheryl Barnard	✓ Councillor Jackie Morris
✓ Councillor Steve Battlemuch	✓ Councillor Toby Neal
Councillor Merlita Bryan	✓ Councillor Brian Parbutt
Councillor Eunice Campbell-Clark	✓ Councillor Anne Peach
✓ Councillor Graham Chapman	✓ Councillor Sarah Piper
✓ Councillor Azad Choudhry	✓ Councillor Georgia Power
✓ Councillor Jon Collins	✓ Councillor Nick Raine
✓ Councillor Josh Cook	✓ Councillor Andrew Rule
✓ Councillor Michael Edwards	✓ Councillor Mohammed Saghir
✓ Councillor Chris Gibson	✓ Councillor David Smith
Councillor Brian Grocock	✓ Councillor Wendy Smith
✓ Councillor John Hartshorne	Councillor Chris Tansley
✓ Councillor Rosemary Healy	✓ Councillor Dave Trimble
✓ Councillor Nicola Heaton	Councillor Jane Urquhart
✓ Councillor Patience Uloma Ifediora	Councillor Marcia Watson
✓ Councillor Corall Jenkins	✓ Councillor Sam Webster
Councillor Glyn Jenkins	✓ Councillor Adele Williams
Councillor Sue Johnson	✓ Councillor Malcolm Wood
✓ Councillor Carole-Ann Jones	✓ Councillor Linda Woodings
✓ Councillor Gul Nawaz Khan	✓ Councillor Cate Woodward
✓ Councillor Neghat Khan	✓ Councillor Steve Young
Councillor Ginny Klein	✓ Councillor Roger Steel
✓ Councillor Dave Liversidge	

✓ Indicates present at meeting

60 APOLOGIES FOR ABSENCE

Councillor Merlita Bryan - unwell
Councillor Eunice Campbell-Clark - leave
Councillor Brian Grocock – other Council business
Councillor Sue Johnson - unwell
Councillor Ginny Klein - unwell
Councillor Chris Tansley – unwell

Councillor Jane Urquhart – leave
Councillor Marcia Watson - personal

61 DECLARATIONS OF INTERESTS

None

62 QUESTIONS FROM CITIZENS

Equality Impact Assessments

WC asked the following question of the Portfolio Holder for Community Protection:

The Equality Impact Assessment completed prior to the cut made in respect of the changes to concessionary mobility passes says the changes will have a detrimental impact on 500 disabled people. It is likely that this figure is wrong and the cut is affecting hundreds of people. Does the Council think that their Equality Impact Assessments are fit for purpose?

Councillor Neal replied as follows:

Thank you Lord Mayor, and can I thank the member of the public for their question.

We believe and recognise that the diversity of Nottingham's communities is a huge asset, which should be valued and seen as one of the City's great strengths. The people who live, work, study in or visit Nottingham come from diverse backgrounds and circumstances. They are of all ages, races and ethnic groups, disabled and non-disabled, and they are from faith and non-faith backgrounds.

As one of the largest employers in Nottingham and one of the main providers of local services, the City Council is committed to providing equality of opportunity and tackling discrimination, harassment, intimidation and disadvantage. We are also committed to achieving the highest standards in service delivery, decision-making and employment practice.

Before making important decisions, we are committed to considering the potential impact on citizens, communities and colleagues, and wherever possible, including early consultation with colleagues and community representatives. The legislation around equalities requires public authorities to carry out Equality Impact Assessments on significant changes to policies and practices. As a Council, we have designed a process to ensure that a policy, project or scheme does not discriminate against any disadvantaged or vulnerable people. As a Council, we carry out over 150 formal Equality Impact Assessments per year. Alongside this process, we use data and intelligence from key internal and external consultative groups, such as the BME Forum and the Disability Involvement Group to inform our decision making and carry out regular training sessions with officers to improve the standard of our work. Equality Impact Assessments are routinely scrutinised by the Equalities Team at the Council who make recommendations as to content and will signpost to relevant community resources for further information. It is fair to say that our processes are constantly being updated as experiences inform our practice. By scrutinising the impact of our decisions, we're better able to identify gaps in our services and support officers to carry out robust and meaningful assessments.

The information contained in the Equality Impact Assessment for Mobility Bus Passes highlighted that the concession entitlement applied to around 1000 pass holders, but it was estimated that around half of these would be unaffected as they used their passes after 9:30am or could move their journey times to after 9:30am. The information was calculated

following assessment of the actual electronically held data records from the concessionary travel ticketing system, and we are confident that the statements contained in the Equality Impact Assessment are an accurate representation of the number of users impacted by the change. In this context the Equality Impact Assessment is considered fit for purpose.

This is a change that we did not want to make, but without funding from government we are unable to continue to subsidise the scheme in our current financial climate. Mobility card holders and their companions will still be able to travel for free in Nottingham and nationally off-peak Monday to Friday, and all day at weekends.

Notwithstanding that, I will continue to work with officers across the Council to ensure that Equality Impact Assessments are both effective and achieve meaningful outcomes.

Thank you.

Customer service and customer care

AD asked the following question of the Portfolio Holder for Housing and Planning:

The Council frequently surveys citizens about a variety of issues and policies using an on-line mechanism which is easy for citizens to access with one click. However, for Have Your Say: Comments, Compliments & Complaints, the citizen is required to create an account and receives a security warning when they attempt to access the site. The same is true for e.petitions. Only 9 people managed to get past these barriers between November and January to sign the Reverse Mobility Card Cuts petition on the Council website despite an assurance being given to me at the end of November that the urgency of the situation had been raised with your IT Department. How will the Council address this to ensure that complaints and signatures to e.petitions can be received on your website as easily as you receive feedback from the surveys you take of citizens' views on particular subjects?

Councillor Woodings replied as follows:

Thank you Lord Mayor. I'd like to thank this citizen for raising this matter.

Nottingham City Council prides itself on being one of the most open and transparent councils in the country with the information we provide to citizens via our website. We have many different ways that people can make contact with us, including our well-used Engage Nottingham Hub – a page that is easily found on our main Council site.

The Have Your Say process allows all citizens to contact us and tell us what they think of the services we offer. We encourage citizens to create an account so we can respond to their request and keep them informed of progress, however citizens can also use the system anonymously if they prefer. It states on the Council website: "you can make a comment or complaint anonymously, but by not providing contact details, the service will be unable to provide you with a response". I can assure this citizen that I have personally checked that the anonymous link is working on each and every one of the current consultations that are open for comment and we have not been made aware of any other problems reported with the consultations page.

In relation to e-petitions, Nottingham City Council welcomes petitions and recognises that they are one way in which people can let us know their concerns. To facilitate

this we have an e-petitions system on the website which enables citizens to create and sign petitions electronically. However, it is correct that in order to create or sign a petition you are required to complete a short registration process, providing an email address and password. This is a standard feature of all e-petition sites. It is a requirement of the software we use to manage e-petitions and it prevents users signing individual petitions multiple times. Our Constitutional Services department were contacted recently about difficulties a citizen was having in accessing the e-petition system on the Council's website. At the time, the issue appeared to have resulted from the security settings for that part of the site. Our colleagues in IT were alerted to this and resolved this issue. The system was tested afterwards to make sure everyone could both set up and sign petitions. Some time after this Constitutional Services were made aware that new users were having difficulty creating user accounts and could therefore neither create nor sign petitions. This was immediately raised with our software provider who has now fixed this problem. Unfortunately it took a long time to fix this and so the e-petition referred to in the question has now been re-opened.

We would like to apologise to the citizen who experienced difficulties with creating an e-petition and any other citizens who struggled to sign a live petition during this period. I would like to reassure all councillors and citizens that the issues have now been resolved.

Despite these glitches in the system I can assure Full Council that this hasn't stopped representations on many different issues being made to the Council. All councillors' email addresses and phone numbers are published on the website and we receive and deal with many thousands of issues on behalf of, and representations from Nottingham citizens every year.

63 PETITIONS FROM COUNCILLORS ON BEHALF OF CITIZENS

Councillor Adele Williams submitted a petition regarding time restrictions introduced for Robin Hood Mobility Card holders. The petitioners requested that the decision to introduce time restrictions for Mobility Card holders be reversed by 1 April 2019 and that the Council find the resources to reverse the time restriction without cuts to other services, new charges or increases in charges elsewhere. The accompanying online petition is still open.

64 TO CONFIRM THE MINUTES OF THE LAST MEETING OF COUNCIL HELD ON 12 NOVEMBER 2018

The minutes of the meeting held on 12 November 2018 were agreed as a correct record and signed by the Chair.

65 TO RECEIVE OFFICIAL COMMUNICATIONS AND ANNOUNCEMENTS FROM THE LEADER OF THE COUNCIL AND/OR THE CHIEF EXECUTIVE

Ian Curryer, Chief Executive, reported the following:

Councillor Mohammed Ibrahim
It is with great sadness that I inform Council that Councillor Mohammed Ibrahim passed away on 25 December. Councillor Ibrahim was first elected to the Council in

1987 to represent the citizens of Forest ward, a role which he carried out for the next 8 years. Since 2003 he has represented the citizens of Berridge ward. During his periods of office he was both an active ward councillor and involved with many committees, including holding the position of Lord Mayor in 1993/1994.

Councillors Jones and Saghir spoke in tribute to Councillor Mohammed Ibrahim, and a minute's silence was held.

Ian Curryer, Chief Executive, reported the following:

Fields in Trust Centenary Fields Programme
Bulwell Recreation Ground has been designated as a Centenary Field, ensuring green space is protected as a living remembrance to those who fought and lost their lives in World War One. This new status has been marked by the planting of three native oak trees on the site.

Energy Awards
In December the Council was announced as the winner of the Energy Awards' award for Best Local Authority Initiative of the Year for its Smart Energy Buildings. The Council was commended on its innovative approach to reducing the Council's energy demand to improve its environmental performance and help manage its budget.

Bed and Breakfast Accommodation
The number of households facing homelessness in Nottingham has increased in recent years and it became necessary to rely on the use of bed and breakfast accommodation for households who required emergency housing. The Council recognised that the sustained use of bed and breakfast was unsuitable and set a target of zero households in bed and breakfast by the end of 2018. To achieve this measures were taken as part of a planned approach including:

- delivery of more interventions that prevent homelessness, for example introducing an Eviction Prevention Panel and system of home visiting, closer work with the private rented sector and changes to Housing Aid;
- delivery of more suitable types of temporary accommodation, for example Nottingham City Homes properties and Registered Provider supported housing; and
- facilitating access to permanent accommodation, for example enhanced partnership working with private sector landlords and a programme of property acquisitions,

With the support of Nottingham City Homes, the Council delivered the plan which reduced the number of households in bed and breakfast accommodation from over 100 households in August 2018 to zero by Christmas Eve. Work continues to progress to ensure the commitment to cease the use of bed and breakfast for homeless households is maintained in the long term.

Councillor Woodings spoke about bed and breakfast accommodation and thanked colleagues for their work to reduce the number of households in bed and breakfast accommodation to zero.

66 QUESTIONS FROM COUNCILLORS - TO A MEMBER OF EXECUTIVE BOARD, THE CHAIR OF A COMMITTEE AND THE CHAIR OF ANY OTHER CITY COUNCIL BODY

Membership of secret societies

Councillor Jim Armstrong asked the following question of the Leader of the Council:

Does the Leader believe that for the Council to continue to be open and transparent, any councillor or member of the Council who finds themselves a member of a secretive organisation which does not publish its membership or its goals, should declare that they are so?

Councillor Jon Collins replied as follows:

Thank you Lord Mayor. It is in the Council's Standing Orders, Part 4 Paragraph 34 in fact, that a councillor who is a member of a secret society and intends to speak at Council, or at a Board or Committee of the Council at which a matter involving or associated with that society or a member of that society is to be considered, and before that matter is considered, should declare a non-pecuniary interest in it. It then goes on to define a secret society for the purposes of Standing Orders. If Councillor Armstrong is interested in finding out more about secret societies I would encourage him to familiarise himself with this aspect of the Council's Standing Orders.

Robin Hood Energy

Councillor Jim Armstrong asked the following question of the Leader of the Council:

Is the recent resignation of the Council Leader from the Board of Robin Hood Energy and the subsequent £5.5m funding from Council resources in any way linked?

Councillor Jon Collins replied as follows:

Thank you Lord Mayor. No.

Nottingham and Nottinghamshire Integrated Care System

Councillor Andrew Rule asked the following question of the Portfolio Holder for Adult Social Care and Health:

Following the Portfolio Holder's decision to suspend the City Council's membership of the Nottingham and Nottingham Integrated Care System can the Portfolio Holder update the Chamber on the progress made in achieving the objectives outlined to the Executive Board in November; and confirm when he anticipates being able to make a

decision on the long-term future of the Council's Integrated Care System membership?

Councillor Sam Webster replied as follows:

Thank you Lord Mayor. Can I thank Councillor Rule for his question. As I stated in the report to the Executive Board we remain fully committed to the integration of health and social care services where this is beneficial to Nottingham residents. Whilst Council officers and elected members have not been participating in formal meetings of the Integrated Care System, formally known as the STP, since the suspension we have continued to ensure collaborative working at operational level in line with our statutory duties.

We have had extensive dialogue with every local NHS organisation at Chief Executive level in order to work through options for progress. The City represents approximately one third of the population of the Nottingham and Nottinghamshire Integrated Care System area and has some of the more deprived communities with greater levels of health inequality. Our suspension has allowed us to further highlight that we want to ensure that the needs of Nottingham City residents are met as a priority. We also want to see a greater level of democratic involvement and oversight in the Integrated Care System and in the decisions it makes. My report to Executive Board also highlighted the importance of public service delivery, creating local jobs for local people and further activity to strength community engagement and involvement. These are all significant issues for us that have not thus far been the explicit approach of the Integrated Care System, which is why we needed to suspend ourselves and force these issues to be resolved. If these cannot be resolved then it is unlikely we would want to continue as a formal member of the Integrated Care System.

I can update Council on progress as follows: The Integrated Care System Board now has agreed to include democratic representation, councillors, along with non-executives from organisations such as our local hospitals. The Integrated Care System Board is made up of statutory organisations. It is expected that key decisions will require unanimity from all statutory partners. This assures us that we can have influence on all important decisions affecting the City. The Integrated Care System partners are in the process of deciding the way in which the integrated care partnerships will be set up including the geography over which they will be organised. We have said that whatever that configuration there needs to be a strong city identity, with a clear city budget and enable all key partners in the city to work together with a focus on our population. The NHS is confirming the way in which a city identity can be achieved over the next few weeks. Our key principles around public service delivery, local jobs for local people, and strengthening community involvement have been discussed with NHS partners and there is strong alignment on these points. We want procurement and commissioning practice to include elements, such as those in our Business Charter, that can encourage or mandate certain elements to be evidenced. We also need to clarify what decisions will be made at the Integrated Care System Board, where we are able to hold influence through the unanimous requirement for decisions.

I hope Councillor Rule can see that we took the decision to suspend Nottingham City Council's membership of the Integrated Care System in the interests of our residents

in Nottingham. We have made progress in terms of negotiating with our local health partners and we believe we can achieve more resources, more influence and ensure that our local health services are delivered by well trained and highly valued public servants. Unlike the government, I believe that we in Nottingham know how to negotiate a good deal for our residents. When we have, the Labour Group will carefully consider our next steps and you can count on us, Councillor Rule, to show some leadership, unity and above all else we will prioritise the best interests of the people we serve.

Children in care, care leavers and foster carers

Councillor Gul Khan asked the following question of the Portfolio Holder for Early Intervention and Early Years:

Can the Portfolio Holder for Early Intervention and Early Years inform Council of additional support given to children in care, care leavers and foster carers over the festive period?

Councillor David Mellen replied as follows:

Thank you Lord Mayor. Can I thank Councillor Khan for his question. As a Council we have a responsibility as the corporate parent for the 615 children who are in the care of the local authority. When Frank Dobson, as the Health Secretary of the Labour Government in the 1990s, introduced the concept of corporate parenting he said that councils should do everything in their power to give these children as good a life experience as if they were our own birth children.

Christmas is a time when we buy gifts for our children. We give them special experiences and celebrate together with other members of our family. In contrast, we know that Christmas can be a difficult time for children in care as it can emphasise the great changes or losses they have had in their lives. In these circumstances it is all the more important that we do everything that we can to make Christmas special for our looked after children. All our residential staff, foster carers, social workers, business support colleagues and personal advisers work together with children, their carers, families and volunteers to ensure that they have the best Christmas possible. Over the Christmas period children in care were provided with a range of additional support and opportunities. These included toys and other gifts provided through donations from local companies, members of the public and City Council staff. We have a dedicated group of volunteers amongst the staff, led by a business support colleague in Children's Services, who co-ordinate Christmas presents. They received over 3500 gifts from Nottingham residents, Council staff and Nottingham businesses this year. Because we had so many generous donations these gifts were shared not just between children in care but also with children living in other families that we are working with. I would like to take this opportunity to offer my thanks for the generosity of businesses in Nottingham, individual citizens and Council staff and councillors for their generosity. In addition, children in care and their foster carers were also provided with tickets for the pantomime performances at both the Royal Centre and the Playhouse, thanks to generous donations from both theatres. 50 of our foster care families caught the Santa Train provided by East Midlands Trains on a December Saturday morning. They were taken on a round trip through Lincolnshire

enjoying festive treats on the train, a cinema showing of The Grinch and, of course, meeting Santa.

For young people who have recently become care leavers, 40 food hampers were provided following donations from Labour councillors and Council staff. For these young people who have recently taken up a tenancy of a flat following leaving care, it may have been that they spent Christmas or much of the festive period on their own. The food hampers were a reminder that they are not forgotten over this holiday time. We also worked closely with a group of volunteers co-ordinated by Trent Vineyard Church who volunteered to organise a Christmas meal that actually took place for care leavers on Christmas Day. This is the first year that we have been able to do this. The meal was targeted at those care leavers who would have otherwise been by themselves and it was a real success. Care leavers who attended, some of whom brought their own children, all received gifts from Santa, which had once again been donated by local people and organisations. 20 care leavers and their children attended.

So we are very grateful to everyone who has donated gifts or given up time, even on Christmas Day, to make it a special time for our Nottingham children. We will continue to ensure that we fulfil our corporate parent duty in the best way that we can in the future.

Housing Allowance

Councillor Ilyaz Aziz asked the following question of the Portfolio Holder for Housing and Planning:

Does the Portfolio Holder for Housing and Planning know how much is paid out to private rented landlords every year by Nottingham City Council in housing allowance and would the money not be better spent on building council houses?

Councillor Linda Woodings replied as follows:

Thank you very much Lord Mayor and thank you Councillor Aziz for your question. We estimate that approximately £48 million worth of rent allowance was paid to private landlords in Nottingham in 2017/18 and this is much more proportionately than that received by Council tenants. That figure is £59 million but there are nearly double the number of Council tenant claims than those in the private sector. So if you are entitled to housing benefit to help you afford your rent it costs the taxpayer more in housing benefit payments if you rent a home from a private landlord than if you rent a home from the Council. These figures highlight the findings of Shelter's recently published report from its Commission on the Future of Social Housing. The Commission makes a very strong case that the building of more social housing is the way to tackle the housing crisis and it recommends a historic renewal of social housing and the delivery of 3.1million social homes over a 20 year period. It demonstrates the savings to the welfare bill which could be achieved by building social homes rather than paying out housing benefit to private sector landlords. In areas of average rent, under Shelter's suggested programme, providing a social home for a tenant in receipt of housing benefit would generate a net saving to the government after 30 years of £5600. It is nearly double that in areas of high cost

housing. In total, savings on housing benefit alone would reach £60 billion within 30 years.

As well as the savings in housing benefit, the capital investment in millions of social homes would boost the economy, create public assets and provide better value for money for the taxpayer. As one of the commissioners, the former Conservative Treasury Minister Lord Jim O'Neill, said we must make a profound and generational shift away from a belief that housing benefits alone can solve this problem and back towards investment in bricks and mortar and a view that affordable housing is a national asset like other infrastructure. Perhaps most of all, building social homes as an alternative to private renting provides a secure, stable, well-managed home in which families can settle and bring up their children without the fear of a short term tenancy coming to an end. Disruption to schooling and a lack of a secure place you can call home can have a destabilising effect on children. The report of the Shelter Commission is very welcome, but actually Nottingham was thinking exactly the same thing more than 3 years ago. In 2015 Nottingham City Homes and Nottingham City Council examined the potential for reducing benefits expenditure in the City by building new homes that could be made available at lower rents than the private rented sector was offering. At that time private rented housing benefit expenditure in Nottingham had risen from £22.5 million in 2009/10 to £41.6 million in 2013/14 and as I have already said that is now estimated to be in the region of £48 million a year. The increased expenditure from the public purse was a source of concern. The savings to the housing benefit bill would be achieved through having rent levels lower than current levels of local housing allowance - that's the rates paid to private rented tenants. A 5 year pilot was proposed which would involve an overall investment of £11 million to build 100 new 3 bedroom homes, financed over a 40 year period through the Council's prudential borrowing facility. Renting out those properties at 90% of Nottingham's local housing allowance would have brought an overall saving of approximately £2.5 million. The idea was floated with opposition politicians at a national level but with no change to the government from the general election in 2015 unfortunately it went no further.

Colleagues, it is refreshing to know that the current Conservative Government seems to be changing its mind about social housing. You will recall that Nick Clegg reported that during the Coalition Government it was either George Osbourne or David Cameron who said that social housing simply created Labour voters. However Teresa May has recently told the National Housing Federation that people who live in council houses should be made to feel proud of their homes and committed a further £2 billion to build new homes in England to remove, what she called, the stigma of social housing. How staggeringly out of touch. It is quite clear that Teresa May has never been to a council estate. Far from being a stigma we know that people are proud to live in their council houses and on their council estates. Our waiting list and our case work shows that this is the most desirable option for those who want a stable home that they can feel secure in knowing that they can stay there rather than the possibility of being evicted on a whim by a private landlord with just 2 months notice.

Nottingham City Council remains committed to the principle of decent, safe, secure and affordable social housing. We are currently purchasing a number of homes which were sold through the Right to Buy scheme and might otherwise end up in the private rented sector and these are rented out as social housing. This will save

money in housing benefit but will also leave the Council with an asset for households to benefit from in the future. We have also recently seen the Government completely shift its policy on council housing by lifting the borrowing cap on Housing Revenue Accounts, something that I can assure you we intend to take full advantage of in Nottingham by building more of the social homes we need.

Homelessness

Councillor Cheryl Barnard asked the following question of the Portfolio Holder for Community Protection:

Can the Portfolio Holder for Community Protection inform the Council of what support is being offered to rough sleepers in Nottingham and what action is being taken to prevent people being put at risk of being homeless?

Councillor Toby Neal replied as follows:

Thank you Lord Mayor and thank you Councillor Barnard for the question. The issues of rough sleeping and homelessness are both a national and a local issue with numbers having increased over the last 5 years. Never has it been more important to address these complex issues, particularly at this time of year when the temperatures are dropping. So I want to give you some examples of the extensive activity that we are currently undertaking. We continually engage with those who rough sleep on our streets. Our Community Protection Officers and partners from Framework, with their embedded social workers and health care workers continue to promote our local support services at every opportunity they get with vulnerable individuals and offer same day accommodation. I would add that while the Council has adopted a 'no second night out' policy for those who sleep rough, I have instructed our frontline services to ensure that nobody spends a single night out on our streets – effectively a 'no first night out' policy. To enhance our on-street responses we have recently appointed a Rough Sleeping Co-ordinator to have operational oversight of these complex issues and already this post is delivering significant results and guiding people off the streets. The City has a large network of winter shelters co-ordinated by our partners, such as Emmanuel House, providing bed space and shelter for all those that want it. In addition, we have activated our Sit Up Service in collaboration with the Red Cross, providing additional temporary shelter and support for eight households every night. We also recently secured funding of around £650,000 for a rapid rehousing pathway for rough sleepers. This funding will be spent developing a 24 hour sit up service throughout the year. It will employ navigators to help rough sleepers access accommodation and it will fund support workers to assist resettlement and access accommodation to the private rented sector. However despite these successes we still face challenges with those that sleep rough. There are a very small number of rough sleepers who have refused our offer of accommodation or who have left supported accommodation that we have given to them. These are individuals with very complex needs and we need to help further, and with the additional funding we hope to be able to address this issue. As part of the Nottingham Homelessness Prevention Strategy, our Community Protection Services are undertaking a significant amount of homelessness prevention activity. Our Safer Housing and Selective Licensing Teams work with landlords and tenants to try and solve tenancy problems and enable people to stay in their properties. Our

housing licensing schemes are playing a significant part in this by bringing all private rented sector properties across the City up to a minimum standard and providing support for tenants facing illegal Section 21 evictions. We also ensure that evictions from social tenancies are prevented wherever possible and we will try to mediate between household members to stop exclusion from the family home leading to homelessness. We have also increased available housing stock purchasing a significant number of houses so that those that are evicted or those who have nowhere to go, have somewhere to go. And finally we are currently working with agencies such as the prison service, probation and health services to stop people being discharged from institutional settings with nowhere to go.

Councillors will recall we adopted the new Homelessness Prevention Strategy for the City at the Full Council meeting in November last year. This is a 5 year plan aimed at reducing homelessness through a range of interventions delivered in partnership with a range of agencies across the City. Nottingham has a very good record on homelessness prevention and it is only in recent times that we have struggled to tackle homelessness and had to resort to the use of bed and breakfast accommodation on a temporary basis. Through some magnificent work by officers and councillors we have managed to eliminate the use of bed and breakfast but the job is not done and the pressures are still there. We need to go back to being a leading authority in homelessness prevention, and the new Strategy, which takes full account of the new powers within the Homelessness Reduction Act, will help us do this. The Strategy has four priority areas, which are addressing the causes of homelessness; homelessness prevention; the relief of homelessness; and tackling rough sleeping. Specifically in terms of prevention, the Strategy focuses on some areas where we can intervene early on to stop people becoming homeless, for example people having to leave private rented tenancies which is one of the biggest causes of homelessness in the City. We will work with landlords and tenants to try and solve the tenancy problems and enable people to stay. We will also ensure that evictions from either the private rented sector or social tenancies are prevented wherever possible and we will try to mediate between household members. The work with the agencies is a significant part of it. The Strategy is very ambitious and requires resources and we are making the best use of the grant we receive from central government and we are exploiting any bidding opportunities to enable us to boost the funding we have available to assist people. We will always need temporary accommodation so the Council and Nottingham City Homes are investing resources in this. The Strategy and objectives will only be delivered by working in partnership with a range of agencies and stakeholders and this is what the Homelessness Charter is about, which Councillor Barnard has played a significant role in helping to pull together so that all sectors can make a pledge to show how they will help reduce homelessness. As the Strategy states, the Council and its partners believe that preventing and tackling homelessness are everyone’s business in Nottingham and everyone has a right to a home.

Pension Credit

Councillor Mike Edwards asked the following question of the Portfolio Holder or Finance, Resources and Commercial Services:

Is the Deputy Leader aware that the Government sneaked out changes to pension credit last week which will result in mixed couples losing more than £7000?

Councillor Graham Chapman replied as follows:

Thank you for the question Councillor. Yes, I am very aware. These changes were slipped out last Monday night by the Department for Work and Pensions in the middle of the Brexit debates on Monday and Tuesday. They mean that from 15 May new pensioners whose partners are younger than the state retirement age of 65 can no longer claim means tested top-up called Pension Credit. Instead they will be forced to claim much less generous Universal Credit alongside their younger partners. The couple rate of Universal Credit is £114.81 per week. Compare this with the £255.25 for a couple receiving Pension Credit. This amounts to a loss over a year of £7320. Currently people who reach retirement age and are eligible can claim Pension Credit regardless of the age of their partner. In future they will have to wait until their partner reaches 65 although the state retirement age will increase to 66 in October 2020. Couples with one partner under state pension age who are already in receipt of Pension Credit are unaffected and that is very important. We don't want to panic anybody. People already receiving it will not be affected, but they will move to the new system and, this is very important, they will move to the new system if their circumstances change such as change of address, or even if the pensioner's partner goes abroad for longer than a month. The average age gap for mixed age couples is 2.6 years meaning that the cash loss incurred before the younger partner becomes old enough to claim Pension Credit could be as much as £19,000. So there will be couples in Nottingham who surreptitiously have had £19,000 taken away from their income, and don't think these are well off couples. These are couples that are not well off by definition. The government will have taken up to £19,000 over two and half years from these people. I would like to contrast this with another change that was slipped out this month. It is to do with tax havens. The announcement in 2016 by the Cameron Government promised the publication of a register of investors in tax havens by 2020. This was to expose firms avoiding tax and in some cases evading tax, but mainly avoiding. This month we learn that the deadline has been slipped to 2023. This means it will be harder to clamp down on firms who are avoiding tax. So in the same month as we are taking up to £19,000 away from pensioners, badly off pensioners, we let off the hook firms who are avoiding tax, evading tax to the tune of millions and millions and millions. Do not underestimate how much this happens. I remember one developer in Nottingham coming to me saying, well everybody puts their money into tax havens. I thought, well not everybody on the Broxtowe Estate does that. Do not underestimate how pervasive this is and how they have been let off the hook at the same time as you are pinching pennies off the poorest pensioners.

67 DECISIONS TAKEN UNDER URGENCY PROCEDURES

The Leader of the Council submitted a report detailing decisions taken under procedures which include exemption from Overview and Scrutiny Call In Procedure Rules and Special Urgency Access to Information Rules, as set out on pages 31 – 32 of the agenda.

RESOLVED to note

(1) the urgent decisions (exempt from call in):

Decision Reference Number	Date of Decision	Subject	Value of Decision	Reasons for Urgency
3349	**18 December 2018**	**Financing Arrangements**	**Exempt**	**There was urgency for funding to be transferred to a company wholly owned by the organisation. If the financial transfer had not been undertaken the company would have incurred costs.**
3350	**17 December 2018**	**Purchase of Ex Right to Buy Flat**	**Exempt**	**The Council was buying from mortgagees in possession and time was of the essence.**

(2) the Key Decision taken under special urgency procedures:

Decision Reference Number	Date of Decision	Subject	Value of Decision	Reason for Special Urgency
3349	**18 December 2018**	**Financing Arrangements**	**Exempt**	**There was urgency for funding to be transferred to a company wholly owned by the organisation. If the financial transfer had not been undertaken the company would have incurred costs.**

Councillors Armstrong, Rule and Steel requested that their vote against the recommendations be recorded.

68 MOTION

Moved by Councillor Graham Chapman, seconded by Councillor Steve Battlemuch:

This Council welcomes the Labour Party's proposal for a National Transformation Fund as a means of improving skills and productivity in Nottingham, and as a means of helping to redress the severe imbalance between the UK's regional economies.

RESOLVED to carry the motion.

69 MOTION

Moved by Councillor Sally Longford, seconded by Councillor Mike Edwards:

This Council notes that Nottingham met its Energy Strategy target early (a 26% reduction of carbon dioxide emissions against 2005 by 2020) with reductions of emissions by 39% since 2005, equivalent to 43% per person. Nottingham is also on track to meet its 2020 target of 20% of energy generation from low carbon sources, due to a combination of a reduction in the City's energy demand and its renewable energy projects programme. This Council has led the way to a more sustainable and green City by:

- Signing the Nottingham Declaration on Climate Change in 2000 with a follow up in 2011
- £15 million investment in one of the UK's largest electric bus fleets
- Investment in biogas and retrofitted buses
- Developing and expanding the electric tram network
- Improving cycling facilities, including bike hubs and a cycle hire scheme
- Significant investment in cycle corridors
- Introduction of the Workplace Parking Levy – tackling congestion and containing traffic growth, while generating funds to invest in public transport
- Installing solar panels on 4500 domestic properties across the city
- Working on innovative projects including our solar vehicle to grid project
- Retrofitting 400 homes with energy efficient measures through the REMOURBAN and Green HousING Project.

In the light of the Intergovernmental Panel on Climate Change's 2018 Special Report on "Global Warming of 1.5°C" this Council heeds the call for urgent action within the next 12 years to avoid a climate crisis. Taking immediate action will help to protect Nottingham people from the consequences of irreversible climate change that would result in flooding, drought, heatwaves and other extreme weather events. This will also make a contribution to the international effort to cut carbon emissions to mitigate climate change, reducing the severity of rising sea levels, hazards, food security and impacts on global ecosystems.

This Council therefore resolves to lead the way nationally and play its part in the global effort against climate change by becoming a carbon neutral city by 2028.

RESOLVED to carry the motion.

The Meeting concluded at 4.50 pm

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WQ1

WRITTEN QUESTION TO BE ASKED BY COUNCILLOR RULE OF THE PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND COMMERCIAL SERVICES AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON 21 JANUARY 2019

Could the Portfolio Holder provide a breakdown of the current lending extended by the City Council to each of its wholly and majority owned companies and provide an estimation of when this lending will be paid back in full?

The response to WQ1 is exempt from publication under paragraph 3 of Schedule 12A of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information because releasing it would prejudice the Council's commercial interests.

WQ2

WRITTEN QUESTION TO BE ASKED BY COUNCILLOR RULE OF THE LEADER AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON 21 JANUARY 2019

Following the report presented to Executive Board in December can the Leader of Council set out the key milestones for the development of the Broadmarsh Centre and Car Park and provide an estimated timeframe of when these milestones will be completed?

The contract to redevelop the Intu Broadmarsh Centre has now been let. Contractors will be active on site in the next few weeks and the main development work will get going in May. The works are due to be completed by the Autumn of 2021.

The Broadmarsh Car Park development contract is expected to be awarded in February. The construction of the new car park and bus station are targeted for completion and being open to the public by the end of 2020. The new library which will require fitting out following completion of the main building work is then expected to be open in the latter part of 2021.

Once completed, these significant developments will deliver major regeneration and economic uplift in the Southern part of the city. They will act as the centrepiece of the Broadmarsh transformation programme and, together with the ongoing construction of the new Nottingham College City Hub and redevelopment of the Castle, enhance Nottingham's place as the economic engine for the East Midlands region.

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CITY COUNCIL – 4 MARCH 2019

REPORT OF THE LEADER OF THE COUNCIL

DECISIONS TAKEN UNDER URGENCY PROCEDURES

1 SUMMARY

1.1 As required by the Council's Constitution, this report informs Council of urgent decisions taken under provisions within both the Overview and Scrutiny Procedure Rules and Access to Information Procedure Rules.

2 RECOMMENDATIONS

2.1 To note the urgent decisions taken as detailed in the appendices.

3 REASONS FOR RECOMMENDATIONS

3.1 To ensure compliance with the procedures detailed in the Council's Constitution.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 None.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 Call in and Urgency (Overview and Scrutiny) Procedure Rules: Councillors will be aware that the call in procedure does not apply where the decision taken is urgent. A decision is urgent if any delay likely to be caused by the call in process would seriously prejudice the Council's or the public's interests. Part 4 of the Constitution requires that where a decision is taken under the urgency procedure that decision needs to be reported to the next available meeting of Council, together with the reasons for urgency. The urgency procedure requires that the Chair of the Overview and Scrutiny Committee must agree that the decision proposed is reasonable in the circumstances and that it should be treated as a matter of urgency. In the absence of the Chair, one of the Vice Chairs' consent is required. Details of the decisions made where the call in procedure has not applied due to urgency are set out in Appendix 1.

5.2 Special Urgency – Access to Information Rules: the Local Authorities Executive Arrangements (Access to Information) (England) Regulations 2012 introduced a requirement for 28 clear days public notice to be given of all proposed key decisions. Where it is not possible to give the full 28 days' notice, but there is time to give at least 5 clear days notice, the General Exception procedure applies (paragraph 13, Access to Information Rules, Part 4 of the Constitution). Where 5 clear days notice is also not possible, the above Regulations provide for a Special Urgency Procedure.

5.3 An urgent key decision may only be taken under the Special Urgency Procedure if the decision taker has obtained agreement that the decision is urgent and cannot reasonably be deferred. Agreement must be obtained from (i) the Chair of the Overview and Scrutiny Committee, or (ii) if there is no such person, or if the Chair of the Overview and Scrutiny Committee is unable to act, the Lord Mayor (as Chair of Council), or (iii) where there is no Chair of the Overview and Scrutiny Committee or Lord Mayor, or they are unable to act, the Sheriff (as Vice Chair of Council). Once

agreement has been sought and as soon as is reasonably practicable, the decision maker must publish a notice at the Council's offices and on the Council's website to state that the decision is urgent and cannot reasonably be deferred.

5.4 In addition, the procedure requires that the Leader of the Council submits (at least quarterly) reports to Council containing details of each executive decision taken during the period since the last report where the making of the decision was agreed as a case of special urgency (paragraph 16.2, Access to Information Rules, Part 4 of the Constitution). Details of key decisions taken under the Special Urgency Procedure are set out in Appendix 2.

6 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 None

7 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 None

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 An EIA is not required as the report does not relate to new or changing services or policies.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 None.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Nottingham City Council Constitution

10.2 The delegated decisions and committee reports detailed in the appendices to the report, as published on the City Council's website.

COUNCILLOR JON COLLINS
LEADER OF THE COUNCIL

Appendix 1 - Decisions Exempt from Call-In

Decision Reference Number	Date of Decision	Subject	Value of Decision	Decision Taker	Consultee on Urgency	Reasons for Urgency
3379	18 January 2019	Parent Company Guarantee	Exempt	Deputy Leader and Portfolio Holder for Finance, Resources and Commercial Services	Chair of Overview and Scrutiny	To enable the arrangements to be in place by the required date.
3386	24 January 2019	Engagement of Professional Services	Exempt	Portfolio Holder for Finance, Resources and Commercial Services	Chair of Overview and Scrutiny	Delay would have meant that the planned action could not proceed.
3395	1 February 2019	Nottingham Science Park No.2 Building – Additional Works	Exempt	Portfolio Holder for Regeneration and Growth	Chair of Overview and Scrutiny	The Council had started works on the site under a pre-construction contract. These works will take 6 weeks. The main construction contract needed to be signed on 4 February to allow works to continue, any break would have added additional cost to the project as the contractor would

						need to have left site and then return.
	19 February 2019	Medium Term Financial Plan	£122.609m	Executive Board	Chair of Overview and Scrutiny	The Council's budget has to be approved at the Full Council meeting on 4 March 2019 and the report despatch date for the Council agenda is before the call in period would have ended.

Appendix 2 - Key Decisions taken under the Special Urgency Procedure

Decision Reference Number	Date of Decision	Subject	Value of Decision	Decision Taker	Reason for Special Urgency
Minute Number 75	22 January 2019	Highways Services - Key Decision	Exempt	Executive Board	The need to complete the project within agreed timescales.
3405	15 February 2019	Investment Acquisition – Project Green	Exempt	Deputy Leader and Portfolio Holder for Finance, Resources and Commercial Services	Heads of Terms had been agreed with the vendor and a condition of the sale was a simultaneous exchange and completion within 20 days of receiving the full legal pack.
	19 February 2019	Medium Term Financial Plan – Key Decision	£122.609m	Executive Board	The Council's budget has to be approved at Full Council in March 2019, which takes place before the March 2019 Executive Board meeting.
	19 February 2019	Treasury Management Strategy 2019/20 and Capital and Investment Strategy 2019/20	Nil	Executive Board	Approval of a Treasury Management Strategy is a legal requirement.

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CITY COUNCIL - 4 MARCH 2019

REPORT OF THE DEPUTY LEADER

TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL AND INVESTMENT STRATEGY 2019/20

1 SUMMARY

1.1 This report seeks approval for a series of strategies relating to treasury management and capital investment in 2019/20. The strategies were considered as part of a number of reports on the 2019/20 budget process. They were submitted for endorsement to Executive Board on 19 February 2019.

1.2 The specific strategies included within the Executive Board report are:

- the overall Treasury Management Strategy for 2019/20 (Appendix 1);
- the Debt Repayment Strategy (Minimum Revenue Provision) in 2019/20 (Appendix 1, section 5.2);
- the Treasury Management Investment Strategy for 2019/20 (Appendix 1, section 4)
- the Borrowing Strategy for 2019/20 (Appendix 1, section 3)
- the Treasury Management Policy Statement (Appendix 1, section 5.3)
- the Capital & Investment Strategy (Appendix 2)

1.3 Approval is also required for the Prudential Indicators and limits from 2019/20 to 2021/22 (Appendix 1, section 5.1).

2 RECOMMENDATIONS

2.1 To approve the 2019/20 Treasury Management Strategy document, including the strategy for debt repayment and the investment strategy, as detailed in appendix 1.

2.2 To approve the Prudential Indicators and limits from 2019/20 to 2021/22, as detailed in appendix 1.

2.3 To adopt the current Treasury Management Policy Statement, as detailed in appendix 1.

2.4 To approve the 2019/20 Capital & Investment Strategy document, as detailed in appendix 2.

3 REASONS FOR RECOMMENDATIONS

3.1 Approval of a Treasury Management Strategy is a legal requirement.

3.2 A Treasury Management Strategy, Policy Statement and a Capital and Investment Strategy will ensure compliance with the Code of Practice on Treasury Management in Public Services and the Prudential Code.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 The approval of a Treasury Management Strategy is a legal requirement. The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted

the portfolio holder, believes that the proposed strategy represents an appropriate balance between risk management and cost effectiveness.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 Treasury management is a term used to describe the management of an organisation's borrowing, investments and other financial instruments, their associated risks and the pursuit of optimum performance or return consistent with those risks.

5.2 The Treasury Management Strategy Statement (TMSS) sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2019/20, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.

5.3 The Capital and Investment Strategy provides the council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term. This strategy requires approval by Full Council.

5.4 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the current requirements of these codes as part of its Treasury Management Policy Statement and its Capital and Investment Strategy.

5.5 The Treasury Management Strategy 2019/20 and the Capital and Investment Strategy 2019/20 were considered by Audit Committee on 22 February 2019, as part of the scrutiny process required by the CIPFA Code of Practice.

6 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 Net treasury management expenditure comprises interest charges, interest receipts and a revenue provision for debt repayment. A proportion of the Council's debt relates to capital expenditure on council housing and from 1 April 2012 separate arrangements have been established for the HRA. The remaining costs are included within the treasury management section of the General Fund budget, although there remain a number of recharges between the General Fund and the HRA.

6.2 The Treasury Management forecast outturn for 2018/19 is reflected within the Corporate Budget report elsewhere on this agenda. The budget for 2019/20 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The estimate of £54.610m is included within the Medium Term Financial Plan (MTFP).

6.3 The financial implications of the two strategies are intrinsically linked, as the Capital Strategy defines the capital expenditure plans of the council including the element that is to be financed by borrowing. The Treasury Strategy defines how the associated cash flows from this borrowing requirement are to be managed.

Comments provided by Glyn Daykin, Senior Accountant Treasury Management, dated 31 January 2019.

7 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 None other than those set out in the body of the report.

Comments provided by Malcolm Townroe, Director of Legal & Governance, dated 9 February 2019.

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 An EIA is not needed as the report does not contain proposals for new or changing policies, services, or functions.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 PWLB records, working papers

9.2 Nottingham City Council Project Management Handbook

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Executive Board Report dated 19 February 2019 – Treasury Management Strategy 2019/20 and Capital & Investment Strategy 2019/20

10.2 Money Market and PWLB loan rates

10.3 Treasury Management in the Public Services Code of Practice 2017–CIPFA

10.4 Prudential Code 2017-CIPFA

10.5 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA

10.6 Statutory guidance on local government investments 3rd Edition 2018

10.7 Statutory guidance on Minimum Revenue Provision (MRP) 2018

10.8 Treasury Green Book

10.9 Corporate Asset Management Plan

10.10 The Council Plan 2015-2019

COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER

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Appendix 1

Nottingham City Council

Treasury Management Strategy 2019/20

INDEX

1.1 Background

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

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as capital strategy activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected councillors on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; capital investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity;
- The payback period (aligned to the MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with these activities.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

If any capital investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the capital operations, high-level comparators are shown within this report.

1.2.2 Treasury Management reporting

The Council or delegated body are currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how financial investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update councillors on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

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

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

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

Treasury management issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training in treasury management. This especially applies to councillors responsible for scrutiny. A training session was held for the Audit Committee on the 28 September 2018 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans. These indicators show the previous years actual expenditure and reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and the following two financial years as required by the CIPFA Prudential Code. The Capital Strategy will provide forecasts for the council's capital plans up to 2023/24.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	49.991	73.510	142.408	68.401	11.528
Commercial Activities / Non-financial investments *	116.819	70.367	24.286	33.216	15.172
General Fund Total	**166.810**	**143.877**	**166.694**	**101.617**	**26.700**
HRA	53.396	48.930	54.862	47.503	29.462
TOTAL	**220.206**	**192.807**	**221.556**	**149.120**	**56.162**

* Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc. This does not include regeneration schemes such as Broadmarsh Shopping Centre and Car Park.

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

Financing of Capital Expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Receipts	15.462	16.960	21.470	18.392	4.939
Capital Grants	37.280	47.654	68.057	12.640	2.543
Capital Reserves	29.854	31.629	37.042	28.685	27.340
Revenue	4.520	1.597	0.977	0.449	0.026
Capital expenditure to be financed by borrowing	**133.090**	**94.967**	**94.010**	**88.954**	**21.314**
TOTAL	**220.206**	**192.807**	**221.556**	**149.120**	**56.162**

The net financing need for commercial activities / capital investments included in the above table against expenditure is shown below:

Commercial activities / capital investments £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	116.819	70.367	24.286	33.216	15.172
Commercial activity financed by borrowing	**114.777**	**69.416**	**14.331**	**10.010**	**6.980**
Overall Capital expenditure to be financed by borrowing	**133.090**	**94.967**	**94.010**	**88.954**	**21.314**
Percentage of total net financing need %	**86%**	**73%**	**15%**	**11%**	**33%**

The table above shows in 2018/19 that 73% of the overall capital expenditure financed by borrowing is forecast to be for commercial/non-financial investments.

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £201m of such schemes within the CFR.

The CFR projections are shown below:

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement (£m)					
CFR – General Fund	1,075.13	1,133.38	1,175.13	1,199.54	1,168.68
CFR – HRA	294.703	289.200	295.877	310.765	309.039
Total CFR	**1,369.830**	**1,422.584**	**1,471.006**	**1,510.306**	**1,477.714**
Movement in CFR		**52.754**	**48.422**	**39.300**	**(32.592)**
Movement in CFR represented by (£m)					
Net financing need for the year (above)	133.090	94.967	94.010	88.954	21.314
Less MRP/VRP and other financing movements		50.215	45.588	49.654	53.906
Movement in CFR		**52.754**	**48.422**	**39.300**	**(32.592)**

A key aspect of the regulatory and professional guidance is that councillors are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity as show the scale proportionate to the council's remaining activity.

3 BORROWING

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at 31 December 2018 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.18	**31.3.18**	**31.12.18**	**31.12.18**
Treasury investments	£000	%	£000	%
banks	0	0%	30,000	29%
local authorities	10,000	32%	47,000	45%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	21,300	68%	26,900	26%
Total treasury investments	**31,300**	**100%**	**103,900**	**100%**
Treasury external borrowing				
local authorities	28,500	3%	47,500	5%
PWLB	787,254	91%	861,008	90%
market loans inc LOBOs	49,000	6%	49,000	5%
stock & other	814	0%	814	0%
Total external borrowing	**865,568**	**100%**	**958,322**	**100%**
Net treasury investments / (borrowing)	**(834,268)**		**(854,422)**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

It should be noted that the forecast under borrowing position is supported by the council balance sheet i.e. reserves and working capital balances, should these balances reduce further borrowing will be required and additional costs of financing will be incurred. This should be seen in context of the council's overall budget position and current level of budget flexibility.

£m	**2017/18 Actual**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
External Debt at 1 April	788.9	865.6	934.2	992.7	1,039.0
Expected change in Debt	76.7	68.6	58.5	46.3	(16.8)
Other long-term liabilities inc PFI	226.0	208.0	201.0	191.4	181.8
Expected change in OLTL *	(18.0)	(7.0)	(9.6)	(9.6)	(11.1)
Gross debt at 31 March	**1,073.6**	**1,135.2**	**1,184.1**	**1,220.8**	**1,192.8**
Capital Financing Requirement (CFR)	**1,369.8**	**1,422.6**	**1,471.0**	**1,510.3**	**1,477.7**
Under / (over) borrowing	**296.2**	**287.4**	**286.9**	**289.6**	**284.9**

* (OLTL) – Other Long Term Liabilities

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt, and may be breached temporarily due to unusual cash flow movements. However a sustained or regular trend above the operational boundary should trigger a review of both the operational boundary and the authorised limit.

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Operational boundary	1,313.8	1,421.0	1,460.3	1,427.7

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

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

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Authorised limit	1,353.8	1,471.0	1,510.3	1,477.7

Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime. Any new HRA borrowing should be compliant with eth Prudential Code i.e. prudent, affordable, sustainable and in proportion with the available resources. This limit is currently:

HRA Debt Limit £m	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt cap *	319.8	319.8	319.8	319.8
HRA CFR	289.2	295.9	310.8	309.0
HRA headroom	30.6	23.9	9.0	10.8

**** Abolition of HRA debt cap.*** *In October 2018 Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap.*

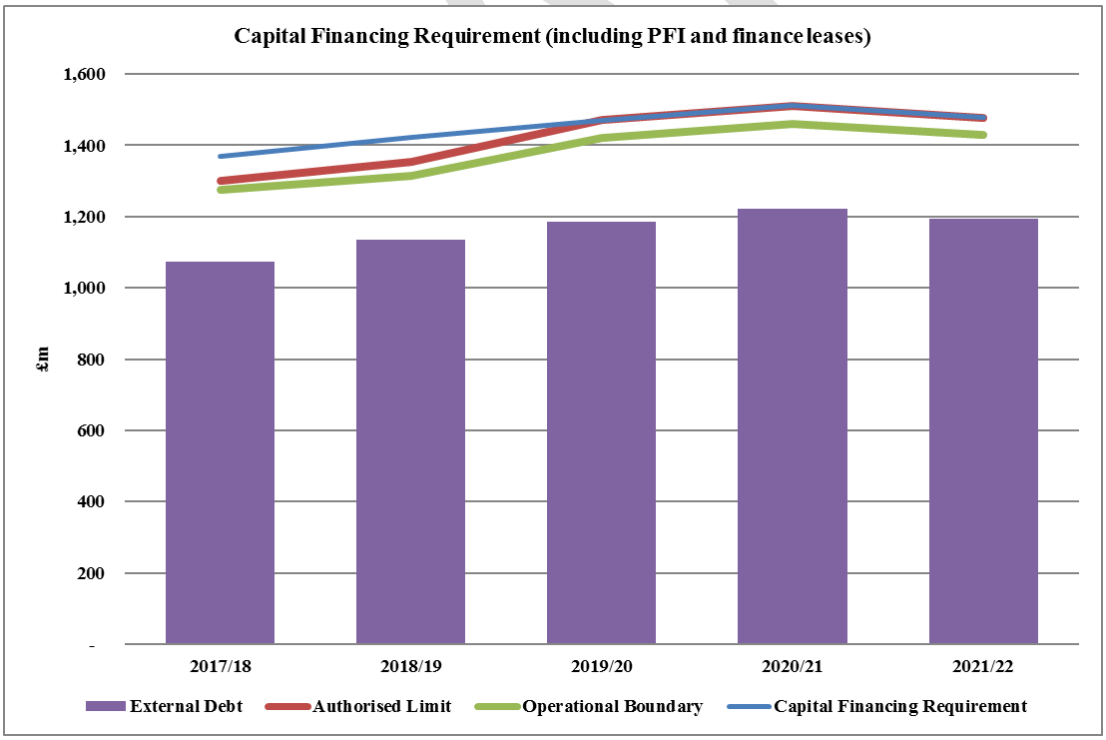
The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next three financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Variable rate debt	300.0	300.0	300.0	300.0

The level of variable rate debt as at 31 December 2018 was £148.6m.

Debt limits against the CFR: - The following table and graph discloses how the indicators on the limits to borrowing compare to actual external debt and the forecast capital financing requirement (CFR). The difference between the CFR and the forecast external debt represents the level of under borrowing expected over the forecast period.

CAPITAL FINANCING REQUIREMENT (including PFI and finance leases)					
	Actual 2017/18 £m	**Est 2018/19 £m**	**Est 2019/20 £m**	**Est 2020/21 £m**	**Est 2021/22 £m**
HRA CFR	294.7	289.2	295.9	310.8	309.0
General Fund CFR	1,075.1	1,133.4	1,175.1	1,199.5	1,168.7
Total CFR	**1,369.8**	**1,422.6**	**1,471.0**	**1,510.3**	**1,477.7**
External Borrowing	865.6	934.2	992.7	1,039.0	1,022.1
Other long term liabilities	208.0	201.0	191.4	181.8	170.7
Total Debt	**1,073.6**	**1,135.2**	**1,184.1**	**1,220.8**	**1,192.8**
Authorised Limit	1,300.0	1,353.8	1,471.0	1,510.3	1,477.7
Operational Boundary	1,275.0	1,313.8	1,421.0	1,460.3	1,427.7



3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in sections 5.4.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

PWLB rate forecasts shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have back tracked since then until early January. The policy of under borrowing has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. Interest rates are closely monitored in financial markets and a pragmatic approach to changing circumstances will be taken:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Based on the current central case forecast the Council will look to maintain the under-borrowed position and continue to utilise short term loans at low interest rates whilst allowing flexibility to take advantage of longer term funding opportunities to fix the interest rate and so reduce the overall level of interest rate exposure. Any borrowing will be subject to the Council's limits on the exposure to variable interest rates shown in section 3.2 and the maturity limits shown in the Prudential Indicators shown in section 5.1.3.

The benefits of short-term borrowing and/or maintaining an under-borrowed position will be monitored regularly against the potential for incurring additional costs by deferring fixing this borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. This may include to pre-fund future years' requirements, to reduce the level of internal borrowing or for additional capital schemes that are not yet in the approved capital program providing this does not exceed the authorised limit for borrowing of £1,471.0 million.

The Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

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

3.6 Debt rescheduling

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

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investments – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section of the report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's treasury investment strategy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term credit ratings.

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

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

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
   - **Non-specified investments** can be those with less high credit quality, or investments for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments (see table 2 in section 4.2).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.2.

7. **Investment limits** are set for each type of investment in table 3 in section 4.2.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, shown in table 4 in section 4.2.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.2 – specified investments).

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

4.2 Investment strategy

Context: The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £27m and £104m. Investment balances are expected to be maintained at a balance of around £30m in the forthcoming year, based on central case borrowing strategy in section 3.4.

Objectives: Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims primarily to avoid credit risk by holding a minimum level of investments for cash flow liquidity purposes only. The majority of the Council's surplus cash is currently invested in highly liquid short-term unsecured bank deposits, short-term deposits with other local authorities and money market funds.
Should investment balances increase and are forecast to be available for a sustained period the Council will aim to diversify further into secured asset classes and look to invest for longer periods. The value to be obtained from longer term investments will be carefully assessed against the forecast for the Money Market Interest rates.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£10m 5 years	£10m 20 years	£10m 50 years
AA+	£10m 2 years	£10m 10 years	£10m 25 years
AA	£10m 2 years	£10m 5 years	£10m 15 years
AA-	£10m 2 years	£10m 4 years	£10m 10 years
A+	£10m 2 years	£10m 3 years	£10m 5 years
A	£10m 13 months	£10m 2 years	£10m 5 years
A-	£10m 6 months	£10m 13 months	£10m 5 years
None	n/a	n/a	£10m 5 years
Pooled funds	£10m per fund		

This table must be read in conjunction with the notes below:-

Lloyds Bank: The Council's own bank, will be subject to the limits in table 1 for investment balances, but also accommodate necessary short-term cash management balances within its bank accounts for periods of up to 4 days with no maximum sum.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: 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 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. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus corporate bonds, commercial paper, equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.
Short-term Money Market Funds that offer same-day liquidity and very low or no volatility (CNAV/LVNAV funds) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices (VNAV funds) and/or have a notice period will be used for longer investment periods.

Risk Assessment and Credit Ratings:
Credit ratings are obtained and monitored by the Council'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.

Where a credit rating agency announces that a credit 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.

Other Information on the Security of Investments: The Council 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.
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 Council 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 Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills 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.

Specified Investments: The MHCLG 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 Council defines "high credit quality" organisations and securities 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 AAA from at least one of the main credit rating agencies.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any financial investments (treasury management investments) denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified treasury investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement. The limits for non-specified investments is shown in table 3 below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£10m
Secured Bank Investments > 365 days *	£40m
Government Investments > 365 days (inc Local Authorities) *	£100m
Total non-specified investments	**£100m**

*** The table above shows the non-specified investment limits by the investment type. The investment limits in Table 1 & 3 also apply.**

Investment Limits: The Council's revenue reserves available to cover investment losses are forecast to be c.£105 million on 31st March 2019. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits	
	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£20m per country
Money Market Funds (CNAV/LVNAV)	£75m in total
Other Pooled Funds (VNAV)	£20m in total

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end including the flexibility to accelerate borrowing to manage interest rate risk as detailed in section 3.4.

Table 4: Upper limit for principal sums invested for longer than 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested for longer than 365 days	£100m	£100m	£50m
Current investments as at 31.12.18 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.3 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Benchmarks will be reported against, in the mid-year or Annual Report.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0m
- Liquid short term deposits of at least £30m available with a week's notice.

Yield - local measures of yield benchmarks are:

- Investments – returns above the 7 day LIBID rate

4.4 Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Liquidity Management: The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-

estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average 3 month UK Government Treasury Bill interest rate to reflect a credit risk free return.

Management of treasury risk: Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Details of the specific risks identified in respect of treasury management within the Council are adopted to form a Risk Management Action Plan. This Plan is reviewed at regular intervals at meetings of the Treasury Management Panel and is reported to Audit Committee for scrutiny as part of the Treasury Management Strategy Report.

UK banks – ring fencing: The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure.
The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

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

5.1.1 Capital expenditure & the Capital Financing Requirement

See paragraphs 2.1 & 2.2

5.1.2 Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

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

%	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	12.90%	16.46%	16.89%	18.27%	19.19%
HRA	12.41%	12.90%	13.17%	13.48%	13.64%

The estimates of financing costs include current commitments and the proposals in this report. The net revenue stream is shown as the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes ring-fenced NET (tram) government grant and revenue raised from the Workplace Parking Levy.

b. HRA ratios

The first of two local HRA indicators below shows the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt £m	294.703	289.200	295.877	310.765	309.039
HRA debt cap £m	319.784	319.784	319.784	319.784	319.784
HRA revenues £m	103.777	105.161	102.519	103.200	104.152
Ratio of debt to revenues %	**2.8**	**2.8**	**2.9**	**3.0**	**3.0**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt £m	294.703	289.200	295.877	310.765	309.039
Number of HRA dwellings	25,808	25,504	25,193	24,988	24,746
Debt per dwelling £'s	**£11,419**	**£11,339**	**£11,744**	**£12,437**	**£12,488**

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	25%
2 years to 5 years	0%	25%
5 years to 10 years	0%	25%
10 years to 25 years	0%	50%
25 years to 40 years	0%	50%
40 years and above	0%	50%

5.1.4 Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.2.

5.2 Annual Minimum Revenue Provision Statement 2019/20

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

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year.

The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date, the MRP policy will be to charge an amount per Schedule A below. This charge is based on the principle of repaying the outstanding balance as 31 March 2016 over a 50 year period (2066/67) as per profile approved in 2017/18.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where loans are made to other bodies for their capital expenditure, MRP will be charged or reduce the outstanding debt in line with the principal repayment profile in the 3rd party agreement.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Director of Finance.

- Capital receipts maybe voluntarily set-aside to clear debt and replaced with future prudential borrowing to temporarily reduce the MRP charge. This use of capital receipts will be at the discretion of the Director of Finance.

- MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £0.726m.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

Schedule A - MRP profile for outstanding Supported Borrowing

Supported Borrowing is capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date.

	Year	MRP Payment	Supported Borrowing Balance
3	2019/20	76,894	204,810,349
4	2020/21	76,894	204,733,455
5	2021/22	76,894	204,656,561
6	2022/23	76,894	204,579,667
7	2023/24	76,893	204,502,774
8	2024/25	4,755,878	199,746,895
9	2025/26	4,755,878	194,991,017
10	2026/27	4,755,878	190,235,138
11	2027/28	4,755,878	185,479,260
12	2028/29	4,755,878	180,723,381
13	2029/30	4,755,878	175,967,503
14	2030/31	4,755,878	171,211,624
15	2031/32	4,755,878	166,455,746
16	2032/33	4,755,878	161,699,867
17	2033/34	4,755,878	156,943,989
18	2034/35	4,755,878	152,188,111
19	2035/36	4,755,878	147,432,232
20	2036/37	4,755,878	142,676,354
21	2037/38	4,755,878	137,920,475
22	2038/39	4,755,878	133,164,597
23	2039/40	4,755,878	128,408,718
24	2040/41	4,755,878	123,652,840
25	2041/42	4,755,878	118,896,961
26	2042/43	4,755,878	114,141,083
27	2043/44	4,755,878	109,385,204
28	2044/45	4,755,878	104,629,326
29	2045/46	4,755,878	99,873,448
30	2046/47	4,755,878	95,117,569
31	2047/48	4,755,878	90,361,691
32	2048/49	4,755,878	85,605,812
33	2049/50	4,755,878	80,849,934
34	2050/51	4,755,878	76,094,055
35	2051/52	4,755,878	71,338,177
36	2052/53	4,755,878	66,582,298
37	2053/54	4,755,878	61,826,420
38	2054/55	4,755,878	57,070,541
39	2055/56	4,755,878	52,314,663
40	2056/57	4,755,878	47,558,785
41	2057/58	4,755,878	42,802,906
42	2058/59	4,755,878	38,047,028
43	2059/60	4,755,878	33,291,149
44	2060/61	4,755,878	28,535,271
45	2061/62	4,755,878	23,779,392
46	2062/63	4,755,878	19,023,514
47	2063/64	4,755,878	14,267,635
48	2064/65	4,755,878	9,511,757
49	2065/66	4,755,878	4,755,878
50	2066/67	4,755,878	-

5.3 NOTTINGHAM CITY COUNCIL TREASURY MANAGEMENT POLICY STATEMENT

The following treasury management policy statement is required to be adopted annually by Full Council as part Treasury Management Strategy.

INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices, activities and the annual treasury management strategy in advance of the year in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board. Executive Board will receive reports as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. The Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control

of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable, prudent and proportionate with its financial resources and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to financial investments remains the security of capital. The liquidity or accessibility of the Council's financial investments followed by the yield earned on these investments remain important but are secondary considerations.

5.4 ECONOMIC BACKGROUND & FORECAST COMMENTARY

GLOBAL OUTLOOK.
World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in

GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the **labour market** figures in October**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and

therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 and below are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.**

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

PWLB forecasts shown above include the 20 basis point certainty rate reduction.

On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be

much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority eurozone governments.** Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** in 2018, also elected a strongly

anti-immigration government. Elections to the EU parliament are due in May/June 2019.

- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree by 29 March a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to UK economic growth.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

5.5 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to councillors of a schedule of all capital investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that councillors are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material capital investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of capital investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to capital investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to capital investments will be arranged.*

Nottingham City Council Capital & Investment Strategy

Nottingham City Council Capital and Investment Strategy 2019/20 – 2023/24

Contents

Section One – Introduction

Aims of the Capital and Investment Strategy and its links to the Council Plan

The Capital Strategy forms a key part of the City Council's overall Corporate Planning Framework by which capital and investment decisions will be made.

The overarching aim of the 2019/20 to 2023/24 Capital Strategy is to provide a framework within which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities and objectives over the medium term. The Strategy recognises uncertainties, especially in relation to funding in later years.

In order to reflect the Council's corporate priorities the Capital Strategy is driven by the Council Plan 2015-2019, which is founded on a number key objectives:

- Ensuring every child in Nottingham is taught in a school judged good or outstanding by Ofsted
- Build 2,500 new homes that Nottingham people can afford to rent or buy
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour
- Tackle fuel poverty by setting up a not-for-profit energy company to sell energy at the lowest possible price to Nottingham people
- Guarantee a job, training place or further education place for every 18 to 24 year old

These objectives reflect an on-going commitment to the City Council's core aim to "put citizens at the heart of everything we do". This is central to the Council's priorities, decision making and service delivery.

Further details regarding how the Council Plan has influenced the capital projects include regeneration and transport priorities further details can be found in Section 2 (Council's Priority Areas for Capital Investment).

This strategy sets the framework for all aspects of the Council's capital and investment expenditure including planning, prioritisation, management, funding and monitoring. The strategy forms a key part of the Council's Medium Term Financial Strategy.

Section Two – Capital Strategy Aims, Objectives, Principals and Priorities

Aims & Objectives of the Capital and Investment Strategy

The Capital and Investment Strategy aims to:

- Provide a clear set of objectives and a framework, compliant with the CIPFA guidance and legislation, by which new projects are evaluated.

- Ensure projects meet the Council's Priorities and are fully funded by means of whole life project costing.

- Prioritise projects that meet the following criteria:
    - Deliver Council Plan / Council Objectives
    - Invest to Save – assist the delivery of budget decisions
    - Commercialism – projects that generate a revenue surplus
    - Attract significant third party or match funding to the City
    - Deliver wider economic or service objectives e.g. regeneration / job growth

- Set out how the City Council identifies, programmes and prioritises funding requirements and proposals arising from a project gateway process. This involves a Full Financial Appraisal, Full Business Case and a review by the Project Assurance Group.

- Aid decision making regarding use of funding, resources availability and how these might be maximised to deliver the Council's priorities.

- Ensure the capital programme maintains an overall balance of risk over the strategy period and provides insight into the funding envelopes and rates of return.

- Establish effective arrangements for the management of expenditure including the assessment of project spend, budget forecasting, contractual commitments, revenue impact (in year and projected over the Medium Term Financial Outlook (MTFO)), value for money, opportunity cost and debt exposure.

Capital Investment Principles and Priorities

Principles

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources. The principles of the strategy are as follows:

- Current approved (or contractually committed) schemes will be supported and sufficient resources will be provided to enable them to proceed or complete up to the approved level of expenditure.

- Capital Project Sponsors and Managers must demonstrate that a rigorous process of options appraisal has been followed, requiring assessment of Council priorities, cost, risk, project deliverables and methods of financing. The Project Assurance Group has a clear role in ensuring all key questions have been asked prior to the scheme receiving formal approval.

- Any costs incurred on options not progressed will be abortive costs that do not meet the criteria for capitalisation.

- All capital investments are required to make reference to Council objectives and will only be considered for resource allocation once this has been demonstrated.

- There will be no ring-fencing of capital receipts to specific projects, with the exception of:
    - School Sites ring-fenced by the Secretary of State for education purposes
    - Sites identified as part of the Loxley House Business Case
    - Property Trading Assets: Sites whose sale generates a revenue pressure will be assessed to identify how much the Council needs to reinvest to cover lost income

- The Council supports the implementation of the Property Investment Policy, allocating funding to facilitate property acquisitions that provide a sustainable income stream to support the Council's revenue budget.

- The Council will consider the removal of ring-fencing from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non ring-fenced capital funding will be reviewed.

  Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives.

    - Transport grant funding

- Basic Needs Government Funding, due to the current pressure on school places
- Disabled Facilities Grant

- It is assumed that all resources that were not applied during the previous financial year remain fully committed and carried forward into the current year, as they are required to meet commitments within the Capital Programme.

- Future funding opportunities may arise for which the Council may wish to submit bids. The Council will respond in a manner it considers appropriate to bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities. Match funding requirements are considered on a scheme-by-scheme basis with resourcing requirements prioritised accordingly.

- Business Cases and Financial Assessments (Section 3), adopt the prudent principle regarding the asset value at the end of the financial mode, the normal assumption is the asset has £nil realisable value. Although this will be considered on a case by case basis.

- In accordance with CIPFA guidance the Council defines Capital Expenditure as:

  ‘Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.’
  Nottingham City Council Statement of Accounts 2017/18

  Any expenditure that does not meet the above definition is charged directly to revenue, for example:
  - Routine repairs and maintenance of fixed assets
  - Feasibility and Development costs of options and schemes not progressed
  - Communications and Marketing
  - Expenditure not necessary to bring the asset into use

Council's Priority Areas for Capital Investment

The Capital and Investment Strategy recognises the constraints imposed by a significant reduction in financial resources. Nottingham City Council must therefore rely on both internal and external capital resources and evaluate projects to ensure all investment decisions can be no less than financially self-sustaining whilst still meeting priorities.

As well as the Council prioritising projects individually, the Council also considers the Capital Programme collectively in terms of how associated risk is managed, the cash flow implications and the implications for future financial sustainability.

The Corporate Asset Management Plan (CAMP) confirms the Council's commitment to provide good quality, sustainable and accessible accommodation for staff and citizens. However, the Council still owns Operational Assets that do not meet modern standards and the aim is to dispose of these sites, providing more effective accommodation for colleagues and an improved experience for citizens (i.e. Operational Property Rationalisation). To ensure resources are available for maintaining operational assets all financial models will include a sinking fund that is envisaged to fund future repair liabilities.

The Council's Capital Investment priorities for the period 2018/19-2023/24 are covered below. These projects will be progressed subject to the availability of resources and the approval of a full business case.

Existing Projects:
There is a commitment to continued funding within the existing programme that covers the following priority areas:

- District Heating / Incinerator Works
- Nottingham Castle Transformation
- Southern Gateway Improvements
- Royal Centre Modernisation
- Council wide IT Schemes
- Vehicle Replacement Programme
- Low Carbon and Energy Efficiency Initiatives
- Parks and Open Spaces Improvements
- City Regeneration Schemes
- Housing Initiatives
- Property Repairs and Investments
- Transport Repairs and Improvements
- School Condition Works
- Invest to Save or Commercialisation
- Operational Property Rationalisation
- Delivery of key regeneration priorities

- Supporting strategic transport priorities such as maximising the benefits of HS2 and improving connectivity to East Midlands Airport
- Delivery of Local Transport Plan projects and infrastructure to support economic development
- Supporting Local Plan housing delivery

New and Emerging Projects

In addition to the projects specifically referred to above, the following is a list of priority projects that have not had the full business case approved:

- Fit-out and operation of the new Central Library
- School Investment / Pupil Pressures
- Other Regeneration Schemes

Non-Treasury Investments

Nottingham City Council invests in other financial assets (i.e. loans and investment properties), which are not part of treasury management activity. These other investments fall within two areas:

- **Service Investments** – investments held clearly and explicitly for the provision of operational services, including regeneration
- **Commercial Investment** – investments undertaken primarily for financial reasons

A register of service and commercial investments held by the Council is listed in Appendix A.

Service Investments

Service investments made by the Council are largely loans to third parties ranging from short-term to longer-term loans linked to assets or investments in group organisations. Following a detailed assessment, each loan will have an interest rate applied which reflects any appropriate legislation (e.g. State Aid). Scrutiny for Service Investments is undertaken by officers within the Council giving due regard to the relevant formal approval. This scrutiny will include a due diligence assessment to ensure that the Council has the appropriate level of:

- Security – due diligence is carried out on the loan counterparty to assess their credit strength and ability to make loan repayments. Security is also achieved by obtaining charges on assets, but could also include guarantees (e.g. Parent Company Guarantee)
- Liquidity – third party business cases to be critically assessed to identify financial performance including if the scheme has early year deficits
- Yield – reflecting market risk / return and the opportunity cost to the Council of not being able to use those funds elsewhere

Commercial Investment

Commercial Investments that the Council has undertaken to date are property investment acquisitions. As at the 31st March 2018 the total invested is as follows:

Table 1: Commercial Investments and contribution to Budget at 31st March 2018	
	£m
Gross Commercial Investment	197.574
Minimum Revenue Provision incurred	(1.046)
Net Commercial Investments	**196.528**
Funding	
Council Resources	(2.000)
Unsupported Borrowing (net of MRP paid to 31st March 2018)	(194.528)
Total Funding	**(196.528)**
Annual Net income to the General Fund 1st April 2018 (*)	**(4.769)**

(*) Net of financing costs, operating costs and contribution to a sinking fund.

The Council's Investment Panel will review new investment proposals at various key stages. This panel consists of internal experts across the Finance and Property Sections of the Council. Following due diligence the Commercial Investment is considered by the relevant Portfolio Holder and the Strategic Director of Property prior to entering into negotiations. If the negotiations are successfully concluded the Commercial Investment will follow the Council's current approval procedures.

All Commercial Investments are reviewed post-acquisition. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The investments are managed on an ongoing basis, reviewing the actual performance to the original financial model, paying particular attention to key events such as rent reviews.

The gross commercial investment made by the Council of £197.574m (excluding MRP payments to 31st March), plus the forecast £105.323m leaves the Council open to the following risks:

- Voids due to economic downturn / tenant breaks
- Property Market downturn

These risks have been mitigated by investing in a diverse property portfolio and the properties are transferred as a going concern by having a tenant with a strong covenant in occupation. A sinking fund is also set aside for the commercial investments based on rental level received. This reserve is available to smooth out void periods (in year deficits) if they cannot be absorbed elsewhere within Property Services.

No commercial investments generated a revenue pressure during financial year 2017/18.

The Council continues to operate in a challenging financial environment of reduced levels of Government funding due to austerity policies. This level of commercial investment has been undertaken as part of the council's commercialisation policy, which seeks to address the funding gap and protect key services.

Capitalisation Flexibilities

In December 2017 the Secretary of State announced that the capital receipt flexibility programme will be extended until 31st March 2022. This flexibility gives the Council the freedom to use non-Public Sector Housing capital receipts to fund the revenue costs of transformation projects and release savings.

As detailed within Section 3 the Council is not intending to use this flexibility due to all forecast receipts from property disposal (secured and unsecured) in the medium term being earmarked to fund the Council's ambitious capital programme. Receipts from principal loan repayments are earmarked to repayment of underlying debt.

Section Three – Capital Programme Structure, Resourcing Strategy

Capital Programme Structure

The Council's Capital Programme is split into three sections:

- Approved Projects – Projects that have been formally approved and have a funding package that is deemed affordable
- Planned Projects – Projects that have been agreed in principal and the Council is undergoing project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope
- Potential Projects – Projects that are at the beginning of the scoping and development process and therefore are not included in the Council's borrowing forecasts

As projects progress through the above stages they will go through a gateway process to challenge the project team and provide assurance that the project is best use of public funds and will assist the Council in meeting its priorities.

Each of the three Capital Programme areas include a variety of capital projects, with each section divided into sub-sections as follows:

- Council Priorities / Service Delivery (including Regeneration Schemes)
- Asset Investments
- Third Party Loans
- Revenue Generating Investments (Invest to Save or Commercialism)
- Grants
- Revenue Expenditure Financed by Capital Under Statute (REFCUS)

Capital Programme – General Fund
Table 2 below is a snapshot of the Capital Programme at 31st December 2018.

The funding is showing a balanced budget within **Table 2** assuming all forecast grants are received as expected and the pressure on the unsecured capital receipts as highlighted within **Table 5** is resolved.

Table 2: General Fund - Capital Programme and Resources							
2018/19 £m	**Scheme**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
	Category 1 (Approved Schemes)						
19.696	Transport Schemes (*)	13.988	0.000	0.000	0.000	0.000	**33.684**
7.503	Education / Schools	3.045	0.000	0.000	0.000	0.000	**10.548**
96.921	Other Services	135.359	71.851	19.128	8.606	7.327	**339.192**
19.250	**Category 2 (Planned Schemes)**	14.302	29.766	7.572	0.000	0.000	**70.890**
143.370	**Total Programme**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**
	Resources						
83.311	Prudential Borrowing	81.382	72.340	21.314	5.425	4.306	**268.078**
43.860	Grants & Contributions	65.501	11.890	2.543	2.309	2.168	**128.271**
5.810	Internal Funds / Revenue	6.670	4.785	1.464	0.113	0.103	**18.945**
8.919	Secured Capital Receipts	0.000	0.000	0.000	0.000	0.000	**8.919**
1.470	Unsecured Capital Receipts	13.141	12.602	1.379	0.759	0.750	**30.101**
143.370	**Resourcing Subtotal**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**

(*) Traditionally the Local Transport Plan is set for three years, however due to the 2019 Spending Review no funding is programmed for 2020/21 and 2021/22. Once the outcome of the spending review has been completed the Transport Programme will be reviewed to ensure it is able to respond to any new requirements or priorities.

Capital Programme – Public Sector Housing

Table 3 is a snapshot of the Public Sector Housing Programme. The programme currently shows a resourcing shortfall due to additional capital projects being required following the Grenfell incident. If external grant cannot be identified, savings will need to be made elsewhere within the Public Sector Housing Programme to offset the forecast funding shortfall.

Table 3: Public Sector Housing - Capital Programme and Resources							
2018/19 £m	**Scheme**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
48.930	Category 1 (Approved Schemes)	54.362	36.165	29.462	31.774	32.819	**233.512**
0.000	Category 2 (Planned Schemes)	0.500	11.338	0.000	0.000	0.000	**11.838**
48.930	**Total Programme**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**
	Resources						
7.795	Prudential Borrowing	8.403	16.614	0.000	0.000	0.000	**32.812**
3.794	Grants & contributions	2.556	0.750	0.000	0.000	0.000	**7.100**
0.000	Internal Funds / Revenue	0.000	0.000	0.000	0.000	0.000	**0.000**
26.898	Major Repairs Reserve	31.349	24.349	25.902	28.137	29.182	**165.817**
6.582	Secured Capital Receipts	8.329	2.661	0.000	0.000	0.000	**17.572**
0.000	Capital Receipts Unsecured	0.000	3.129	3.560	3.637	3.637	**13.963**
45.069	**Total Resources**	**50.637**	**47.503**	**29.462**	**31.774**	**32.819**	**237.264**
3.861	**Cumulative (Surplus)/Shortfall**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**

Capital Resourcing Approach

The Council's capital investment is governed by the 'Prudential Code for Capital Finance in Local Authorities' (Prudential Code). The Prudential Code provides the Council with a regulatory framework within which the Council has discretion over the funding of capital expenditure and the level of borrowing the Council wishes to undertake to deliver capital plans and programmes.

The strategy is intended to maximise the financial resources available for investment in service provision and improvement within the MTFO. At the same time it seeks to ensure that each business case has a robust self-sustainable financial model that delivers the Council's objectives.

The funding available to Nottingham City Council is split into six main categories:

1. Government grants and non-government grant and contributions
2. Unsupported borrowing
3. Funds and reserves
4. Direct revenue financing
5. Capital receipts
6. Leasing / Private Finance Initiatives (PFI)

1. Government Grants and Non-Government Grant and Contributions

These can be split into three sub categories:

- Ring-fenced grants and contributions (Reserved for a particular purpose and have a restricted use);
- Non-ring-fenced grants and contributions (Grant given with conditions which Projects are required to meet);
- Section 106 agreements (Planning obligations generally subject to conditions of use).

Where there is a requirement to make an application to an external body for funding and commit Council resources as match funding for any part of any bid, a business case and paper needs to be approved per the Council's current approval procedures (e.g. DDM, Leaders Key Decision, or Executive Board Report).

2. Unsupported Borrowing (Prudential Borrowing)

As detailed above the Council has the discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the following criteria as set out in the Prudential Code:

- **Affordable**
- **Sustainable**
- **Prudent**

- **Proportionate for the size of the authority**.

For any borrowing undertaken a full appraisal will take place to ensure that sufficient revenue returns are generated to cover the cost of borrowing, for example 'invest to save' or schemes which meet the Council's 'commercialisation agenda'.

To be deemed affordable, sustainable and prudent a full business case is carried out and schemes have to provide a surplus Net Present Value (NPV) to the Council over the life of the project.

Prudential Borrowing Loan repayments are spread over an asset's useful life, this means that for the longer term Capital Schemes (i.e. Land and Buildings) the borrowing term can be significant.

Where it is considered that prudential borrowing is the appropriate method of funding, the additional revenue costs related to debt repayment will be built into the service budget. When projects are approved, details of how any potential revenue impact will be managed must be included (e.g. early year deficits).

Housing Revenue Account (HRA)

The HRA has no statutory requirement to make Minimum Revenue Provision (MRP) contributions unlike unsupported borrowing within the General Fund. The Council uses the HRA 30 year business plan as a way of managing its debt position by making voluntary provisions / voluntary set aside as appropriate. Prudential Borrowing for Housing Revenue Account Projects is required to meet the same Prudential Code criteria as set out above (e.g. full financial appraisal, debt repaid over asset life, early year deficit impact).

Forecast Borrowing General Fund and Housing Revenue Account

As at quarter 3 the forecast borrowing for the Council is as follows:

Table 4: Unsupported Borrowing Forecast Period 8

Area and Category	Forecast Borrowing Requirement					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
General Fund						
Category 1 - Approved Schemes	(71.061)	(72.017)	(45.574)	(13.742)	(5.425)	(4.306)
Category 2 - Planned Projects	(12.250)	(9.365)	(26.766)	(7.572)	0.000	0.000
TOTAL General Fund	**(83.311)**	**(81.382)**	**(72.340)**	**(21.314)**	**(5.425)**	**(4.306)**
Public Sector Housing						
Category 1 - Approved Schemes	(7.795)	(8.403)	(7.276)	0.000	0.000	0.000
Category 2 - Planned Projects	0.000	0.000	(9.338)	0.000	0.000	0.000
TOTAL Public Sector Housing	**(7.795)**	**(8.403)**	**(16.614)**	**0.000**	**0.000**	**0.000**

TOTAL Forecast Borrowing Requirement	**(91.106)**	**(89.785)**	**(88.954)**	**(21.314)**	**(5.425)**	**(4.306)**

3. Capital Receipts

The Council's land and property estate is managed through the CAMP, which identifies the Council's property requirements. Where appropriate, properties are declared surplus to requirements and the Council will look to dispose of the asset.

Capital receipts generated from disposal of Council assets represent a finite funding source, therefore the Council is required to plan disposals to support its priorities.

Capital Receipts will also be a key source of capital funding for projects that meet the Council's strategic aims / objectives but make insufficient financial return to cover the costs of borrowing.

Nottingham City Council has a strategy of not ring-fencing the use of specific Corporate Capital Receipts to fund specific schemes or service areas unless a suitable business case is created and approved.

All receipts are reviewed to see if there are any restrictions on the receipt (e.g. Secretary of State), or whether the asset had any clawback provision or debt outstanding as these have first call on the capital receipt. The remaining balance of general fund capital receipts is allocated between reinvestment in Property Income Generation and Corporate Capital Receipts:

- Property Income Generation Receipt – receipts on assets that provide a return to the Property Trading Account (PTA) can be reinvested within PTA.
- Corporate Capital Receipts – are non-income generating receipts that are allocated in accordance with the Councils aims / priorities and used to assist the Council's long term financial position, which could include:
  - Repayment of existing debt under the Prudential Framework,
  - Financing new capital investment,
  - Financing transitional costs of change.

A forecast of receipts to be received over the current period and the next 5 years has been collated and each receipt has been revised to reflect a risk factor providing the Council with a strategic programme of sales. **Table 5** below shows the position at period 9. As receipts are secured the pressure identified below will decrease subject to the value of the receipt being in excess of the receipt net of risk. These receipts require close monitoring to ensure the capital programme can be funded in line with approvals.

Table 5: General Fund Capital Receipt Analysis						
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Capital Receipts Brought Forward	**(1.954)**	**(6.228)**	**(0.443)**	**9.324**	**8.383**	**7.602**
Receipts in year						
Secured Capital Receipts	(8.919)	0.000	0.000	0.000	0.000	0.000
Unsecured Capital Receipts	(21.652)	(7.758)	(2.835)	(2.320)	(1.540)	0.000
Total Available	**(32.525)**	**(13.986)**	**(3.278)**	**7.004**	**6.843**	**7.602**
Commitments						
Capital Programme Commitments (Approved Schemes)	8.389	13.141	9.602	1.379	0.759	0.750
Capital Programme Commitments (Planned Schemes)	2.000	0.000	3.000	0.000	0.000	0.000
Other Commitments	15.919	0.402	0.000	0.000	0.000	0.000
Total Commitments	**26.308**	**13.543**	**12.602**	**1.379**	**0.759**	**0.750**
(Surplus) / Pressure Capital Receipts	**(6.217)**	**(0.443)**	**9.324**	**8.383**	**7.602**	**8.352**

The **£8.363m** pressure identified within Table 5 is in accordance with the Southside Regeneration Executive Board approved December 2018 that committed **£8.250m** of receipts to be identified. As these receipts are identified, they will offset the above pressure.

Within the above table there is a risk that the unsecured receipts expected in 2018/19 slip into 2019/20. If this happens there is a risk that alternative funding will need to be identified in lieu of the Capital Receipt.

Housing Revenue Account (HRA) – Capital Receipts
The HRA capital receipts are sub-categorised as follows:

- General HRA Receipts – The receipt is ringfenced for reinvestment within the Public Sector Housing Capital Programme.
- Right-to-Buy (RTB) Receipts – Are accounted for as stipulated in the Local Government Act, with elements of the receipt:
    - Repaid to Central Government,
    - Earmarked for reinvestment in Housing Stock (1-4-1),
    - To repay debt via a MRP provision (i.e. Voluntary Set-aside),
    - Reinvest in the Capital Programme

4. Revenue Funding

Capital Expenditure can be funded directly from revenue resources. The sources of revenue funding can be split into two clear categories:

- Funds and Reserves – specific reserves set aside for Capital purposes
- Direct Revenue Funding (DRF) – using revenue budget surpluses for capital purposes if it can be demonstrated that the funding is unfettered.

However, in the current economic climate and with increasing revenue pressure within Council finances, the extent to which this may be used to fund capital expenditure is significantly reduced.

Housing Revenue Account (HRA)
The HRA has a Major Repairs Reserve which is a specific reserve ringfenced for repairs and maintenance of the Council's housing stock.

5. Leasing / Private Finance Initiatives (PFI)

The Council does have the option to lease assets, however with the advent of Unsupported Borrowing this source of financing is becoming less attractive and the Council's Vehicle Replacement Scheme demonstrates this development. There may however be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

PFI schemes are not shown within the Capital Programme due to not being financed by capital resources.

When the Council identifies a service requirement all financing options are considered as part of the business case / feasibility. Where appropriate this will include the potential creation of a liability via a leasing or similar arrangement (e.g. PFI). Prior to entering into these agreements, a formal decision will need to follow the Council's standard approval process.

Leases and contracts entered into by the Council are periodically reviewed to identify all lease and embedded lease arrangements entered into that may create a potential liability for the Council.

Resourcing Allocation Strategy and Procedures

Resources Allocation Strategy

Each project or programme is subject to a gateway review / approval process that includes a full business case.

Projects / programmes that do not have a full funding package and require Council Resources (including schemes which have deficits in early years i.e. Medium Term Financial Plan (MTFP) Deficit), will be appraised using the following criteria should funding become available:

- Alignment to the Council Plan;
- Consequences of Exclusion (i.e. not providing Corporate Resource);
- Project Funding Package;
- Whether Project generates an income / reduces costs (including Invest to Save);
- Any preconditions;
- Impact on the environment;
- Effect on regeneration.

Internal Guidance / Business Case Considerations / Gateway Reviews

Internal Guidance

Project Management Handbook

The Project Management Handbook is a best practice document for project delivery. This section of the intranet also includes standardised templates that accompany the Project Management Handbook.

The link to the handbook is set out below:

http://intranet.nottinghamcity.gov.uk/major-projects/project-management/project-management-handbook/

Accounting Handbook

The Accounting Handbook has a section regarding fixed assets and capital investment, this section includes information about:

- Fixed Assets
- Capital Expenditure Coding
- Capital Accruals
- Capital Funding
- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Lease Accounting

As part of the capital monitoring exercise project managers are also sent guidance regarding expenditure capitalisation rules to assist them in their understanding of the revenue / capital split.

The link to the handbook is set out below:

http://intranet.nottinghamcity.gov.uk/finance/statutory-information/

Gateway Review

The gateway review process is a series of independent peer reviews at key stages of a programme or project lifecycle, aimed at supporting decision making and ensuring successful delivery.

Business case and financial assessment are evaluated at a Project Assurance Group (PAG). The PAG is a panel who are not involved in the project's development and are tasked with reviewing and challenging the project and the decisions made.

Business Case

A business case is a formal document which explains the case for the investment in a project or programme of work. The areas covered by a business case vary depending on whether it is an outline or full business case. An outline business case is used at the start of the planning process to obtain 'approval in principle' to proceed. A full business case is prepared after 'approval in principle' and is expected to cover the following areas:

1) The background to the business case - i.e. the reason for the project being put forward – in order to give context to the project;
2) Objectives
   a. The overall objectives of the project, and
   b. How the project will contribute to the achievement of corporate priorities;
3) Overview of options considered with a brief summary of why options were rejected;
4) Detailed explanation of the option accepted and why it was accepted;
5) Procurement details, including (but not limited to);
   a. details of tender process (when applicable)
   b. analysis of shortlisted tenders
   c. preferred supplier with explanation for decision
6) Financial appraisal of the scheme, including;
   a. profile of capital expenditure
   b. profile of funding broken down by funding source
   c. revenue implications (including the impact on the MTFO and any early year deficit)
7) Other advice required (as appropriate) per the standard approvals process;
   a. Legal
   b. Human Resources
   c. Procurement
   d. Property
8) Business Cases contain an inherent risk regarding the assumptions, in particular the likelihood of the revenue assumptions being achieved. This risk is amplified on the longer term business cases due to the uncertainty of predicting future cash flows / behaviours. This should be addressed through sensitivity and risk analysis.

Financial Appraisal

The purpose of any financial appraisal is to evaluate the viability of a project by assessing the net cash flows that result from financial models, how it meets the requirements of the Prudential Code and provides an assessment of Value for Money.

All capital projects are required to undertake a financial appraisal if they have either:

- An element of borrowing within the project's funding envelope, or
- A revenue impact on service delivery

Principles of the financial appraisal are:

- Full life project costing – For projects that are expected to create an asset with a long useful life the financial appraisal has an inherent risk due to uncertainty of cash flows in the longer term. A provision for a sinking fund to protect the Council from future liabilities should be included
- Revenue assumptions are required to have assumption owners who are either appropriately qualified Council officers or are specialist external advisors
- Revenue assumptions will be assessed to determine whether they should be subject to inflation at an appropriate rate
- Inclusion of a risk register including financial implications for both internal and external risks
- Optimism Bias is considered within all financial models by evaluating financial and service delivery inputs and including contingencies as appropriate, reducing the risk of over-optimistic assumptions locking the Council into undeliverable targets
- All financial models have the same prudent assumption that the residual value of assets at the end of the financial model is £nil
- A Financial Assessment which will include:
    - Cash flow assessment, identifying any early years deficit and impact on the MTFO
    - Net Present Value (NPV) assessment, the cash flow being discounted using the rates recommended as a base in the Treasury Green Book plus additional percentage points for interest and project risk. The affordability requirement is that the project has to produce a surplus NPV
    - Payback Period, this is the year in which the project forecasts a cumulative surplus position
    - Sensitivity Analysis, testing the key assumptions in the model to identify the financial impact if the approved base financial assumptions were not achieved
    - Opportunity Cost, if the Council is using non ring-fenced grant / capital receipts or a revenue source of funding there is an opportunity cost to the Council of not being able to use those funds elsewhere.

Section Four – Monitoring and Measuring the Performance of the Council's Debt Position and the Capital Programme

Monitoring and Measuring the Council's Debt Position

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in it's Treasury Management Practices document (TMP).

Within the report, the Council defines its treasury management activities as: "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Nottingham City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The annual Treasury Management Strategy is approved by Full Council. This includes details regarding the Council's operational boundary and Prudential Indicators as prescribed by the CIPFA Treasury Management Code of Practice. These include a projection of external debt and use of internal borrowing to support capital expenditure and the council's overall borrowing requirement, which is known as the Capital Financing Requirement (CFR). The Prudential Indicators include the operational boundary and the authorised limit for external debt which is the statutory limit determined under Section 3(1) of the Local Government Act 2003: "A local authority shall determine and keep under review how much money it can afford to borrow".

An appendix to the Treasury Management Strategy is the Treasury Policy. This policy document sets out the parameters under which the Treasury function operates, including the key delegations. The Treasury Policy also stipulates that the Audit Committee is responsible for the scrutiny of the Treasury Management function.

The annual Treasury Management Strategy includes the policy for the repayment of debt known as Minimum Revenue Provision (MRP). The Council adopts the principle of making revenue provision for the repayment of debt over the life of the underlying debt by making reference to the useful life of the assets being created/purchased that were financed by borrowing.

Annual Assessment of Non-Financial Investments

As stipulated in CIPFA's Practitioners' Guide and International Financial Reporting Standards (IFRS), all investments that satisfy the non-financial investment criteria require an annual Fair Value assessment. Where the Fair Value of a non-financial investment is insufficient to provide the required security for the outstanding debt, then as part of the Capital Outturn Report a paper will be presented to Executive Board proposing mitigating actions to protect the capital invested and any revenue consequences.

Monitoring the Capital Programme

Corporate Leadership Team are provided with a Capital Programme Report on a quarterly basis. This report breaks down the programme into the following areas:

- Approved Schemes (Split between General Fund, Local Transport Plan, Other Transport Schemes and Public Sector Housing)
- Planned Schemes
- Potential Schemes

Each scheme (or group of schemes) are then reported on the following basis:

- Full Project Cost
- Forecast Costs – current financial year plus 4 years
- Uncommitted Expenditure – current financial year plus 4 years
- Funding Breakdown
- Financing Costs
- Opportunity Cost
- Current Year Cash Impact
- MTFO Impact

This report is produced on a monthly basis.

Detailed Programme

Project managers must provide an update for every live project detailing the following:

- Forecasting of expenditure (including overspend or slippage)
- Scheme status and whether it has reached completion
- Amount contractually committed

Any variance, change in funding or slippage will be reported to the Executive Board as part of the quarterly monitoring / capital outturn.

It is important to manage significant slippage against the planned Capital Programme as it may be possible to re-prioritise capital funding streams to the advantage of the Council. Advance notice of slippage also assists the Council's Treasury Management function by supporting improved cash flow management and funding decisions.

If an approved Capital Project underspends on its current approval, the funding is released back into the Capital Programme to fund other capital commitments. Enhancement or amended specification will further approval is required.

The funding of Capital Projects is monitored to ensure that:

- Grants and contributions are received in a timely manner and any receipt is consistent with the approval

- Capital Receipts are monitored to ensure the Council has enough resources to fund the capital programme
- Revenue Funding / Resources are transferred to either capital reserves or drawdown direct to capital in-year
-

Live / Completed Projects
The actual financial performance of projects is monitored against the original and latest business case and material variance is reported to the CLT.

The Capital Programme is also measured by the Prudential Indicators, which are reported to Council as part of the Treasury Management Strategy, and by the post year-end review.

Review and Evaluation

Once a scheme is complete it is necessary to undertake an evaluation to compare the financial outturn against the approved financial appraisal and to assess the outcomes of the scheme against the deliverables in the full business case.

The extent of this evaluation process depends on the size and complexity of the project.

Knowledge and Skills

The training needs of the Council's Capital and Treasury Management teams are assessed as part of the staff appraisal process. These staff periodically attend training courses, seminars and conferences provided by external advisors and CIPFA. Staff are also encouraged to study appropriate professional qualifications.

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training. This especially applies to councillors responsible for scrutiny. Appropriate training is provided periodically to councillors and other relevant staff that are charged with governance.

External advisers

As detailed within Section Three (Financial Model), external advisors are engaged where appropriate by the Council to support staff regarding the financial assumptions and modelling.

The Council uses Link Asset Services as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

These Capital and Treasury external advisers are engaged so that the Council can access specialist skills and resources whilst the responsibility for every decision remains with the Council at all times, ensuring that undue reliance is not placed upon our external advisers.

Capital Programme – Risk Register (independent of Project Risk Registers and Non Treasury Investments) **Appendix B**

Ref	Risk	Detail	Mitigation
A) Approval & Expenditure			
A1	Expenditure classification	Revenue expenditure is incorrectly allocated to capital	Project managers are instructed to review transactions during the capital monitoring process The Technical Team also periodically review items charged to capital and challenge project managers with transactions that are considered revenue
A2	Project Overspend	Capital project spends more than its approval and there may be no additional funding forthcoming leading to a pressure within Capital resourcing	Project managers receive regular forecast information to enable budget management. Should a scheme overspend and no additional funding is identified, the Technical Team will close the project to mitigate the overspend pending further authorisation
B) Funding			
B1	Proposed grants are not awarded	When capital projects are approved it can include an element of grant that is not yet approved, therefore within that approval there is a risk that the grant is not awarded	Project should not incur costs prior to grants being awarded. The project manager will then be required to amend the scheme accordingly
B2	Awarded grant is less than anticipated	Risk of awarded grant being less than the approval	Where a funding shortfall is identified. The project manager is advised to find alternative funding or reduce the capital project accordingly
B3	Interest Rates increase	A number of capital schemes contain assumptions around interest rates (current year and future years). If the interest rate increases unexpectedly this could affect scheme affordability	The interest rate used within financial models includes a risk element to protect the Council from rate increases External advice is used to forecast potential increases and all projects being planned or

			proposed have the interest rate updated as per external advice
B4	Revenue resources shortfall	Due to increasing revenue pressures resources are not available when required to fund the Capital Programme	When new approvals are identified as per section A3, all revenue funds are immediately committed / drawn down to ensure resources are available for the Capital Programme as detailed in the approvals
B5	Capital receipt shortfall	Unsecured capital receipts may be realised at a value less than anticipated, or in year receipts may slip into following financial years, leading to a funding shortfall. This could lead to alternative funding needing to be identified to temporarily fund the capital programme until sufficient receipts are realised	Unsecured capital receipts are closely monitored by Finance and Property Service, all forecast receipts are subject to a risk factor which discounts the forecast receipt, this discount is to mitigate against slippage and receipt shortfall If during the monitoring cycle a capital receipt shortfall is anticipated at year end then alternative temporary funding options are considered to enable the programme to be fully funded.
C) Project Specific			
C1	Revenue assumptions not achieved	Capital projects include revenue assumptions for the construction period and as an operational asset. There are financial implications if the revenue assumptions may not be achieved	Financial models include assumptions which are prudent and agreed by Senior Officers. The projects are regularly monitored and if a revenue pressure is generated the Project Sponsor and Budget Manager are required to manage any pressure within the budget process.
C2	Project dependencies do not progress as desired	The Capital Programme consists of a number of projects that have interdependencies, the financial implications of the chain breaking require identification	Where a specific project has key interdependencies the approval of that project should detail the links and make the approver aware of the financial and non-financial impact should the chain break. This may include an alternative financing option.

C3	Project manager not engaged in Capital monitoring	Project manager does not engage in capital monitoring therefore lack of visibility / project oversight	If a project manager does not respond to consecutive capital monitoring they are contacted by Technical Finance to identify the reason for lack of engagement and if there is anything Technical Finance can do to support the project manager.

Glossary of Financial Terms

Appendix C

Capital Expenditure
Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipt
Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

Corporate Asset Management Plan (CAMP)
Is a plan that ensures that the land and buildings, or the asset base of the Council is optimally structured in the Corporate interest.

Debt Exposure
The cost of the debt and interest on the project / programme.

Embedded Leases
An embedded lease exists if there is an explicit or implicit identified asset within a contract and the recipient obtains control of the assets via the contracted terms.

Fair Value
The fair value of an asset is the price at which assets or liabilities could be exchanged between market participants at the measurement date under current market conditions.

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Medium Term Financial Outlook (MTFO)
A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFO currently covers three years.

Minimum Revenue Provision (MRP)
The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

Operational Assets
Assets held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or a discretionary responsibility.

Optimism Bias
Officers involved in appraising projects have a tendency to be over optimistic. Which may lead to assumptions (both financial and non-financial) proving to be unachievable.

Private Finance Initiative (PFI)
A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Project Assurance Group (PAG)
A group of senior officers at the Council (larger projects can include external representatives), who are tasked with reviewing and challenging the project and the decisions made.

Prudential Code
The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

Revenue Expenditure Financed by Capital Under Statute (REFCUS)
This is expenditure that legislation allows to be funded from capital resources that does not result in an asset to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

State Aid
An advantage granted by public authorities through state resources on a selective basis to any organisation that could distort competition and trade.

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CITY COUNCIL - 4 MARCH 2019

REPORT OF THE DEPUTY LEADER

BUDGET 2019/20

1 SUMMARY

1.1 This budget report sets out the proposals for 2019/20 in a layout governed by statute.

1.2 This report is based on the Medium Term Financial Plan (MTFP) as considered by Executive Board on 19 February 2019 and which comprised the General Fund revenue budget, General Fund capital programme, Housing Revenue Account (HRA) revenue budget and HRA capital programme.

1.3 This report increases the City Council element of Band D council tax by a general increase of **2.99%**.

1.4 This report should be read in conjunction with the contents of the associated financial plans and budget reports.

2 RECOMMENDATIONS

2.1 It recommends that the following be approved:

(1) the revenue budget for 2019/20, including;

(a) the recommendations of the Strategic Director of Finance / Chief Finance Officer in respect of the robustness of the estimates made for the purpose of the budget calculations and the adequacy of reserves;

(b) the delegation of authority to the Strategic Director of Finance / Chief Finance Officer in consultation with the Deputy Leader to finalise the Medium Term Financial Plan for publication;

(c) the delegation of authority to the appropriate Directors to implement savings after undertaking the appropriate consultation;

(d) the retention of the Council Tax Support Scheme, currently in operation, for the financial year 2019/20;

(2) the capital programme to 2023/24;

(3) a council tax requirement of **£116,101,351** including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 (“the Act”), as set out below:

(a) **£954,675,713** being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

(b) **£838,574,362** being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act;

(c) **£116,101,351** being the amount by which the aggregate at **2.1(3)(a)** above exceeds the aggregate at **2.1(3)(b)** above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

(4) a City Council Band D basic amount of council tax for 2019/20 of **£1,738.93** being the amount at **2.1(3)(c)** divided by the amount at **2.2(3)** below, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (as set out in **section 5** of this report);

(5) the setting of the amounts of council tax for 2019/20 at the levels described in **section 5.6** of this report;

(6) the making of the Members' Allowances Scheme for 2019/20 in the terms of the previously adopted and amended Scheme, save for adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers allowances;

2.2 the following be noted:

(1) a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2019/20 of **£79.80**.

(2) a Nottinghamshire Police and Crime Commissioner precept at Band D for 2019/20 of **£219.33**.

(3) in January 2019, the City Council calculated the amount of **66,766** as its council tax base for the year 2019/20 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

3 REASONS FOR RECOMMENDATIONS

3.1 Council Tax

The City Council is required by Section 30 of the Act to set its Council Tax for each year on or before 11 March in the preceding financial year. In order to do so, it must calculate its council tax requirement in accordance with the Act as detailed below including taking into account its estimated forthcoming spending requirements and ensuring that there are adequate reserves to draw on in the event that these estimates turn out to be insufficient. The City Council must also take into account the report of its Chief Financial Officer (set out at Annex 5 to the MTFP) on the robustness of these estimates and the adequacy of the proposed reserves. The total Council Tax being set also includes the precepted requirements of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority.

3.2 Members' Allowances Scheme 2019/20

This report recommends the adoption of the Scheme for 2019/20 without changes, save for adjustments to mirror nationally determined rates for pay awards and travel

and subsistence (as applicable to officers) and for carers' allowances. A copy of the current Scheme can be viewed within the Council's Constitution at Part 7 or by using the following hyperlink to the document published online at: https://www.nottinghamcity.gov.uk/about-the-council/nottingham-city-councils-constitution/

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 None

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 The legislation governing the setting of council tax is contained in the Act. Section 31B(1) requires a billing authority to calculate the basic amount of its council tax, which in the City Council's case is that applicable to Band D dwellings in its area.

The calculation is made in accordance with a formula **R/T**

5.2 **R** is the amount calculated by the City Council as its council tax requirement for 2019/20, calculated in accordance with section 31A(4) of the Act. The Executive Board as its meeting on 19 February 2019 determined the council tax requirement to be **£116,101,351.**

T is the amount calculated by the City Council as its council tax base for 2019/20. In January 2019 the City Council calculated the amount of **66,766** as its council tax base for the year 2019/20 in accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

This tax base assumed the retention of the current Council Tax Support Scheme for financial year 2019/20, having regard to the Public Sector Equality Duty and noting that local circumstances have not changed sufficiently to warrant changes.

Application of the formula R/T thus gives a basic amount of council tax of:

$$\frac{£116,101,351}{66,766} = £1,738.93$$

for a Band D property in accordance with Section 31B(1) of the Act.

5.3 Application of the formula specified in section 36 of the Act gives the following basic amount of council tax for each valuation band :

Band	Factor	Basic amount of council tax
A	6/9	£1,159.29
B	7/9	£1,352.50
C	8/9	£1,545.72
D	9/9	**£1,738.93**
E	11/9	£2,125.36
F	13/9	£2,511.79
G	15/9	£2,898.22
H	18/9	£3,477.86

5.4 It should be noted that, for the financial year 2019/20, the Nottinghamshire Police and Crime Commissioner has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£146.22	£170.59	£194.96	£219.33	£268.07	£316.81	£365.55	£438.66

5.5 It should also be noted that, for the financial year 2019/20, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£53.20	£62.07	£70.93	£79.80	£97.53	£115.27	£133.00	£159.60

5.6 The City Council, as billing authority, is required under section 30 of the Act to set council taxes for its area. In the City Council's case these will represent the aggregate of the City Council's basic amount of council taxes and the precepts of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority as shown above

The impact of the proposals in the council tax is provided below:

Band	City Council £	Police & Crime Commissioner £	Fire & Rescue Authority £	Aggregate Council Tax £
A	£1,159.29	£146.22	£53.20	£1,358.71
B	£1,352.50	£170.59	£62.07	£1,585.16
C	£1,545.72	£194.96	£70.93	£1,811.61
D	**£1,738.93**	**£219.33**	**£79.80**	**£2,038.06**
E	£2,125.36	£268.07	£97.53	£2,490.96
F	£2,511.79	£316.81	£115.27	£2,943.87
G	£2,898.22	£365.55	£133.00	£3,396.77
H	£3,477.86	£438.66	£159.60	£4,076.12

5.7 <u>Budget Consultation</u>
The MTFP process is supported by extensive consultation and the City Council is committed to maintaining and developing this participation.

Pre-budget consultation was carried out in October and November 2018, **2,187** responses were received. Citizens were asked which services are important; issues of concern in the current economic climate and how the Council could make further savings or generate additional income. Further consultation has been undertaken from December 2018 with citizens, colleagues, businesses and the voluntary sector to consider the budget proposals set out in the draft Medium Term Financial Plan with **39** survey submissions received to date. The results from the Budget consultation are contained within Annex 6 of the MTFP.

Appropriate action has been taken in relation to any representations made and feedback from the consultation has been taken into account in finalising the proposals within this report.

6 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 These have been considered in the MTFP report to Executive Board on 19 February 2019.

7 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 These have been considered in the MTFP report to Executive Board on 19 February 2019.

7.2 The recommendations within this report fall within the City Council's functions under the Act, the Local Government Act 1972 and other enabling legislation.

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 Has the equality impact of the proposals in this report been assessed?

Yes ☒

An EIA has been carried out and was detailed in Appendix A of the MTFP report to Executive Board. Due regard has been given to the equality implications identified in the EIA

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 Budget working papers

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Previously published documents are available on the dedicated consultation page

https://www.nottinghamcity.gov.uk/engage-nottingham-hub/open-consultations/budget-consultation-20192020/

and the committee page

https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=7401

COUNCILLOR GRAHAM CHAPMAN
DEPUTY LEADER

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CITY COUNCIL – 4 MARCH 2019

REPORT OF THE PORTFOLIO HOLDER FOR TRANSPORT AND HR

PAY POLICY STATEMENT 2019-20

1 SUMMARY

1.1 This report introduces the Council's pay policy statement for 2019-20 as required by the Localism Act. The Statement sets out information on pay and conditions for Chief Officers in comparison to the bulk of the workforce employed on National Joint Council for Local Government Services (LGS) terms and conditions.

2 RECOMMENDATIONS

2.1 To approve and endorse the Council's pay policy statement for 2019-20.

2.2 To note that the statement may need to be amended in-year for any necessary changes the Council may wish to adopt. Any such changes will be presented to Full Council for approval.

3 REASONS FOR RECOMMENDATIONS

3.1 The Pay Policy Statement is being presented to Full Council in order to demonstrate that decisions on pay and reward packages for Chief Executives and Chief Officers are made in an open and accountable way.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 As the production of a Pay Policy Statement is a requirement under the Localism Act, no other options were considered.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 The Localism Act requires local authorities to prepare and publish an annual Pay Policy Statement.

5.2 The Act requires that the statement must be approved formally by the Council meeting itself (it cannot be delegated to a sub-committee); must be approved by the end of March each year and must be published on the Council's website. "Chief Officer" is widely defined through adopting the definitions in the Local Government and Housing Act 1989.

5.3 In more detail, the matters that must be included in the statutory Pay Policy Statement are as follows:

- the Council's policy on the level and elements of remuneration for Chief Officers;
- the Council's policy on the remuneration of its lowest-paid employees (together with its definition of "lowest-paid employees" and its reasons for adopting that definition);

- the Council's policy on the relationship between the remuneration of its Chief Officers and other Officers;
- the Council's policy on other specific aspects of Chief Officers' remuneration, such as remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.

5.4 The Act defines remuneration widely, to include not just pay, but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements, and termination payments.

5.5 The pay multiple of the average Chief Officer's pay (£83,670) to that of the non-chief officer average earner (£26,552) including guaranteed payments[1] is 1:3. The relationship between the Chief Executive's pay (£166,480) to that of the Council's non-chief officer average earner excluding allowances (£24,627) is a pay multiple of 1:7.

5.6 The total sum of additional payments claimed by the Council's Chief Officers from 1 April 2018 to 31 October 2018 was £12,980. These related to claims for travel, additional responsibilities and Market Supplements and Pay Protection.

5.7 As at 31 October 2018, there were no chief officers in receipt of bonus payments, performance related pay and other pay enhancements (overtime, weekend, evening, night working, etc). There was a two year Chief Officer pay award of 2% from 1 April 2018-20.

5.9 There was also a Chief Executive Pay award of 2% effective from 1 April 2018.

5.10 The pay gap between the Chief Executive and lowest paid employee has decreased slightly over the last two years (2017-18 and 2018-19). This is due to Chief Executive pay awards of 2% being April 2018 and a pay increase for the lowest paid employee of between 3.734% and 9.191% in 2018/19.

5.11 The Council now has a new SLMG pay model and terms and conditions with effect from 1 October 2018, which are referred to within the Pay Policy Statement.

6 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 The average and median pay figures included in the report are based on data for 2018/19 up to October 2018 adjusted to an annual figure.

Joanne Worster
Finance Team Leader Strategic
Finance
7 January 2018

7 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1 Legal Implications

[1] Includes basic FTE salary, pension – employer contribution on FTE basic pay, salary protection, market supplements, allowances and enhancements paid between 01/04/2018 to 31/10/2018

7.1.1 Under section 38 of the Localism Act 2011, for each financial year, the Council is required to prepare a pay policy statement relating to the following:-

- the remuneration of its chief officers,
- the remuneration of its lowest-paid employees, and
- the relationship between—
    - the remuneration of its chief officers, and
    - the remuneration of its employees who are not chief officers.

7.1.2 The statement must also state:-

- the definition of “lowest-paid employees” adopted by the Council for the purposes of the statement, and
- the authority's reasons for adopting that definition.

7.1.3 The statement must also include the Council's policies relating to—

- the level and elements of remuneration for each chief officer,
- remuneration of chief officers on recruitment,
- increases and additions to remuneration for each chief officer,
- the use of performance-related pay for chief officers,
- the use of bonuses for chief officers,
- the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
- the publication of and access to information relating to remuneration of chief officers.

7.1.4 A pay policy statement for a financial year may also set out the Council's policies for the financial year relating to the other terms and conditions applying to the Council's chief officers.

7.1.5 Under section 39 of the Localism Act 2011, the pay policy statement must be approved by Full Council before it comes into effect. The statement must be approved by 31 March 2019 for the forthcoming financial year.

Jon Ludford-Thomas
Senior Solicitor
Legal Services
2 January 2019

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 Has the equality impact of the proposals in this report been assessed?

No ☒

An EIA is not required as the report does not contain proposals or financial decisions.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 Local Government Association and Association of Local Authority Chief Executives (ALACE), Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives.

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 Communities and Local Government, Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act.

10.2 Department for Communities and Local Government, 2013. Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act 2011. Supplementary Guidance. London

COUNCILLOR DAVE LIVERSIDGE
PORTFOLIO HOLDER FOR TRANSPORT AND HR

Definitions of Chief Officers

Localism Act 2011

43 Interpretation

(2) In this Chapter "chief officer", in relation to a relevant authority, means each of the following-

(a) the head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989;

(b) its monitoring officer designated under section 5(1) of that Act;

(c) a statutory chief officer mentioned in section 2(6) of that Act;

(d) a non-statutory chief officer mentioned in section 2(7) of that Act;

(e) a deputy chief officer mentioned in section 2(8) of that Act.

Local Government and Housing Act 1989 – Section 2

6) In this section "the statutory chief officers" means—

[(za) the director of children's services appointed under section 18 of the Children Act 2004 and the director of adult social services appointed under section 6(A1) of the Local Authority Social Services Act 1970 (in the case of a local authority in England);]

[(zb) the director of public health appointed under section 73A(1) of the National Health Service Act 2006;]

(a) the chief education officer . . . appointed under [section 532 of the Education Act 1996] . . . [(in the case of a local authority in Wales)];

(b) *the chief officer of a fire brigade maintained under the Fire Services Act 1947 and appointed under regulations made under section 18(1)(a) of that Act;*

(c) the director of social services [(in the case of a local authority in Wales)] or [chief social work officer] appointed under section 6 of the Local Authority Social Services Act 1970 or section 3 of the Social Work (Scotland) Act 1968; and

(d) the officer having responsibility, for the purposes of section 151 of the Local Government Act 1972, section 73 of the Local Government Act 1985, section 112 of the Local Government Finance Act 1988[, section 127(2) of the Greater London Authority Act 1999] or section 6 below or for the purposes of section 95 of the Local Government (Scotland) Act 1973, for the administration of the authority's financial affairs.

(7) In this section "non-statutory chief officer" means, subject to the following provisions of this section—

(a) a person for whom the head of the authority's paid service is directly responsible;

(b) a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the authority's paid service; and

(c) any person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

(8) In this section “deputy chief officer” means, subject to the following provisions of this section, a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to one or more of the statutory or non-statutory chief officers.

(9) A person whose duties are solely secretarial or clerical or are otherwise in the nature of support services shall not be regarded as a non-statutory chief officer or a deputy chief officer for the purposes of this Part.

Appendix 3
Appointments and Conditions of Service Committee

(Extract from Nottingham City Council's Constitution Part 2: Responsibility for Functions and Terms of Reference)

a) To undertake the appointment process (long listing, short listing and formal interviews) (or to appoint a politically balanced panel to undertake long listing and, short listing) in respect of the Chief Officers (as referred to in paragraph 1(a) of the Officer Employment Procedure Rules (Standing Orders on Employment Matters), subject to having ascertained the views of the Executive Board in accordance with Standing Orders;

b) to approve the appointment of Chief Officers (as referred to in paragraph 1(a) of the Officer Employment Procedure Rules (Standing Orders on Employment Matters));

c) to determine the terms and conditions of City Council employees and procedures for disciplinary action and dismissal;

d) to designate Proper Officers;

e) to designate officers as Head of Paid Service, Section 151 Officer and as Monitoring Officer and to ensure the provision of sufficient staff and other resources;

f) to exercise any other personnel functions which cannot be the responsibility of the Executive;

g) to receive reports on action taken in respect of terms agreed for the Chief Executive, Deputy Chief Executive, Corporate Directors and the Senior Leadership Management Group (SLMG) leaving the employment of the Council where those terms included compensation;

h) h) to determine redundancies, ill health retirements, flexible retirements and terminations of employment by mutual agreement on grounds of business efficiency, under the 85 year rule, in the interests of the efficient exercise of the Council's functions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 ('the DCR') and any exercise of discretions to increase total LGPS pension and award additional LGPS pension for the Chief Executive, Deputy Chief Executive, Corporate Directors and Directors subject in the event of a proposed dismissal to relevant notification to the proper officer, and the Executive and relevant consultation with nominated elected members and relevant approval as specified in the Officer Employment Procedure Rules (Part 4);

i) i) to determine flexible retirements and terminations of employment by mutual agreement on the grounds of business efficiency, terminations of employment under the 85 year rule, in the interests of the efficient exercise of the Council's

functions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 ('the DCR') and any exercise of discretions to increase total LGPS pension and award additional LGPS pension for any employee who is part of the Senior Leadership Management Group below the level of Director. The Committee also determines terminations of employment by mutual agreement, and following consultation with the appropriate Portfolio Holder(s), on the grounds of business efficiency under the DCR for employees where any proposed compensation payment is in excess of £30,000;

j) to approve any proposals for significant restructuring of the Council's management structure;

k) to approve any proposals from the Chief Executive for changes to salary levels (including ranges of salaries) for Corporate Directors and the Deputy Chief Executive;

l) to consider any grievances relating to or raised by the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.

NB - "Significant restructuring"

(i) the transfer of a significant function between Council departments, or to an external body, or
(ii) (ii) the addition or deletion of a Corporate Director or Director post to or from a department.

The Committee is accountable to Council, has 8 members and is politically balanced. One place is reserved for the relevant Portfolio Holder with a remit covering Resources (or their substitute) in relation to matters in respect of the appointment process for the Chief Executive and Corporate Director and the dismissal process for the Chief Executive.

Where practical, members of this committee should not also be members of Audit Committee, Investigating and Disciplinary Committee, or Appeals Committee.

Pay Scales

Local Government Scheme				
Tier	Grade	Level	Salary (Apr 18)	Hourly Rate
6	A	1	£16,394	£8.50
		2	£16,495	£8.55
	B	1	£16,626	£8.62
		2	£16,863	£8.74
	C	1	£17,173	£8.90
		2	£17,681	£9.16
	D	1	£18,672	£9.68
		2	£19,446	£10.08
	E	1	£21,074	£10.92
		2	£22,401	£11.61
	F	1	£24,657	£12.78
		2	£26,470	£13.72
5	G	1	£28,221	£14.63
		2	£29,909	£15.50
	H	1	£32,233	£16.71
		2	£34,106	£17.68
	I	1	£37,107	£19.23
		2	£39,002	£20.22
4	J	1	£41,846	£21.69
		2	£43,757	£22.68
	K	1	£46,608	£24.16
		2	£48,512	£25.15

SLMG					
Tier	Grade	Salary		Hourly Rate	
		Level 1	Level 2	Level 1	Level 2
3	SLMG5	£50,944	£52,429	26.41	27.18
	SLMG4	£53,917	£57,357	27.95	29.73
	SLMG3	£60,800	£65,828	31.51	34.12
2	SLMG2	£70,858	£76,763	36.73	39.79
	SLMG1	£82,671	£88,573	42.85	45.91

Strategic Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	SDIR	£98,702	£109,201	51.16	56.60

Corporate Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CDIR	£124,860	£150,512	64.72	78.01

Chief Executive					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CX	£165,000	£185,000	85.52	95.89

Updated: 1 October 2018

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PAY POLICY

Table of Contents

PAY POLICY

Paragraphs (3) (7) (8) and (10) of this Pay Policy are, where applicable, incorporated into individual employees' contracts of employment.

1. Who this policy applies to

1.1 This Policy applies to all employees whose terms and conditions are governed by the National Joint Council for Local Government Services (the 'Green Book') as supplemented and/or amended by the policies and provisions of the Council's People Management Handbook. It does not apply to employees directly employed by schools.

1.2 Paragraphs (2), (6.2) and (9-12) of this Policy will also apply to employees covered by the Soulbury Committee – Inspectors, Organisers and Advisory Officers of Local Education Authorities.

1.3 Paragraphs (2-4), (6) and (9-12) of this Policy will also apply to employees within the Strategic Leadership Management Group (SLMG).

2. Principles

2.1 The purpose of this Policy is to ensure a fair, transparent and equitable pay system that is free from unlawful discrimination. All decisions made in respect of the Policy will be based on these principles.

2.2 The Policy will be applied in accordance with the roles and responsibilities of officers as set out in the Council's Constitution.

2.3 The Council will act in accordance with the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002. Managers should ensure fixed-term employees receive no difference in treatment to permanent employees regarding pay.

3. Pay System

3.1 The Council uses the Greater London Provincial Council (GLPC) system as its method to value all jobs covered by the Green Book, and a bespoke system to evaluate SLMG jobs below the level of Strategic Director. Both systems measure all jobs on a systematic basis against a set number of factors. All relevant jobs are evaluated under these systems, and the job evaluation score then determines which pay grade and tier a job is assigned to.

3.2 The pay and grade structure is set out in the table below:

Tier	Grade	Entry Point	Progression Point
6	A	A1	A2
6	B	B1	B2
6	C	C1	C2
6	D	D1	D2
6	E	E1	E2
6	F	F1	F2
5	G	G1	G2
5	H	H1	H2
5	I	I1	I2
4	J	J1	J2
4	K	K1	K2
3	SLMG5	Level 1	Level 2
3	SLMG4	Level 1	Level 2
3	SLMG3	Level 1	Level 2
2	SLMG2	Level 1	Level 2
2	SLMG1	Level 1	Level 2

3.3 All grades A – K are assigned to one of three tiers: 4, 5 or 6. SLMG grades are assigned to Tiers 2 and 3, and Tier 1 is reserved for Strategic Directors, Corporate Directors and the Chief Executive.

3.4 Each grade (A – SLMG1) consists of Levels 1 and 2, which define the minimum and maximum pay for each grade. The values of each level are available on the intranet and in Appendix 1 of this Pay Policy.

3.5 Level 1 is a probationary point and Level 2 is a non-probationary point. Progression to Level 2 will be subject to successful completion of a six-month probationary period for new starters or six month pay review period for existing employees. GLPC colleagues will progress on their one-year anniversary in their job and SLMG colleagues will progress on their two-year anniversary.

3.6 The table below outlines the circumstances in which employees could move to a new grade, including where there may be exceptions to 3.5 above, to allow commencement at Level 2.

	Reason for commencing in grade	Starting point	Timescale for and condition of progression to Level 2
A	External appointment	Level 1	Successful completion of six month probationary period; progress on first year anniversary.
B	Internal (voluntary) appointment to higher grade	Level 1	Successful completion of six month pay review period; progress on first year anniversary.
C	Internal (voluntary) appointment to same grade (probation not completed)	Level 1	The remainder of the probationary period will be continued into the new job. Progress on first year anniversary subject to successful completion of probationary period.
D	Internal (voluntary) appointment to same grade (probation completed but less than a year in grade)	Level 1	Automatic progression to Level 2 in the new job a year after the start of the original probationary period.
E	Internal (voluntary) appointment to same grade	Level 2	Remain on Level 2
F	Move to same grade via internal processes (e.g. restructure, redeployment)	Grade level as already attained.	N/A if already on Level 2. If on Level 1; as per C - E above, as appropriate.
G	Move to lower grade via internal processes (e.g. restructure, redeployment)	Level 2 (pay protection if applicable).	N/A
H	Move to higher grade via internal processes (e.g. restructure, redeployment)	Level 1	Automatic progression to Level 2 on first year anniversary (no probation or pay review required).
I	Job re-graded and back-dated by less than 12 months.	Level 1	Pay progression period to start from back-dated start date.
J	Job re-graded and back-dated by 12 months or more.	Level 2	N/A

4. Pay Levels – terms of use

4.1 All jobs will be advertised on the salary for Level 1 only and starting salaries will not be open to negotiation. New starters to the Council must not be placed on Level 2 as a way of offering a higher rate of pay. Where a manager is not able to recruit and needs to offer a higher salary to attract external candidates this will need to be detailed and approved in a business case requesting a market supplement or material factor

payment. A record of all such decisions will be kept and periodically presented at Central Panel. Please see section 9 of this policy, and the associated Special Payment Guidance document, which contains advice on how to request market supplements and material factor payments.

4.2 No employee will be allowed to receive more than the Level 2 payment for their grade unless approval is obtained for a Market Supplement, Material Factor or Additional Payment (see Section 9).

4.3 Where a job is re-graded, the employee will be placed on Level 1 if the effective date of the re-grade is back-dated by less than twelve months. The elapsed period since the effective start date of the re-grade will be considered to count towards the period for progression to Level 2. The employee will move to Level 2 twelve months from the effective date of the re-grade, even if this is back-dated.

If the re-grade is back-dated by more than twelve months, the employee will be placed on Level 2.

5. Living Wage and the Nottingham Living Wage Supplement

5.1 The Government has set a National Living Wage, and it is unlawful for employers to pay less than this amount per hour to employees aged 25 and over.

5.2 The Living Wage Foundation is an independent collective which, in partnership with the Centre for Research in Social Policy at Loughborough University, calculates what a reasonable Living Wage should be every year, based on the estimated needs of average family 'types' in order to maintain a reasonable standard of living. This is normally a higher rate than the Living Wage set by the Government and is a voluntary rate of pay.

5.3 Nottingham City Council aspires to be a voluntary Living Wage Foundation employer and to pay the rates suggested by the Living Wage Foundation. As at 1st April 2017, the Council has introduced a supplement to the NJC payscales to pay the Living Wage rate as at 31 October 2016, and ensures that grades A to C have a proportional difference between each grade and each corresponding level.

5.4 The Council will regularly review the minimum rate paid to its employees and the knock on effect to the levels of pay above, but this will have to be balanced against the Council's financial situation.

6. Grading of jobs

6.1 All jobs are assigned to a grade following a job evaluation.

6.2 Where there is a business need to create a new role or to fill a vacancy that has been empty for a significant period, the line manager will initially consult the Job Evaluation Analyst in the Business Operations Team, who will advise whether there is an appropriate generic job description for the role available. If not, the manager will draft a new job description, and submit it to for evaluation, together with other relevant documents, to job.evaluation@nottinghamcity.gov.uk. More details of the Job Evaluation process can be found on the Job Evaluation pages of the intranet.

6.3 Where a re-grade of an existing job is considered necessary, the revised job description, together with a summary of what changes have occurred to the job, should be sent to the Job Evaluation team via the email address above.

6.4 It is the Council's intention to move to a job family system of job evaluation. Once this comes into force, this policy will be amended to reflect this.

7. Overtime and Allowances

7.1 Employees will receive plain time for all hours worked except in the circumstances outlined below.

7.2 Overtime

7.2.1 Where overtime is offered, compensation of either Time Off In Lieu (TOIL) or payment will be given in line with each service's normal practice. Employees above Grade F in particular should normally be compensated by TOIL and should only be paid for overtime where there is exceptional business need.

7.2.2 Where payment is to be made for overtime in place of TOIL, the following payments can be made:

For employees at grade F and below	• Plain time to be paid for all hours worked up to and including 42 hours per week (i.e. the first 5 hours of overtime above 37 hours are paid at plain time). • Any overtime hours worked beyond 42 hours per week to be paid at time and a half.
For employees above grade F	• Plain time rates for all additional hours worked.

7.2.3 Overtime worked on a public holiday will be paid at double time for all hours worked.

7.3 Public Holidays

7.3.1 There are eight public holidays each year. More information about public holidays can be found in the Public Holidays policy within the People Management Handbook. All provisions below relate to public holidays that are worked as part of an employee's normal working week.

7.3.2 Employees who are required to work on a public holiday will be paid at double time for all hours worked on that day.

7.3.3 Employees who are due to work on a public holiday but are absent on sick leave will only receive basic sick pay for that day.

7.3.4 Employees who are required to work on a public holiday will also receive paid time off in lieu (TOIL) as follows:

- Time worked less than half the normal working hours on that day – half a day
- Time worked more than half the normal working hours on that day – full day.

7.4 **Night working**

7.4.1 Employees who work at night as part of their normal working week will receive an enhancement of time and one third for all hours worked between 11.00pm and 6.00am.

7.5 **Sleep-in Duty**

7.5.1 Employees who are required to sleep-in on the premises shall receive the nationally agreed rate set by the National Joint Council from time to time. This allowance covers the requirement to sleep-in and up to 30 minutes' call out per night, after which plain time will apply.

7.5.2 Currently, the Council pays a rate of £39.53 per sleep-in session, as this is a rate historically paid prior to becoming a Unitary Authority. An agreement has been made with our Trade Unions that this rate will continue until such time as the nationally-agreed amount overtakes it, after which the nationally-agreed rate will apply.

7.5.3 Where any working time undertaken whilst sleeping-in prevents the employee taking any of the rest periods outlined in 7.6.5 below, compensatory unpaid time off will be provided.

7.6 **Standby Duty**

7.6.1 **On call to go into work**

The nationally agreed stand-by rate per session will be paid to employees who are on a standby duty rota to provide services out of hours. A session equates to any period of 24 hours or less. Employees on standby to go into work must:

- be directly contactable;
- remain fit and capable to go into work to undertake duties required;
- be immediately available to go into work; and
- be able to arrive at work within 45 minutes of being notified.

7.6.2 The session payment covers the period of standby only. If an employee is called into work as a result of being on standby, they will be reimbursed for any time worked as per section 7.7 below. If called into work, the standby payment will still apply, regardless of the length of time the employee was actually on standby prior to being called into work.

7.6.3 **On call to provide telephone support**

The nationally agreed standby rate per session will be paid to employees on a standby duty rota to provide telephone support out of hours. A session equates to any period of 24 hours or less. Employees on call to provide telephone support must:

- be directly contactable; and
- remain fit and capable to undertake the duties required.

7.6.4 The session payment covers the period on call and any calls amounting to less than one hour. Any calls in excess of one hour should be recorded as working time and claimed in accordance with section 7.7 below. Should a call result in a requirement to go into work, the principles outlined in 7.7 below will also apply.

7.6.5 Under the Working Time Directive, employees are entitled to statutory unpaid rest periods of:

- eleven consecutive hours in any 24-hour period;
- a 20-minute rest break if the working day is longer than six hours;
- one day off each week.

7.6.6 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined above, compensatory unpaid time off will be provided.

7.7 **Payment for work undertaken as a result of standby**

7.7.1 If an employee on standby is required to go into work, or undertakes telephone work in excess of one hour they will receive either time off in lieu (TOIL) or payment, as appropriate to business need, and in accordance with Section 7.2 above, for the actual time spent working.

7.7.2 For employees receiving payment, a minimum of two hours' payment at plain time will be made for any period they are required to go into work.

7.7.3 For employees who are required to physically go into work, TOIL or payment will include travel time.

7.7.4 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined in 7.6.5 above, compensatory unpaid time off will be provided.

7.8 **Client Holidays**

7.8.1 An allowance of £50 per day will be paid to employees accompanying clients on holiday. This payment will be made in replacement of all other allowances that might otherwise apply to the time worked during the client holiday.

7.9 **Lunchtimes/Provision of Meals**

7.9.1 All lunchtimes will be unpaid unless a business case exists for employees to eat with clients sufficient to provide a Material Factor Defence for the payment and such activities have received prior approval from the employee's manager.

7.9.2 Meals will not be provided to any employee unless a clear business case exists for the employee to eat a meal with the client sufficient to provide a Material Factor Defence for the provision of the meal and such activities have received prior approval from the employee's manager

7.10**.** **Governance of Allowances**

7.10.1 No other allowances apart from those listed above will be paid to employees covered by the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service (Green Book).

7.10.2 Allowances will not be payable for periods of sickness absence. However, allowances will be taken into account when calculating holiday pay. See Section 8 for more details.

7.10.3 In the event that more than one allowance could be applied, then it is only the highest allowance that applies. This is with the exception of Standby and Recall to Work, which may both apply alongside each other.

8. Holiday Pay and Allowances

8.1 The Council makes payment for the first twenty days of annual leave, by taking into account the following qualifying allowances and payments:

- Sleep in duty allowances
- Standby duty allowances
- Public Holiday Payments
- Non-guaranteed overtime payments
- Night working enhancements

9. Special Payments

9.1 The Council is a large organisation which contains a diverse range of services and jobs. As such, whilst ensuring equal pay principles are adhered to, it is also recognised that a single approach to pay may not always be suitable for the business needs of all services, particularly in areas where there are recruitment and retention issues (including national skills shortages), strong commercialisation priorities, or exceptional work conditions/demands.

9.2 Where there are specific business needs that our pay system does not accommodate, managers may consider Special Payments such as Market Supplements, Material Factor payments or Additional Payments in order to offer appropriate levels of remuneration to ensure their services can operate successfully.

9.3 Further details of what these payments are and the governance processes to be followed in order to put these types of payment in place are contained in a separate Special Payment Guidance document.

9.4 A full list of all agreed Market Supplements and Material Factor payments can be found at Appendix 2 of this policy. Appendix 2 will be updated periodically when payments are reviewed, added or removed.

10. Pay Protection

10.1 Employees who are redeployed into a lower graded job as a result of a formal restructuring or because they are at risk of redundancy may receive pay protection for a period of not more than one year (the ‘protection period’). Pay protection will only apply where the employee is redeployed into a job not more than two grades below the employee’s previous grade.

10.2 Employees will be moved to the maximum level of their new grade and will receive the difference in salary between the two jobs as a protected element in addition to their new basic salary. Employees will receive pay awards on their new basic salary but not on the protected element, and any increase to basic salary will be offset against the protected element in order to maintain the protected level of pay.

10.3 Pay protection will be calculated on contracted hours. Where an employee’s normal working hours are decreased during the protection period, the pay protection element

will be pro-rated accordingly.

10.4 If an employee reduces their hours during the pay protection period, the pay protection will reduce in line with the reduction in hours (e.g. if hours are halved, the pay protection amount will also be halved).

10.5 If, after reducing their hours as above, the employee increases them back again during the pay protection period, the pay protection will increase in line with the increase to hours, but will not exceed the original protected salary. Such cases may include situations where a woman returning from maternity leave wishes to return on reduced hours temporarily and gradually increase her hours over a defined period.

10.6 If an employee increases their hours during the protection period without having previously reduced them, there will be no increase to the pay protection. The pay protection amount will be reduced to offset the increase in hours and maintain the protected salary.

10.7 If the increase in hours restores the employee's basic salary to the protected salary or above, the pay protection will cease.

10.8 Where an employee is promoted to a higher grade during the protection period the employee shall be placed on Level 1 of the new grade, and pay protection will cease if the new salary is equal to or higher than the protected salary. If Level 1 of the new grade is lower than the protected salary the pay protection element will be amended to accommodate the difference between the new Level 1 salary and the protected salary for the remainder of the protection period.

10.9 Pay protection will cease automatically when the protection period ends. If pay protection is continued beyond the protection period in error, the Council reserves the right to recover any overpayment made in accordance with Section 11 of this policy.

10.10 Where an employee on pay protection undertakes additional duties and responsibilities over and above their new grade, but not higher than their protected salary, they will not be entitled to receive an Additional Payment. If undertaking duties at a higher salary than their protected salary, any additional payment must be offset against the pay protection.

10.11 Only an employee's basic salary will be protected. An employee's previous terms and conditions including any contractual allowances, additional payments, material factor payments and market supplementation payments, will not be protected. Similarly, an employee's previous hours will not be protected. Where an employee is redeployed into a lower-graded job which carries more hours, protection will not apply where the increase in hours enables the employee to maintain their former basic salary.

10.12 Where an employee is redeployed because they are unable to fulfil the duties of their existing job because they are disabled within the meaning of the Equality Act 2010 (and any reasonable adjustments have been considered), they will be treated no less favourably in terms of the pay protection than employees who are redeployed because they are at risk of redundancy.

10.13 Pay protection will not apply where an employee is downgraded due to misconduct or capability.

10.14 Nothing in this Policy shall entitle an employee to receive any pay protection which amounts to a sum greater than their actual financial loss.

11. Overpayments

11.1 On occasion, overpayments of salary or expenses may occur as a result of administrative oversight, error or late notification of payroll changes. After an investigation of the facts, recovery of the overpayment will be the normal approach taken where an overpayment of salary or expenses is discovered.

11.2 **Is the overpayment recoverable?**
Under the Employment Rights Act 1996, an employer is entitled to deduct from an employee's wages (even without the consent of the employee) an overpayment of wages made to the employee as long as recovery is lawful under general legal principles. In order to decide whether recovery is lawful there needs to be an investigation of the cause and surrounding circumstances of the overpayment including the wording of any contractual documentation.

11.3 **Guidelines for recovery**

11.3.1 Recovery of overpayments will be the normal approach in the majority of cases. There may be circumstances when partial repayment or writing off the overpayment is considered. In such cases, the process outlined at 11.4 should be followed.

11.3.2 However an overpayment comes to light, the payroll provider (East Midlands Shared Service or EMSS) must be notified as a matter of priority. EMSS will write to the employee, copying in their manager, with an explanation of the overpayment which will detail:

- how the overpayment occurred
- the net amount to be repaid once deductions for tax and NI are taken into account.

An Overpayment Recovery Option (ORO) Form will also be enclosed with the letter. If the employee is a leaver, an invoice will be sent under separate cover.

11.3.3 The employee's manager should meet with the employee to discuss the overpayment and how this is to be resolved. An employee may choose to be accompanied at this meeting by a trade union representative or a work colleague if they wish. If necessary, the manager may seek advice from the HR Casework team prior to the discussion taking place.

11.3.4 The method of recovery of the overpayment could be decided at this meeting having regard to the options which are:

(a) a one-off payment for the full amount via salary deduction; or
(b) in regular installments via salary deduction.

11.3.5 In discussing the options with the employee, managers should have regard to good financial practices. The maximum recovery period for overpayments should not exceed 12 months unless the Chief Finance Officer has agreed an extended period in

exceptional circumstances.

11.3.6 The employee should return the ORO Form to the Employee Service Centre (ESC) with their preferred recovery method. Although the employee's written consent to the recovery of the overpayment is not legally required, it is good practice to try and obtain written agreement for overpayments. Where the employee does not return their ORO Form or indicate their preferred recovery method within the timescales specified, recovery of the overpayment will proceed on a default basis. The default recovery method is option (b). The ESC will in all events write to the employee to confirm the method of recovery that will be taken.

11.3.7 In implementing an overpayment recovery arrangement, Nottingham City Council will act reasonably and in all cases of recovery, the amount being repaid must not result in the employee's basic hourly rate falling below the national minimum wage.

11.3.8 It is important that overpayments are handled fairly and consistently to avoid any hint of inequality or unlawful discrimination. Managers should not allow employees to work additional hours and receive paid overtime as a way of 'paying off' the overpayment. If overtime is necessary and approved this is a separate matter and should not be used to offset the amount owed by the employee who has been overpaid.

11.4 **Guidelines for requesting that an overpayment be written off**

11.4.1 Overpayments are normally recoverable. There may be circumstances where the Council considers writing off an overpayment, but these will be rare and, as a minimum, the following would need to apply:

- The employer has led the employee to believe that he or she is entitled to treat the money as his/her own, **and**
- The employee has, in good faith, changed his or her position (e.g. spent the money believing it to be his or her own), **and**
- The overpayment was not caused primarily by the fault of the employee, and the employee can demonstrate that they could not know, nor could reasonably have known, that an overpayment had occurred.

11.4.2 An example might be where an employee has queried their pay with EMSS and been assured that the calculation is correct and the money is due to the employee. Another example where the employee may have acted 'in good faith' is where an overpayment is made consistently over a substantial period, and the amount overpaid each month is a relatively small amount and not reasonably identifiable to the employee as an overpayment.

11.4.3 If the manager wishes to consider writing off the overpayment, s/he should discuss the reasons for non-recovery with the HR Casework advisor dealing with the case and prepare a business case outlining the rationale for the write-off, using the appropriate template which can be found on the Pay pages of the People Management Handbook. The manager should return the completed business case to their HR advisor, who will forward the business case through the appropriate channels for consideration by the Chief Finance Officer.

11.4.4 If there is a request for a write-off, the manager must ensure EMSS are advised that

this is in progress and instructed not to pursue the overpayment until the business case has been considered and a decision made.

11.5 **Overpayment Disputes**

11.5.1 Where an employee disputes the overpayment or the proposed recovery arrangement, legal advice may be sought on the matter.

11.6 **Overpayments where the employee is no longer employed or is on notice**

11.6.1 If an employee leaves the employment of the Council within the period of an overpayment recovery arrangement, any outstanding balance will be deducted from their final pay. Where final pay is not enough to cover the amount of the overpayment, then the outstanding amount will be due to be repaid to the Council within one month after termination of employment and, if not repaid, will be dealt with as a sundry debt.

11.6.2 Where an employee has been overpaid and has subsequently left the employment of the City Council, any outstanding balance will be dealt with as a sundry debt.

11.7 **Confidentiality**

11.7.1 The confidentiality of employees will be strictly preserved in any overpayment situation and the details of the overpayment and the recovery arrangement will be released on a strict need-to-know basis.

12. Responsibilities in applying the pay policy

12.1 **Directors and Heads of Service**

The day to day operational management of pay rests with Directors and or Heads of Service who are accountable for their budgets. It is therefore their responsibility to ensure that all pay decisions are equitable, reasonable, and affordable, within the existing budget and within Nottingham City Council's Pay Policy.

12.2 **Managers**

Managers must apply the pay policy in all cases and must not make payments that do not accord with the policy or with Equal Pay legislation. Managers are expected to be accountable and take full responsibility for any decisions they make regarding pay, and to ensure these go through the proper approval channels. Any manager wishing to make payments outside of this policy must seek advice from the Employee Relations Team in HR.

12.3 **HR and Customer**

The HR and Customer service will support and advise managers in application of this policy. The Employee Relations team and Job Evaluation function will undertake monitoring activities and ensure that appropriate records are kept, as appropriate and as highlighted in this policy. The Employee Relations team will ensure this policy is updated when necessary, in consultation with the relevant Trade Unions.

12.4 **The Employee Service Centre**

The ESC will not make payments that are not in accordance with this policy without first referring the situation to an appropriate HR and Transformation colleague for advice.

Appendix 1 – Pay Scales

Pay Scales

Local Government Scheme				
Tier	Grade	Level	Salary (Apr 18)	Hourly Rate
6	A	1	£16,394	£8.50
		2	£16,495	£8.55
	B	1	£16,626	£8.62
		2	£16,863	£8.74
	C	1	£17,173	£8.90
		2	£17,681	£9.16
	D	1	£18,672	£9.68
		2	£19,446	£10.08
	E	1	£21,074	£10.92
		2	£22,401	£11.61
	F	1	£24,657	£12.78
		2	£26,470	£13.72
5	G	1	£28,221	£14.63
		2	£29,909	£15.50
	H	1	£32,233	£16.71
		2	£34,106	£17.68
	I	1	£37,107	£19.23
		2	£39,002	£20.22
4	J	1	£41,846	£21.69
		2	£43,757	£22.68
	K	1	£46,608	£24.16
		2	£48,512	£25.15

SLMG					
Tier	Grade	Salary		Hourly Rate	
		Level 1	Level 2	Level 1	Level 2
3	SLMG5	£50,944	£52,429	26.41	27.18
	SLMG4	£53,917	£57,357	27.95	29.73
	SLMG3	£60,800	£65,828	31.51	34.12
2	SLMG2	£70,858	£76,763	36.73	39.79
	SLMG1	£82,671	£88,573	42.85	45.91

Strategic Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	SDIR	£98,702	£109,201	51.16	56.60

Corporate Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CDIR	£124,860	£150,512	64.72	78.01

Chief Executive					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CX	£165,000	£185,000	85.52	95.89

Updated: 1 October 2018

Appendix 2 – Approved Market Supplements and Material Factor Payments

In certain circumstances, the Council will agree a variation to the above policy for certain groups of employees (see Special payments guidance document). These variations will be shared with Central Panel or such other body as agreed. They must comply with Equal Pay law and have no taint of discrimination for the basis of them or their application.

All requests for any variations to the policy must have a full business case provided and have been agreed by the Director of HR and Organisational Transformation.

The current agreed variations are:

Department	Title	Details	Review date
Commercial & Operations	Project Director, Nottingham Castle	To pay a market supplement of £7,850 per annum to increase salary to £60,184.	31/03/2019
	Product Development & Sales Manager	New Proposal following the new terms and conditions. In place from 1st April 2017 and a further salary increase in May 2018. It is proposed that a market supplement will continue however will be reduced to £730 to enable maintenance of overall total salary at £49,242.	31/07/2019
	Plant Operations Engineer	To pay £2,866 per annum (pro rata for part time colleagues)	31/08/2019
	Lead Engineer (Electrical), Enviro Energy	To pay £4,000 per annum (pro rata for part time colleagues)	31/08/2019
	Aerobics Instructors	To pay an uplift of 69%, equating to a rate of £16.36 per hour at Level 1 and £17.04 per hour at Level 2. Supplement only to be paid for hours spent delivering classes.	30/04/2019
	Activity Leaders (Sports Coaches)	To pay an uplift of 27%, equating to a rate of £12.29 per hour at Level 1 and £12.80 per hour at Level 2. Supplement only to be paid for hours spent delivering classes.	18/05/2019
	Head of Facilities Management	Retention payment to match external market at a ceiling rate of £70,500.	30/11/2019
	Tool Allowance	To pay £31.37 per month to vehicle fitters where tools are not provided by the Council.	30/06/2019
Children & Adults	Social Workers	To pay a market supplement to Level 2 and Level 3 Social Worker posts within Children's'	31/01/2019

		Services to increase salaries to £29,854 for Level 2 SWs and £34,196 for Level 3 SWs (pro rata for part time colleagues).	
	Emergency Duty Team	To apply a 20% plussage on all hours in compensation of all unsocial shift patterns worked.	30/09/2019
	YOT Case Manager/Court Officer	To pay an annual supplement of £1804.68 (pro rata for part time colleagues).	31/10/2019
	JAC Instructors	To pay an additional £6.39 per hour (to bring hourly pay up to £18.92 per hour) for casual JAC Instructor work.	31/10/2019
	Social Work Practice Assessors	To pay a fixed rate amount for completion of assignments: PE Stage 1: £750 for intermediate student, £850 final year.	30/09/2019
	Approved Mental Health Practitioners	To pay £1750 per annum (pro rata for part time colleagues) for participation in the AMPH rota.	31/01/2019
	Residential Staff in Children's Homes	To pay a 10% uplift on pay.	31/03/2019
Strategy & Resources	Network Services Manager	Due to Retention purposes to implement an annual market supplement for the value of £4500	30/09/2019
	Occupational Health Advisor	For retention purposes, to pay an increase in a range between £3,000 & £5,000 for the post holder depending on recruitment	31/03/2019
	Server Infrastructure Analyst	To implement an annual market supplement for the value of £4500	31/05/2019
	Database Support Manager	Due to difficulty recruiting and private sector comparisons, a monthly supplement was agreed which would annually total £18,621.	30/09/2019
Development & Growth	Principal Surveyor	To pay Tier 1 + £1,621 = 38,728 and Tier 2 + £878 = £39,880 to address retention and recruitment issues	31/03/2019
	Senior Estates Surveyor	To pay a ceiling amount of £36,632 at Level 1 and £37,784 at Level 2.	30/09/2019
	Director of Major Projects	To pay £4,500 for 12 months for retention	30/11/2019
	Midlands Engine	To pay a total salary of	31/01/2019

	Programme Director	£110,000 per annum (pro rata for part time colleagues)	
	Head of Portfolio Investment and Development	To pay £5,000 per annum in addition to basic salary (pro rata for part time colleagues)	31/03/2019
	Project Manager, Major Projects	To pay a 15% increase on basic salary.	31/03/2019
	Head of Traffic	To pay a 5% increase on basic salary to aid recruitment.	31/05/2019
	Building Control Officer	To pay £2,000 pa for recruitment and retention	31/05/2019

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Organisation	Nottingham City Council

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Revision date	Version number	Author of changes	Summary of changes
15/02/18	2	Gail Keen	Update of Appendix 2 (Central Panel 15/2/18)
19/07/18	3	Gail Keen	Update of Appendix 2 (Central Panel 19/7/18)
01/10/18	4	Gail Keen	Amendment to incorporate changes to SLMG pay, terms and conditions (Collective Agreement)

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PAY POLICY

Table of Contents

PAY POLICY

Paragraphs (3) (7) (8) and (10) of this Pay Policy are, where applicable, incorporated into individual employees' contracts of employment.

1. Who this policy applies to

1.1 This Policy applies to all employees whose terms and conditions are governed by the National Joint Council for Local Government Services (the 'Green Book') as supplemented and/or amended by the policies and provisions of the Council's People Management Handbook. It does not apply to employees directly employed by schools.

1.2 Paragraphs (2), (6.2) and (9-12) of this Policy will also apply to employees covered by the Soulbury Committee – Inspectors, Organisers and Advisory Officers of Local Education Authorities.

1.3 Paragraphs (2-4), (6) and (9-12) of this Policy will also apply to employees within the Strategic Leadership Management Group (SLMG).

2. Principles

2.1 The purpose of this Policy is to ensure a fair, transparent and equitable pay system that is free from unlawful discrimination. All decisions made in respect of the Policy will be based on these principles.

2.2 The Policy will be applied in accordance with the roles and responsibilities of officers as set out in the Council's Constitution.

2.3 The Council will act in accordance with the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002. Managers should ensure fixed-term employees receive no difference in treatment to permanent employees regarding pay.

3. Pay System

3.1 The Council uses the Greater London Provincial Council (GLPC) system as its method to value all jobs covered by the Green Book, and a bespoke system to evaluate SLMG jobs below the level of Strategic Director. Both systems measure all jobs on a systematic basis against a set number of factors. All relevant jobs are evaluated under these systems, and the job evaluation score then determines which pay grade and tier a job is assigned to.

3.2 The pay and grade structure is set out in the table below:

Tier	Grade	Entry Point	Progression Point
6	A	A1	A2
6	B	B1	B2
6	C	C1	C2
6	D	D1	D2
6	E	E1	E2
6	F	F1	F2
5	G	G1	G2
5	H	H1	H2
5	I	I1	I2
4	J	J1	J2
4	K	K1	K2
3	SLMG5	Level 1	Level 2
3	SLMG4	Level 1	Level 2
3	SLMG3	Level 1	Level 2
2	SLMG2	Level 1	Level 2
2	SLMG1	Level 1	Level 2

3.3 All grades A – K are assigned to one of three tiers: 4, 5 or 6. SLMG grades are assigned to Tiers 2 and 3, and Tier 1 is reserved for Strategic Directors, Corporate Directors and the Chief Executive.

3.4 Each grade (A – SLMG1) consists of Levels 1 and 2, which define the minimum and maximum pay for each grade. The values of each level are available on the intranet and in Appendix 1 of this Pay Policy.

3.5 Level 1 is a probationary point and Level 2 is a non-probationary point. Progression to Level 2 will be subject to successful completion of a six-month probationary period for new starters or six month pay review period for existing employees. GLPC colleagues will progress on their one-year anniversary in their job and SLMG colleagues will progress on their two-year anniversary.

3.6 The table below outlines the circumstances in which employees could move to a new grade, including where there may be exceptions to 3.5 above, to allow commencement at Level 2.

	Reason for commencing in grade	Starting point	Timescale for and condition of progression to Level 2
A	External appointment	Level 1	Successful completion of six month probationary period; progress on first year anniversary.
B	Internal (voluntary) appointment to higher grade	Level 1	Successful completion of six month pay review period; progress on first year anniversary.
C	Internal (voluntary) appointment to same grade (probation not completed)	Level 1	The remainder of the probationary period will be continued into the new job. Progress on first year anniversary subject to successful completion of probationary period.
D	Internal (voluntary) appointment to same grade (probation completed but less than a year in grade)	Level 1	Automatic progression to Level 2 in the new job a year after the start of the original probationary period.
E	Internal (voluntary) appointment to same grade	Level 2	Remain on Level 2
F	Move to same grade via internal processes (e.g. restructure, redeployment)	Grade level as already attained.	N/A if already on Level 2. If on Level 1; as per C - E above, as appropriate.
G	Move to lower grade via internal processes (e.g. restructure, redeployment)	Level 2 (pay protection if applicable).	N/A
H	Move to higher grade via internal processes (e.g. restructure, redeployment)	Level 1	Automatic progression to Level 2 on first year anniversary (no probation or pay review required).
I	Job re-graded and back-dated by less than 12 months.	Level 1	Pay progression period to start from back-dated start date.
J	Job re-graded and back-dated by 12 months or more.	Level 2	N/A

4. Pay Levels – terms of use

4.1 All jobs will be advertised on the salary for Level 1 only and starting salaries will not be open to negotiation. New starters to the Council must not be placed on Level 2 as a way of offering a higher rate of pay. Where a manager is not able to recruit and needs to offer a higher salary to attract external candidates this will need to be detailed and approved in a business case requesting a market supplement or material factor

payment. A record of all such decisions will be kept and periodically presented at Central Panel. Please see section 9 of this policy, and the associated Special Payment Guidance document, which contains advice on how to request market supplements and material factor payments.

4.2 No employee will be allowed to receive more than the Level 2 payment for their grade unless approval is obtained for a Market Supplement, Material Factor or Additional Payment (see Section 9).

4.3 Where a job is re-graded, the employee will be placed on Level 1 if the effective date of the re-grade is back-dated by less than twelve months. The elapsed period since the effective start date of the re-grade will be considered to count towards the period for progression to Level 2. The employee will move to Level 2 twelve months from the effective date of the re-grade, even if this is back-dated.

If the re-grade is back-dated by more than twelve months, the employee will be placed on Level 2.

5. Living Wage and the Nottingham Living Wage Supplement

5.1 The Government has set a National Living Wage, and it is unlawful for employers to pay less than this amount per hour to employees aged 25 and over.

5.2 The Living Wage Foundation is an independent collective which, in partnership with the Centre for Research in Social Policy at Loughborough University, calculates what a reasonable Living Wage should be every year, based on the estimated needs of average family 'types' in order to maintain a reasonable standard of living. This is normally a higher rate than the Living Wage set by the Government and is a voluntary rate of pay.

5.3 Nottingham City Council aspires to be a voluntary Living Wage Foundation employer and to pay the rates suggested by the Living Wage Foundation. As at 1st April 2017, the Council has introduced a supplement to the NJC payscales to pay the Living Wage rate as at 31 October 2016, and ensures that grades A to C have a proportional difference between each grade and each corresponding level.

5.4 The Council will regularly review the minimum rate paid to its employees and the knock on effect to the levels of pay above, but this will have to be balanced against the Council's financial situation.

6. Grading of jobs

6.1 All jobs are assigned to a grade following a job evaluation.

6.2 Where there is a business need to create a new role or to fill a vacancy that has been empty for a significant period, the line manager will initially consult the Job Evaluation Analyst in the Business Operations Team, who will advise whether there is an appropriate generic job description for the role available. If not, the manager will draft a new job description, and submit it to for evaluation, together with other relevant documents, to job.evaluation@nottinghamcity.gov.uk. More details of the Job Evaluation process can be found on the Job Evaluation pages of the intranet.

6.3 Where a re-grade of an existing job is considered necessary, the revised job description, together with a summary of what changes have occurred to the job, should be sent to the Job Evaluation team via the email address above.

6.4 It is the Council's intention to move to a job family system of job evaluation. Once this comes into force, this policy will be amended to reflect this.

7. Overtime and Allowances

7.1 Employees will receive plain time for all hours worked except in the circumstances outlined below.

7.2 Overtime

7.2.1 Where overtime is offered, compensation of either Time Off In Lieu (TOIL) or payment will be given in line with each service's normal practice. Employees above Grade F in particular should normally be compensated by TOIL and should only be paid for overtime where there is exceptional business need.

7.2.2 Where payment is to be made for overtime in place of TOIL, the following payments can be made:

For employees at grade F and below	• Plain time to be paid for all hours worked up to and including 42 hours per week (i.e. the first 5 hours of overtime above 37 hours are paid at plain time). • Any overtime hours worked beyond 42 hours per week to be paid at time and a half.
For employees above grade F	• Plain time rates for all additional hours worked.

7.2.3 Overtime worked on a public holiday will be paid at double time for all hours worked.

7.3 Public Holidays

7.3.1 There are eight public holidays each year. More information about public holidays can be found in the Public Holidays policy within the People Management Handbook. All provisions below relate to public holidays that are worked as part of an employee's normal working week.

7.3.2 Employees who are required to work on a public holiday will be paid at double time for all hours worked on that day.

7.3.3 Employees who are due to work on a public holiday but are absent on sick leave will only receive basic sick pay for that day.

7.3.4 Employees who are required to work on a public holiday will also receive paid time off in lieu (TOIL) as follows:

- Time worked less than half the normal working hours on that day – half a day
- Time worked more than half the normal working hours on that day – full day.

7.4 **Night working**

7.4.1 Employees who work at night as part of their normal working week will receive an enhancement of time and one third for all hours worked between 11.00pm and 6.00am.

7.5 **Sleep-in Duty**

7.5.1 Employees who are required to sleep-in on the premises shall receive the nationally agreed rate set by the National Joint Council from time to time. This allowance covers the requirement to sleep-in and up to 30 minutes' call out per night, after which plain time will apply.

7.5.2 Currently, the Council pays a rate of £39.53 per sleep-in session, as this is a rate historically paid prior to becoming a Unitary Authority. An agreement has been made with our Trade Unions that this rate will continue until such time as the nationally-agreed amount overtakes it, after which the nationally-agreed rate will apply.

7.5.3 Where any working time undertaken whilst sleeping-in prevents the employee taking any of the rest periods outlined in 7.6.5 below, compensatory unpaid time off will be provided.

7.6 **Standby Duty**

7.6.1 **On call to go into work**

The nationally agreed stand-by rate per session will be paid to employees who are on a standby duty rota to provide services out of hours. A session equates to any period of 24 hours or less. Employees on standby to go into work must:

- be directly contactable;
- remain fit and capable to go into work to undertake duties required;
- be immediately available to go into work; and
- be able to arrive at work within 45 minutes of being notified.

7.6.2 The session payment covers the period of standby only. If an employee is called into work as a result of being on standby, they will be reimbursed for any time worked as per section 7.7 below. If called into work, the standby payment will still apply, regardless of the length of time the employee was actually on standby prior to being called into work.

7.6.3 **On call to provide telephone support**

The nationally agreed standby rate per session will be paid to employees on a standby duty rota to provide telephone support out of hours. A session equates to any period of 24 hours or less. Employees on call to provide telephone support must:

- be directly contactable; and
- remain fit and capable to undertake the duties required.

7.6.4 The session payment covers the period on call and any calls amounting to less than one hour. Any calls in excess of one hour should be recorded as working time and claimed in accordance with section 7.7 below. Should a call result in a requirement to go into work, the principles outlined in 7.7 below will also apply.

7.6.5 Under the Working Time Directive, employees are entitled to statutory unpaid rest periods of:

- eleven consecutive hours in any 24-hour period;
- a 20-minute rest break if the working day is longer than six hours;
- one day off each week.

7.6.6 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined above, compensatory unpaid time off will be provided.

7.7 **Payment for work undertaken as a result of standby**

7.7.1 If an employee on standby is required to go into work, or undertakes telephone work in excess of one hour they will receive either time off in lieu (TOIL) or payment, as appropriate to business need, and in accordance with Section 7.2 above, for the actual time spent working.

7.7.2 For employees receiving payment, a minimum of two hours' payment at plain time will be made for any period they are required to go into work.

7.7.3 For employees who are required to physically go into work, TOIL or payment will include travel time.

7.7.4 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined in 7.6.5 above, compensatory unpaid time off will be provided.

7.8 **Client Holidays**

7.8.1 An allowance of £50 per day will be paid to employees accompanying clients on holiday. This payment will be made in replacement of all other allowances that might otherwise apply to the time worked during the client holiday.

7.9 **Lunchtimes/Provision of Meals**

7.9.1 All lunchtimes will be unpaid unless a business case exists for employees to eat with clients sufficient to provide a Material Factor Defence for the payment and such activities have received prior approval from the employee's manager.

7.9.2 Meals will not be provided to any employee unless a clear business case exists for the employee to eat a meal with the client sufficient to provide a Material Factor Defence for the provision of the meal and such activities have received prior approval from the employee's manager

7.10**.** **Governance of Allowances**

7.10.1 No other allowances apart from those listed above will be paid to employees covered by the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service (Green Book).

7.10.2 Allowances will not be payable for periods of sickness absence. However, allowances will be taken into account when calculating holiday pay. See Section 8 for more details.

7.10.3 In the event that more than one allowance could be applied, then it is only the highest allowance that applies. This is with the exception of Standby and Recall to Work, which may both apply alongside each other.

8. Holiday Pay and Allowances

8.1 The Council makes payment for the first twenty days of annual leave, by taking into account the following qualifying allowances and payments:

- Sleep in duty allowances
- Standby duty allowances
- Public Holiday Payments
- Non-guaranteed overtime payments
- Night working enhancements

9. Special Payments

9.1 The Council is a large organisation which contains a diverse range of services and jobs. As such, whilst ensuring equal pay principles are adhered to, it is also recognised that a single approach to pay may not always be suitable for the business needs of all services, particularly in areas where there are recruitment and retention issues (including national skills shortages), strong commercialisation priorities, or exceptional work conditions/demands.

9.2 Where there are specific business needs that our pay system does not accommodate, managers may consider Special Payments such as Market Supplements, Material Factor payments or Additional Payments in order to offer appropriate levels of remuneration to ensure their services can operate successfully.

9.3 Further details of what these payments are and the governance processes to be followed in order to put these types of payment in place are contained in a separate Special Payment Guidance document.

9.4 A full list of all agreed Market Supplements and Material Factor payments can be found at Appendix 2 of this policy. Appendix 2 will be updated periodically when payments are reviewed, added or removed.

10. Pay Protection

10.1 Employees who are redeployed into a lower graded job as a result of a formal restructuring or because they are at risk of redundancy may receive pay protection for a period of not more than one year (the ‘protection period’). Pay protection will only apply where the employee is redeployed into a job not more than two grades below the employee’s previous grade.

10.2 Employees will be moved to the maximum level of their new grade and will receive the difference in salary between the two jobs as a protected element in addition to their new basic salary. Employees will receive pay awards on their new basic salary but not on the protected element, and any increase to basic salary will be offset against the protected element in order to maintain the protected level of pay.

10.3 Pay protection will be calculated on contracted hours. Where an employee’s normal working hours are decreased during the protection period, the pay protection element

will be pro-rated accordingly.

10.4 If an employee reduces their hours during the pay protection period, the pay protection will reduce in line with the reduction in hours (e.g. if hours are halved, the pay protection amount will also be halved).

10.5 If, after reducing their hours as above, the employee increases them back again during the pay protection period, the pay protection will increase in line with the increase to hours, but will not exceed the original protected salary. Such cases may include situations where a woman returning from maternity leave wishes to return on reduced hours temporarily and gradually increase her hours over a defined period.

10.6 If an employee increases their hours during the protection period without having previously reduced them, there will be no increase to the pay protection. The pay protection amount will be reduced to offset the increase in hours and maintain the protected salary.

10.7 If the increase in hours restores the employee's basic salary to the protected salary or above, the pay protection will cease.

10.8 Where an employee is promoted to a higher grade during the protection period the employee shall be placed on Level 1 of the new grade, and pay protection will cease if the new salary is equal to or higher than the protected salary. If Level 1 of the new grade is lower than the protected salary the pay protection element will be amended to accommodate the difference between the new Level 1 salary and the protected salary for the remainder of the protection period.

10.9 Pay protection will cease automatically when the protection period ends. If pay protection is continued beyond the protection period in error, the Council reserves the right to recover any overpayment made in accordance with Section 11 of this policy.

10.10 Where an employee on pay protection undertakes additional duties and responsibilities over and above their new grade, but not higher than their protected salary, they will not be entitled to receive an Additional Payment. If undertaking duties at a higher salary than their protected salary, any additional payment must be offset against the pay protection.

10.11 Only an employee's basic salary will be protected. An employee's previous terms and conditions including any contractual allowances, additional payments, material factor payments and market supplementation payments, will not be protected. Similarly, an employee's previous hours will not be protected. Where an employee is redeployed into a lower-graded job which carries more hours, protection will not apply where the increase in hours enables the employee to maintain their former basic salary.

10.12 Where an employee is redeployed because they are unable to fulfil the duties of their existing job because they are disabled within the meaning of the Equality Act 2010 (and any reasonable adjustments have been considered), they will be treated no less favourably in terms of the pay protection than employees who are redeployed because they are at risk of redundancy.

10.13 Pay protection will not apply where an employee is downgraded due to misconduct or capability.

10.14 Nothing in this Policy shall entitle an employee to receive any pay protection which amounts to a sum greater than their actual financial loss.

11. Overpayments

11.1 On occasion, overpayments of salary or expenses may occur as a result of administrative oversight, error or late notification of payroll changes. After an investigation of the facts, recovery of the overpayment will be the normal approach taken where an overpayment of salary or expenses is discovered.

11.2 **Is the overpayment recoverable?**
Under the Employment Rights Act 1996, an employer is entitled to deduct from an employee's wages (even without the consent of the employee) an overpayment of wages made to the employee as long as recovery is lawful under general legal principles. In order to decide whether recovery is lawful there needs to be an investigation of the cause and surrounding circumstances of the overpayment including the wording of any contractual documentation.

11.3 **Guidelines for recovery**

11.3.1 Recovery of overpayments will be the normal approach in the majority of cases. There may be circumstances when partial repayment or writing off the overpayment is considered. In such cases, the process outlined at 11.4 should be followed.

11.3.2 However an overpayment comes to light, the payroll provider (East Midlands Shared Service or EMSS) must be notified as a matter of priority. EMSS will write to the employee, copying in their manager, with an explanation of the overpayment which will detail:

- how the overpayment occurred
- the net amount to be repaid once deductions for tax and NI are taken into account.

An Overpayment Recovery Option (ORO) Form will also be enclosed with the letter. If the employee is a leaver, an invoice will be sent under separate cover.

11.3.3 The employee's manager should meet with the employee to discuss the overpayment and how this is to be resolved. An employee may choose to be accompanied at this meeting by a trade union representative or a work colleague if they wish. If necessary, the manager may seek advice from the HR Casework team prior to the discussion taking place.

11.3.4 The method of recovery of the overpayment could be decided at this meeting having regard to the options which are:

(a) a one-off payment for the full amount via salary deduction; or
(b) in regular installments via salary deduction.

11.3.5 In discussing the options with the employee, managers should have regard to good financial practices. The maximum recovery period for overpayments should not exceed 12 months unless the Chief Finance Officer has agreed an extended period in

exceptional circumstances.

11.3.6 The employee should return the ORO Form to the Employee Service Centre (ESC) with their preferred recovery method. Although the employee's written consent to the recovery of the overpayment is not legally required, it is good practice to try and obtain written agreement for overpayments. Where the employee does not return their ORO Form or indicate their preferred recovery method within the timescales specified, recovery of the overpayment will proceed on a default basis. The default recovery method is option (b). The ESC will in all events write to the employee to confirm the method of recovery that will be taken.

11.3.7 In implementing an overpayment recovery arrangement, Nottingham City Council will act reasonably and in all cases of recovery, the amount being repaid must not result in the employee's basic hourly rate falling below the national minimum wage.

11.3.8 It is important that overpayments are handled fairly and consistently to avoid any hint of inequality or unlawful discrimination. Managers should not allow employees to work additional hours and receive paid overtime as a way of 'paying off' the overpayment. If overtime is necessary and approved this is a separate matter and should not be used to offset the amount owed by the employee who has been overpaid.

11.4 **Guidelines for requesting that an overpayment be written off**

11.4.1 Overpayments are normally recoverable. There may be circumstances where the Council considers writing off an overpayment, but these will be rare and, as a minimum, the following would need to apply:

- The employer has led the employee to believe that he or she is entitled to treat the money as his/her own, **and**
- The employee has, in good faith, changed his or her position (e.g. spent the money believing it to be his or her own), **and**
- The overpayment was not caused primarily by the fault of the employee, and the employee can demonstrate that they could not know, nor could reasonably have known, that an overpayment had occurred.

11.4.2 An example might be where an employee has queried their pay with EMSS and been assured that the calculation is correct and the money is due to the employee. Another example where the employee may have acted 'in good faith' is where an overpayment is made consistently over a substantial period, and the amount overpaid each month is a relatively small amount and not reasonably identifiable to the employee as an overpayment.

11.4.3 If the manager wishes to consider writing off the overpayment, s/he should discuss the reasons for non-recovery with the HR Casework advisor dealing with the case and prepare a business case outlining the rationale for the write-off, using the appropriate template which can be found on the Pay pages of the People Management Handbook. The manager should return the completed business case to their HR advisor, who will forward the business case through the appropriate channels for consideration by the Chief Finance Officer.

11.4.4 If there is a request for a write-off, the manager must ensure EMSS are advised that

this is in progress and instructed not to pursue the overpayment until the business case has been considered and a decision made.

11.5 **Overpayment Disputes**

11.5.1 Where an employee disputes the overpayment or the proposed recovery arrangement, legal advice may be sought on the matter.

11.6 **Overpayments where the employee is no longer employed or is on notice**

11.6.1 If an employee leaves the employment of the Council within the period of an overpayment recovery arrangement, any outstanding balance will be deducted from their final pay. Where final pay is not enough to cover the amount of the overpayment, then the outstanding amount will be due to be repaid to the Council within one month after termination of employment and, if not repaid, will be dealt with as a sundry debt.

11.6.2 Where an employee has been overpaid and has subsequently left the employment of the City Council, any outstanding balance will be dealt with as a sundry debt.

11.7 **Confidentiality**

11.7.1 The confidentiality of employees will be strictly preserved in any overpayment situation and the details of the overpayment and the recovery arrangement will be released on a strict need-to-know basis.

12. Responsibilities in applying the pay policy

12.1 **Directors and Heads of Service**

The day to day operational management of pay rests with Directors and or Heads of Service who are accountable for their budgets. It is therefore their responsibility to ensure that all pay decisions are equitable, reasonable, and affordable, within the existing budget and within Nottingham City Council's Pay Policy.

12.2 **Managers**

Managers must apply the pay policy in all cases and must not make payments that do not accord with the policy or with Equal Pay legislation. Managers are expected to be accountable and take full responsibility for any decisions they make regarding pay, and to ensure these go through the proper approval channels. Any manager wishing to make payments outside of this policy must seek advice from the Employee Relations Team in HR.

12.3 **HR and Customer**

The HR and Customer service will support and advise managers in application of this policy. The Employee Relations team and Job Evaluation function will undertake monitoring activities and ensure that appropriate records are kept, as appropriate and as highlighted in this policy. The Employee Relations team will ensure this policy is updated when necessary, in consultation with the relevant Trade Unions.

12.4 **The Employee Service Centre**

The ESC will not make payments that are not in accordance with this policy without first referring the situation to an appropriate HR and Transformation colleague for advice.

Nottingham City Council

Appendix 1 – Pay Scales

Pay Scales

Local Government Scheme				
Tier	Grade	Level	Salary (Apr 18)	Hourly Rate
6	A	1	£16,394	£8.50
		2	£16,495	£8.55
	B	1	£16,626	£8.62
		2	£16,863	£8.74
	C	1	£17,173	£8.90
		2	£17,681	£9.16
	D	1	£18,672	£9.68
		2	£19,446	£10.08
	E	1	£21,074	£10.92
		2	£22,401	£11.61
	F	1	£24,657	£12.78
		2	£26,470	£13.72
5	G	1	£28,221	£14.63
		2	£29,909	£15.50
	H	1	£32,233	£16.71
		2	£34,106	£17.68
	I	1	£37,107	£19.23
		2	£39,002	£20.22
4	J	1	£41,846	£21.69
		2	£43,757	£22.68
	K	1	£46,608	£24.16
		2	£48,512	£25.15

SLMG					
Tier	Grade	Salary		Hourly Rate	
		Level 1	Level 2	Level 1	Level 2
3	SLMG5	£50,944	£52,429	26.41	27.18
	SLMG4	£53,917	£57,357	27.95	29.73
	SLMG3	£60,800	£65,828	31.51	34.12
2	SLMG2	£70,858	£76,763	36.73	39.79
	SLMG1	£82,671	£88,573	42.85	45.91

Strategic Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	SDIR	£98,702	£109,201	51.16	56.60

Corporate Director					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CDIR	£124,860	£150,512	64.72	78.01

Chief Executive					
Tier	Grade	Salary		Hourly Rate	
		Min	Max	Min	Max
1	CX	£165,000	£185,000	85.52	95.89

Updated: 1 October 2018

Appendix 2 – Approved Market Supplements and Material Factor Payments

In certain circumstances, the Council will agree a variation to the above policy for certain groups of employees (see Special payments guidance document). These variations will be shared with Central Panel or such other body as agreed. They must comply with Equal Pay law and have no taint of discrimination for the basis of them or their application.

All requests for any variations to the policy must have a full business case provided and have been agreed by the Director of HR and Organisational Transformation.

The current agreed variations are:

Department	Title	Details	Review date
Commercial & Operations	Project Director, Nottingham Castle	To pay a market supplement of £7,850 per annum to increase salary to £60,184.	31/03/2019
	Product Development & Sales Manager	New Proposal following the new terms and conditions. In place from 1st April 2017 and a further salary increase in May 2018. It is proposed that a market supplement will continue however will be reduced to £730 to enable maintenance of overall total salary at £49,242.	31/07/2019
	Plant Operations Engineer	To pay £2,866 per annum (pro rata for part time colleagues)	31/08/2019
	Lead Engineer (Electrical), Enviro Energy	To pay £4,000 per annum (pro rata for part time colleagues)	31/08/2019
	Aerobics Instructors	To pay an uplift of 69%, equating to a rate of £16.36 per hour at Level 1 and £17.04 per hour at Level 2. Supplement only to be paid for hours spent delivering classes.	30/04/2019
	Activity Leaders (Sports Coaches)	To pay an uplift of 27%, equating to a rate of £12.29 per hour at Level 1 and £12.80 per hour at Level 2. Supplement only to be paid for hours spent delivering classes.	18/05/2019
	Head of Facilities Management	Retention payment to match external market at a ceiling rate of £70,500.	30/11/2019
	Tool Allowance	To pay £31.37 per month to vehicle fitters where tools are not provided by the Council.	30/06/2019
Children & Adults	Social Workers	To pay a market supplement to Level 2 and Level 3 Social Worker posts within Children's'	31/01/2019

		Services to increase salaries to £29,854 for Level 2 SWs and £34,196 for Level 3 SWs (pro rata for part time colleagues).	
	Emergency Duty Team	To apply a 20% plussage on all hours in compensation of all unsocial shift patterns worked.	30/09/2019
	YOT Case Manager/Court Officer	To pay an annual supplement of £1804.68 (pro rata for part time colleagues).	31/10/2019
	JAC Instructors	To pay an additional £6.39 per hour (to bring hourly pay up to £18.92 per hour) for casual JAC Instructor work.	31/10/2019
	Social Work Practice Assessors	To pay a fixed rate amount for completion of assignments: PE Stage 1: £750 for intermediate student, £850 final year.	30/09/2019
	Approved Mental Health Practitioners	To pay £1750 per annum (pro rata for part time colleagues) for participation in the AMPH rota.	31/01/2019
	Residential Staff in Children's Homes	To pay a 10% uplift on pay.	31/03/2019
Strategy & Resources	Network Services Manager	Due to Retention purposes to implement an annual market supplement for the value of £4500	30/09/2019
	Occupational Health Advisor	For retention purposes, to pay an increase in a range between £3,000 & £5,000 for the post holder depending on recruitment	31/03/2019
	Server Infrastructure Analyst	To implement an annual market supplement for the value of £4500	31/05/2019
	Database Support Manager	Due to difficulty recruiting and private sector comparisons, a monthly supplement was agreed which would annually total £18,621.	30/09/2019
Development & Growth	Principal Surveyor	To pay Tier 1 + £1,621 = 38,728 and Tier 2 + £878 = £39,880 to address retention and recruitment issues	31/03/2019
	Senior Estates Surveyor	To pay a ceiling amount of £36,632 at Level 1 and £37,784 at Level 2.	30/09/2019
	Director of Major Projects	To pay £4,500 for 12 months for retention	30/11/2019
	Midlands Engine	To pay a total salary of	31/01/2019

	Programme Director	£110,000 per annum (pro rata for part time colleagues)	
	Head of Portfolio Investment and Development	To pay £5,000 per annum in addition to basic salary (pro rata for part time colleagues)	31/03/2019
	Project Manager, Major Projects	To pay a 15% increase on basic salary.	31/03/2019
	Head of Traffic	To pay a 5% increase on basic salary to aid recruitment.	31/05/2019
	Building Control Officer	To pay £2,000 pa for recruitment and retention	31/05/2019

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Organisation	Nottingham City Council

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Revision date	Version number	Author of changes	Summary of changes
15/02/18	2	Gail Keen	Update of Appendix 2 (Central Panel 15/2/18)
19/07/18	3	Gail Keen	Update of Appendix 2 (Central Panel 19/7/18)
01/10/18	4	Gail Keen	Amendment to incorporate changes to SLMG pay, terms and conditions (Collective Agreement)

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Appendix 6: Matrix of Terms and Conditions

Terms and Conditions (as at 31 October 2018)	Chief Executive	Other Chief Officers	LGS Employee
Basic Pay[1]	✓ Contractual Current pay £166,480 Range £165,000 - £185,000	✓ Contractual Range £50,944-£150,512	✓ Contractual Range £16,394-£48,512
Performance Related Pay	x	x	x
Incremental progression (one pay increase available after one year in grade, conditional on successful completion of six month review period)	x	✓	✓
Annual cost of living increase (nationally negotiated. Pay award of 2% applied to LGS, Chief Officer and CEX from 1 April 2018 award of 2%. Those on SCP 6-17 received an increase of between 9.19 – 3.73%)	✓	✓	✓
Market Supplement Payment (Restricted - based on business case requiring evidence. Approval by Pay Governance Board. Reviewed every 12-24 months)	✓ but not in receipt of payment and historically never offered to the Chief Executive	✓ as at 31 Oct 2018 two Chief Officers were in receipt of payment	✓ paid only to certain roles on approval of a business case.
Overtime and night working payments	x	x	✓ Contractual
Evening and weekend payments	x	x	x
Out of hours, recall to work, standby payments, critical incidents, sleep in duty, shift working, client holidays payments	x	x	✓ Contractual
Acting up allowances, honoraria and ex gratia payments	x	✓ As at 31 Oct 18, two Chief Officers were in receipt of payments totalling £8,483.	✓
Monitoring Officer Payment (statutory duty)	x	x incorporated into one Corporate Director role	x

[1] See Appendix 4 for pay bandings

Returning/Counting Officer Payment (to run elections)[2] or Election Duty Payments	✓ payment made for a Parliamentary election – but not paid by NCC	✓ if acting as deputy, this payment is paid out of the Returning Officer's personal fee	✓ if working on elections
Bonus payments	x	x	x
Redundancy Payment (same multiplier criteria used for all groups)	✓	✓	✓
Efficiency Payment (same criteria used for all groups)[3]	✓	✓	✓
Relocation Payments	✓	✓ As at 31 Oct 2017, no relocation payments had been made to chief officers	✓
Essential Car User Allowance (The Council removed ECU in September 2014 so this is no longer available to any colleagues)	x	x	x
Company Car	x	x	x
Car Parking Allowances (restricted and dependant on role; the majority of employees pay for their own parking)	x	x As at 31 Oct 2017, four Chief Officers were in receipt of payments totalling £68.	✓
Travel expenses within County of Nottinghamshire	x	x	✓
Travel expenses outside of County of Nottinghamshire (Must use standard rail fare. mileage capped at 40p per mile for 10,000 miles and 25p per mile thereafter)[4]	✓	✓ As at 31 Oct 2017, 2 Chief Officers were in receipt of payments totalling £35.33 between them	✓
Disturbance Allowance (paid up to one year for significant changes to work location)	x	x	✓
Payment for home telephone line for work purposes	x	x	✓
Reimbursement of reasonable expenditure (limits apply equally to all groups and receipts must be provided)[5]	✓	✓ As at 31 Oct 17, one Chief Officer was in receipt of payments totalling £126	✓
Sickness Pay entitlement linked to length of service – applied equally to all groups	✓ Contractual	✓ Contractual	✓ Contractual
Notice Period	✓ Contractual 3 months	✓ Contractual 3 months	✓ Contractual 1-2 months
Payment of Membership Fees	x	x	x

[2] This is a bulk payment made to a nominated chief officer to fulfil the duties of running National Referendum, Local, European or Parliamentary elections.
[3] This is covered in the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR) Policy. See Appendix 7
[4] See Appendix 9 for details of the Council's Business Travel Scheme
[5] See Appendix 10 for details of the Council's policy on Reimbursement of Expenditure

Access to the Local Government Pension Scheme – employer and employee contribution (Employer rate contribution equal for all groups)	✓ Contractual Employee rate: 12.5%	✓ Contractual Employee rate: 8.5-11.4%	✓ Contractual Employee rate: 5.8-8.5%
Discretion to enhance pension entitlements[6]	✓	✓	✓
Salary Sacrifice Benefits allowing NI and Tax relief (purchase of annual leave, bike, childcare, mobile phones etc)	✓	✓	✓
Other employee discounts through works perks (e.g. retail discounts etc) applies to all groups equally	✓	✓	✓

[6] See Appendix 8 for the Council's policy on in relation to the exercise of discretions under the Local Government Pension Scheme

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Nottingham City Council

THE LOCAL GOVERNMENT (EARLY TERMINATION OF EMPLOYMENT) (DISCRETIONARY COMPENSATION) (ENGLAND AND WALES) REGULATIONS 2006 - POLICY STATEMENT

1. Preamble

In accordance with the requirements of Regulation 7(1) of the above Regulations, Nottingham City Council has agreed the following policy statement in respect of the discretions available under Regulations 5 and 6 of the same Regulations (the 'DCR' Regulations).

2. Regulation 5

2.1 For employees with two or more years' continuous service with the City Council (or with an organisation covered by the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999) (the 'RPMO'), who are dismissed by reason of redundancy, compensation will be paid equivalent to the statutory redundancy payment to which they are entitled under the Employment Rights Act 1996 (ERA).

2.2 In calculating the amount of redundancy compensation to which an employee is entitled under this Regulation, the statutory limit1 on a week's pay as imposed by section 227 of the ERA will apply.

2.3 Continuous service with an organisation covered by the provisions of the RPMO will count towards the redundancy compensation calculation under this Regulation.

3. Regulation 6

3.1 For employees who are entitled to a statutory redundancy payment under Regulation 5, no discretionary compensation element will be paid under Regulation 5.

3.2 For an employee who is dismissed in the interests of the efficient exercise of the Council's functions, the Council shall have discretion to make a payment to the employee up to a maximum of 52 weeks' pay in circumstances where there is a demonstrable business benefit to the Council arising from the payment. Discretionary compensation payments paid in the interests of the efficient exercise of the Council's functions will not normally exceed £30,000 unless prior approval is obtained from the Appointments and Conditions of Service Committee. It is expected that discretionary payments made in the interests of the efficient exercise of the Council's functions will only be considered in exceptional circumstances.

3.3 Discretions under this policy shall be applied in the following manner:

- Payments to officers at the level of Head of Service and above[2] in the efficient exercise of the functions of the Council shall be made at the discretion of the Appointments and Conditions of Service Committee.

[1] With effect from 6 April 2017, the statutory limit of a week's pay is £489 per week.

[2] This includes Corporate Directors and officers within the Strategic Leadership Management Group (SLMG).

- Payments to officers below the level of Head of Service in the efficient exercise of the functions of the Council shall be made at the discretion of the Chief Executive.

3. **Additional Membership of the Local Government Pension Scheme**

3.1 Employees who are members of the Local Government Pension Scheme (LGPS) who receive a discretionary compensation payment under Regulation 6 of the DCR, will have the option to convert their discretionary compensation payment under Regulation 6 into additional membership of the LGPS up to a maximum of ten years.

3.2 The decision to convert any of the discretionary compensation element into pension must be taken before the employee leaves the employment of the Council.

4. **Changes to this policy**

4.1 In accordance with Regulations 7 (2) and (3), any changes to this policy and its application will not be made until one month after a statement setting out the intended changes has been published. The policy will be periodically reviewed to ensure its continued effectiveness.

Version Control

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Status	Final
Approved by	Not applicable – statutory change
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Review date	
Author	Sheena Yadav-Staples
Organisation	Nottingham City Council

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Revision date	Version number	Author of changes	Summary of changes
04.04.16	1	Della Sewell	Statutory change
06.06.17	2	Sheena Yadav-Staples	Statutory change to limit to a week's pay.

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POLICY DISCRETIONS FOR LOCAL GOVERNMENT PENSION SCHEME (LGPS)

1. Who this policy statement applies to

1.1 The City Council has produced the following policy statement as required by the Local Government Pension Scheme (LGPS).

1.2 This policy applies to all employees of the City Council on permanent or temporary contracts who are members of the LGPS, apart from those employed within schools. This policy does not apply to casual workers, consultants, agency workers or any other workers who are not actual employees of the Council.

2. Early release of Pension Benefits

2.1 Pre-1 April 2014 (Ex-employees only)

2.1.1 The LGPS provides for a normal retirement age of 65. Ex-employees who left the Council prior to 1 April 2014 and are members of the LGPS may retire at age 60 and over without permission. Retirements below age 60 require permission from the City Council.

2.1.2 An ex-employee who opts to retire at or after age 60 but before the normal retirement age of 65 will have their pension benefits reduced on an actuarial basis to take account of the fact that pensions will be drawn earlier and for longer. The City Council is unlikely to agree to ignore the actuarial reduction. (Note that there are protections available under the old '85 year rule' for employees who were members of the LGPS before 1 October 2006.)

2.1.3 Where permission to retire is required, the Chief Executive will consider requests for early retirement for employees below second tier level[1] once a business case has been made that shows what possible net savings would be made taking into account the potential costs on the pension fund, the needs of the service and whether there would be operational benefits to be made that would facilitate a re-organisation.

2.2 Post 1 April 2014 members voluntarily drawing pension benefits

2.2.1 Post 1 April 2014 LGPS members may retire at age 55 or over without permission.

2.2.2 Under the revised Pensions regulations, the employing authority has the power to “switch on” the 85 year rule for post 1 April members if there is a sufficient business reason.

2.2.3 Where a scheme member retires (leaves employment) and elects to draw their benefits at or after age 55 and before age 60 those benefits will be actuarially reduced unless the City Council agrees to meet the full or part cost of those reductions as a result of the member otherwise being protected under the 85 year rule as set out in previous regulations.

2.2.4 To avoid the member suffering the full reduction to their benefits the City Council can “switch on” the 85 year rule protections thereby allowing the member to receive fully

[1] Discretionary decisions in respect of first and second tier officers can only be taken by the Appointment and Conditions of Service Committee (ACOS).

or partially unreduced benefits but subject to the City Council paying the pensions strain (capital) cost to the Pensions Fund.

2.2.5 Decisions on whether to agree to this for employees below second tier would be delegated to the Chief Executive supported by a business case although it is unlikely that the City Council would ordinarily agree to "switch on" the rule of 85 in such instances.

2.2.6 Waiving of Actuarial reductions
The City Council is unlikely to ignore actuarial reductions. Decisions on whether to agree to waive the actuarial reduction would be delegated to the Chief Executive supported by a business case.

3. Power of employing Authority to award additional pension

3.1 Decisions on whether to award additional pension below second tier level will be delegated to the Chief Executive supported by a business case.

3.2 Decisions to award additional pension for first and second tier officer shall be made at the discretion of the Appointments and Conditions of Service committee supported by a business case.

3.3 Additional pension that is granted will be at whole cost to the employer.

4. Shared Cost Additional Pension Scheme (SCAPC)

4.1 From 1 April 2014, colleagues can voluntarily choose to make Additional Pension Contributions; there is the option for the employer to share this cost under the Shared Cost Additional Pensions Contributions (SCAPC) scheme.

4.2 The City Council will consider awarding additional pension by way of a business case to Appointments and Conditions of Service Committee.

5. Flexible Retirement

5.1 This discretion was first adopted under the 2008 Regulations and is subject to the relevant section contained within the City Council's Retirement Policy, within the People Management Handbook.

6. Contributions

6.1 The City Council will decide what contribution rate a member is liable to pay:

a) On first joining the scheme.
b) On 1 April each year with a review on 1 October each year to ensure the band is as expected.
c) Upon each subsequent contractual change in pay.
d) Upon a change of hours either reducing or increasing.

7. Injury Allowances

7.1 Any discretionary payments made to colleagues and or ex colleagues where an industrial injury has occurred are dealt with through the Corporate Liability Insurance and group Personal Accident scheme in operation.

7.2 The City Council will not formally adopt a separate Injury Allowance Scheme.

8. Transfers in of Earlier Periods of Service - Late Applications

8.1 A request for a transfer of previous pension rights from another scheme or previous service within the LGPS or arrangement into the LGPS must be made within 12 months of joining/re-joining the scheme.

8.2 The City Council's policy is to accept transfers in applied for outside the period of 12 months, provided that, at the time the transfer is being considered, there is no cost to the Council.

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BUSINESS TRAVEL SCHEME

1. Who this policy applies to

1.1 This policy applies to all employees of the City Council on permanent or temporary contracts, apart from those employed within schools. The general principles also apply to casual workers, consultants, agency workers or any other workers who are undertaking work on behalf of the Council.

2. Travel options

2.1 This scheme aims to encourage the most cost-effective solutions when travelling for work purposes whilst reducing the impact of Nottingham City Council business travel on the environment. The choices available are illustrated on the Business Travel pages on the Intranet.

2.2 Business travel is defined as any travel undertaken for work purposes, which excludes commuting.

2.3 If you travel for work purposes you should consider whether you need to travel compared with other more sustainable options, including telephone calls or video-conferencing SKYPE or face time, without conflicting with the delivery of Nottingham City Council's business aims. Further guidance can be found on the Business Travel pages.

2.4 Rail, fleet cars or car share should be the preferred method for any long distance journeys within mainland UK and where Eurostar could be used for travel to mainland Europe. Flights can be booked if this is the most economic and efficient method of travel. Information on fleet car hire and on flight, Eurostar, rail and hotel booking can be found on the Business Travel pages.

2.5 For local trips, walking and cycling are encouraged. Using public transport i.e. bus or tram should be used instead of taxis in all but limited circumstances i.e. a small number of business-critical cases related to safety, time, cost or logistical implications, or the need to carry bulky or heavy loads (this does not include items such as briefcases etc. which can be easily carried on public transport). Taxis should be booked through the Business Travel pages.

2.6 If you have a disability and you are unable to drive you may use approved taxis for journeys for business use.

3. Responsibilities

3.1 Managers are responsible for:

- Making decisions regarding business travel using the most sustainable option balanced with personal safety and time considerations;
- Undertaking lone person risk assessments if necessary;
- Authorising payments in a timely manner.

3.2 Colleagues are responsible for:

- Choosing the most sustainable travel option balancing personal safety and time

considerations;

- Ensuring all City Council documentation and equipment is protected and secure when using public transport;
- When driving on council business, reading, understanding and complying with the policies concerning driving, including the Driver's License Checking Procedure. These can be found in The Authorised Driver's Handbook (available from Fleet Management);
- Ensuring you have adequate insurance cover for business use;
- Submitting payments in a timely manner on Oracle (in the month after the travel).

4. Expenses

4.1 If you travel for work the following costs will be paid:

- Bus and tram by using the Robin Hood card
- In exceptional circumstances where the Robin Hood card cannot be used reimbursement of actual public transport fares through Oracle
- Standard rail fare through Click travel;
- Mileage allowance payments (where an employee is authorised to use their own vehicle for work purposes);
- Cycle rate (when use own cycle or pool bike/citycard cycle)
- Taxi fares only where a suitable alternative (including public transport) is not available or where para 2.5 applies.

4.2 If you have purchased a Robin Hood Card, tram or train pass for home to work and other non-business travel purposes and this pass can also be used during working hours for business journeys you are encouraged to use this card or pass for business travel as no reimbursement of costs will be necessary. These can be purchased through salary sacrifice here.

5. Authorised Business Travel

5.1 National Conditions of Service state that 'employees required to use their motor vehicles for the efficient performance of their duties will receive allowances for the use of their motor vehicles on business only after being so authorised by the local authority'

5.2 You may be authorised to use your own car for work purposes where it is required for the effective performance of your duties and where the use of public transport alternatives is not available or would add significantly to the cost of travel or travelling time.

6. Journeys to and from work

6.1 Expenses will only be paid for journeys that form part of an employee's employment duties (e.g. journeys between clients' premises or attendance at meetings). Journeys to and from an employee's normal place of work and their home are not covered. Where an employee travels to an alternative work base direct from or to home (e.g. to attend a meeting or meet with a client), only the travel that is in excess of what would

normally be incurred (i.e. between the employee's home and normal place of work) may be claimed.

6.2 The following exceptions will apply:

- An employee who is at home on standby to be recalled to work will be eligible to claim for their mileage if they are called out, e.g. an engineer called out at night to attend to a breakdown.
- Where an employee is required to attend to an emergency, an official meeting or other approved official business from home outside of their normal working hours, the maximum mileage that will be reimbursed will be 20 miles per return journey.

6.3 Where an employee's place of work changes the new place of work will be regarded as their normal place of work after four weeks have elapsed.

7. Mileage allowance payments

7.1 If you are authorised to use your own vehicle for work purposes, mileage allowance payments (MAPs) may be claimed in accordance with the rules and rates determined by the HMRC from time to time. Current rates are shown in the table below:

Tax – Rates per business mile

Type of vehicle	First 10,000 miles	Above 10,000
Cars and vans	45p	25p
Motorcycles	24p	24p
Cycles	20p	20p

7.2 You should claim your mileage using iexpenses on Oracle and this will be approved by your manager. For tax and audit purposes original receipts are required for reimbursement of expenses. You will be informed of any additional documentation required from time to time.

7.3 You will need to submit a VAT receipt (or receipts) with your mileage claim. It does not matter if you purchased fuel for both private and business use; what does matter is that the total on the VAT receipt/s covers the cost of fuel used for the claim. A rough calculation would be to submit VAT receipt/s of at least £10 for every 100 miles of business travel claimed. Managers must only approve mileage claims where a valid VAT petrol receipt is submitted.

7.4 Colleagues who have acquired a car through the City Council's 'carplus' scheme and use this car for business travel purposes, will be entitled to claim for mileage in line with HRMC rates. However, as this vehicle has been acquired through a salary sacrifice scheme it has attracted a tax benefit (Benefit in Kind as defined by HMRC) and therefore, for the purposes of business mileage claims, is viewed as a company car (as it is a lease agreement entered into by the employer). This means that any claims are at a lower rate than those above, as it also does not provide for wear and

tear (as the colleague will be driving a brand new car with all motoring costs included in the monthly salary sacrifice deduction.)

7..5 Colleagues claiming mileage as part of Business Travel will be eligible to claim the lowest HMRC rate, irrespective of engine size of fuel type. Advisory Fuel Rates can be found on the HMRC website or by clicking on this link- https://www.gov.uk/government/publications/advisory-fuel-rates/advisory-fuel-rates-from-1-march-2016 . It should be noted that they vary from time to time.

7.6 Colleagues must ensure that their claims are recorded correctly by submitting the information through the iexpenses process. When colleagues provide additional information on each of the listed mileage claims, they should select the "Details" button next to each of their mileage claim entries first. They should then ensure that they select the "Lease" option in the "Type of User" field as selecting any other option will result in an incorrect mileage rate being applied.

8. Car Parking Fees

8.1 If you have to pay to park on City Council business actual expenses will be reimbursed provided that they have been reasonably incurred. There is no reimbursement for parking in the City Council boundary as the Workplace Parking Charging Policy applies. You will need to provide a receipt to claim your car parking fees through Oracle. More information about the Workplace Parking Charge can be found here.

9. Former essential car users

9.1 Those employees who were in receipt of the Essential User Car allowance on 31 August 2014 will be able to apply for a loan to purchase a car in accordance with NCC's Assisted Car Purchase Scheme. NCC's Insurance Section will be able to supply details of how the scheme operates.

10. No Claims Bonus Scheme

10.1 NCC operates a No Claims Bonus Scheme to provide a measure of compensation for loss of bonus or payment of excess or both if you use your vehicle for work. The scheme does not give cover for journeys to and from the work base. For information about the No Claims Bonus Scheme please refer to the 'Guide to Insurances' document, which can be obtained from Insurance & Risk.

11. SLMG employees

11.1 Travel expenses will be paid in accordance with this scheme for authorised travel outside of the County boundary only.

Version Control

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Revision date	Version number	Author of changes	Summary of changes
28.02.2017	3	Sheena Yadav-Staples	Inserted para 7.4-7.6 to include carplus scheme.
June 2018	4	E Harrison	Updated links

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REIMBURSEMENT OF EXPENDITURE

1. Who this policy applies to

1.1 This policy applies to all employees of the City Council on permanent or temporary contracts, apart from those employed within schools. This policy does not apply to casual workers, consultants, agency workers or any other workers who are not actual employees of the Council.

2 Travel

2.1 If you travel because of work you will be reimbursed in accordance with the Business Travel Scheme.

3. Meals

3.1 You are entitled to be reimbursed additional expenditure in the course of your work. Meals will be reimbursed as detailed in paragraph 3.4, subject to receipts being produced. (In exceptional circumstances small sums may be reimbursed without receipts provided there is other evidence of the expenditure and you can explain why it was not possible to obtain a receipt.)

3.2 If you fraudulently submit a claim for reimbursement of expenditure this will be treated as gross misconduct.

3.3 It is the settled policy of the Council that expenses payable to colleagues should not exceed those available to Councillors.

3.4 The allowances set out below are the maximum amount which can be claimed in respect of any expenditure. Amounts claimed within these limits will still have to be justified and approved as set out in section 3 below.

Breakfast (before 11am)	Maximum £5.00 Vat Included
Lunch (12noon - 2pm)	Maximum £5.00 Vat Included
Evening Meal (After 5pm)	Maximum £10.00 Vat Included

3.5 These amounts will be updated periodically in line with the provisions for Councillors.

4. Submitting a claim

4.1 If you have access to Oracle Self Service you will be required to claim online and this will be authorised online by your line manager. Colleagues without access to Oracle Self Service will be required to submit expenses using paper forms which must be completed and signed by the colleague and then approved by their manager. Claim forms are available from the Employee Service Centre (ESC).

4.2 In order for claims to be approved, you must provide a receipt and the expenditure must be necessary and additional to your ordinary expenditure on a meal or travel at the relevant time.

4.3 You should deduct £1.00 for breakfast and lunch and £2.00 for an evening meal from all claims in respect of a meal taken at that time in order to take account of ordinary

expenditure. Colleagues and managers must ensure these deductions are made prior to claiming online or on the paper form.

5. Overnight Accommodation

5.1 Overnight accommodation should be booked directly using Click Travel Limited. Only where this has not been possible should a retrospective expenses claim be submitted.

5.2 Should a retrospective claim be necessary, the cost claimed for overnight accommodation should be contained within the following limits:

Outside Central London	£80 (including breakfast) Vat Inclusive
Central London	£140 (including breakfast) Vat Inclusive

5.3 If accommodation is not available within these limits then the actual cost will be met provided it is reasonable. Where attendance at a conference or similar event necessities an overnight stay, accommodation at the conference hotel or a hotel of an equivalent standard will be arranged and paid for by the Council. For meals taken in connection with the event, the reasonable actual cost will be reimbursed, or paid in accordance with the subsistence rates set out above, subject to production of a receipt to your manager.

6. Expenses incurred whilst attending training

6.1 Guidance on the reimbursement of expenses linked to training (other than in respect of meals, travel and accommodation) is set out in the 'Colleague qualification and training support' document on the Development and Change pages on the intranet.

Nottingham City Council

Pay Policy Statement 2019-2020

Safer, cleaner, ambitious
Nottingham
A city we're all proud of

Nottingham City Council

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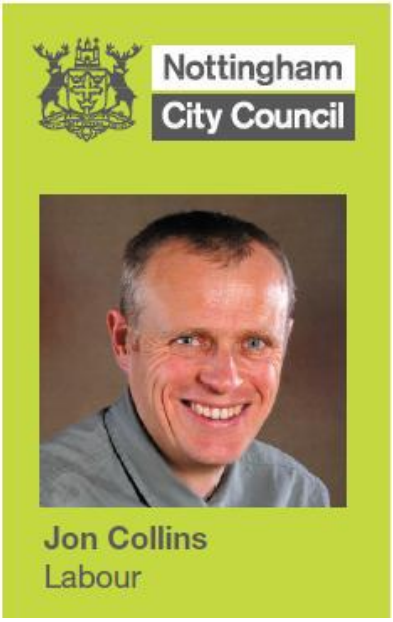
Introduction from the Leader of Nottingham City Council, Jon Collins



Welcome to Nottingham Council's annual Pay Policy Statement. The statement sets out the Council's approach to setting pay and conditions for Chief Officers and those for the workforce.

This year's statement is the first to reflect the Council's new SLMG pay structure, which was implemented as part of the new Nottingham Contract from 1st October 2018.

The Council remains committed to paying a reasonable wage to our lowest paid employees and w. ork is currently underway to ensure our pay structure is in line with the NJC new pay spine which will be introduced in April 2019, taking the lowest hourly rate to £9.00, which is equal to the current Voluntary Living Wage.

The Council strives to maintain a fair pay ratio between its highest and lowest paid employees. A two year pay award of 2% in both 2018 and 2019 has been applied to Chief Executive's pay, but Nottingham still has one of the lowest Chief Executive pay in comparison with other Core Cities Councils, and one of the lowest ratio of highest to lowest earners, at 7:1.

The Council will regularly review the minimum rate paid to its employees against the rate recommended by the Living Wage Foundation and try to maintain a fair day's pay for a fair day's work. However, we continue to face extensive budgetary pressures, and these decisions will become more challenging in times to come as we try to maintain service provision and continue to keep citizens at the heart against a background of continuing government cuts.

Jon Collins
Leader of the Council

Introduction from Chief Executive, Ian Curryer

Welcome to Nottingham City Council's annual Pay Policy Statement.

This statement outlines the Council's approach to setting pay and conditions for colleagues including senior staff (chief officers). It sets out how we are spending public funding appropriately and demonstrates our commitment to openness and transparency about pay and allowances.

I wrote in last year's Pay Policy Statement about the Government's intention to implement a cap on public sector exit payments and a process of recovery of Chief Officer Exit payments where certain conditions apply. These proposals have yet to become law, so we continue to await their implementation.

The Council continues to work hard to preserve jobs and frontline services and provide fair pay to our colleagues despite the ongoing budget cuts, successfully implementing new pay structures and terms and conditions for LGS and SLMG. The new pay structures have been designed to better fit our future challenges whilst still enabling us to attract, retain and motivate our colleagues.

The new pay structure has, following several years of increment freezes, reintroduced an element of pay progression for Council colleagues, and has embedded very successfully following its implementation on 1 April 2017.

Unfortunately, Government cuts to Council funding continues to impact on Nottingham City Council which has meant that some difficult decisions have had to be made, and in the coming financial year we will see further significant changes to our structure and ways of working as we try to make the best use of the money we have.

Ian Curryer
Chief Executive

1 BACKGROUND

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for each financial year (starting from 2012/13).

1.2 The pay statements must articulate the Council's own policies on a range of issues relating to the pay of its workforce, particularly its senior employees (or 'chief officers' as defined by the Local Government and Housing Act 1989) and its lowest paid employees.

1.3 The Act requires the policy to be considered by a meeting of Full Council and cannot be delegated to any sub-committee. All decisions on pay and reward made in 2019/20 must comply with the pay policy statement. The statement may be amended in year but must be agreed again by a meeting of Full Council.

1.4 This pay policy statement provides information on Nottingham City Council's pay, terms and conditions for chief officers in comparison to the bulk of the workforce employed on 'Local Government Scheme' (LGS) terms and conditions. It also sets out the approach that will be taken during 2019/20. It should be noted that the Council changed its terms and conditions, including its pay structure and Pay Policy for Chief Officers and Senior Leadership grades, by collective agreement effective from 1st October 2018.

1.5 Sections 2, 4 and 7 and appendix 6 use retrospective pay information. The same reporting period has been used as last year.

1.6 The data is based on the Council structure, which consists of four main departments; Children & Adults, Development & Growth, Commercial & Operations and Strategy & Resources. Each department delivers distinct and specific functions for Nottingham's citizens. These departments have been in place since 1st November 2016, following changes to the Council's Senior Management Structure. These changes have resulted in a more streamlined Chief Officer structure within the Council for this reporting period.

2 DEFINITIONS AND SCOPE

2.1 *Definition of Chief Officer at Nottingham City Council*

Appendix 1 provides a structure chart of all the Chief Officers as defined by the Local Government and Housing Act 1989 employed at the Council as at 31 October 2018.

An extract from the Local Government and Housing Act, outlining the definition of Chief Officers and Deputy Chief Officers, is included at Appendix 2.

2.2 *'Lowest Paid' Employee*

The bulk of the workforce is employed on Local Government Service (LGS) terms and conditions. The 'lowest paid employee' is defined as LGS employees employed on Nottingham City Council (NCC) Grade A, Level 1, equating to £16,394 basic pay.

This is the lowest pay point and salary offered for a substantive post at the Council excluding Level 2 apprentices.

2.3 The pay policy statement has excluded:

- Apprentices;
- Colleagues on NHS terms and conditions;

- Colleagues on East Midlands Council's terms and conditions;
- Colleagues on protected terms and conditions under TUPE
- Colleagues on Teachers' terms and conditions
- Non chief officer Heads of Services and managers on Senior Leadership Management Group (SLMG) terms and conditions; and
- Colleagues on Soulbury and Hay terms and conditions;
- Colleagues on the House Agreement for the Theatre Royal and Royal Concert Hall (TRCH).

The reason for excluding these groups is because apprentices are not on permanent contracts, the majority of Heads of Services are not chief officers as defined by the Local Government and Housing Act, and there are a very small number of colleagues employed on the other types of terms and conditions.

Furthermore, the lowest paid employee for each of the excluded groups (except apprentices) is paid higher than LGS employees.

2.4 *Schools' Employees*
As specified in the Localism Act, the pay policy statement does not include information on, or apply to, chief officers and employees based in schools.

3 HOW PAY AND CONDITIONS ARE AGREED FOR CHIEF OFFICERS

3.1 Chief Officers' pay and conditions are ratified by the Council's remuneration committee; Appointment and Conditions of Service (ACOS). The responsibility for this function is set out in Appendix 3 which provides an extract from the Council's Constitution. In summary, the main responsibilities of ACOS relating to chief officers' pay and conditions are:

- To undertake the appointment process in respect of the Chief Executive, Deputy Chief Executive and Corporate Directors, subject to having ascertained the views of the Executive Board;

- to approve the appointment of Chief Officers;

- To determine the terms and conditions of City Council employees and procedures for disciplinary action and dismissal;

- To receive reports on action taken in respect of terms agreed for the Chief Executive, Deputy Chief Executive, Corporate Directors and the Senior Leadership Management Group (SLMG) leaving the employment of the Council where those terms included compensation;

- Determine redundancies, ill health retirements, flexible retirements and terminations of employment (including payments over £30,000 relating to efficiency) and any exercise of discretions to increase total LGPS pension and award additional LGPS pension for the Chief Executive, Deputy Chief Executive, Assistant Chief Executive, Corporate Directors, Strategic Directors and Directors;

- To approve any proposals for significant restructuring of the Council's management structure.

- To approve any proposals from the Chief Executive for changes to salary levels (including ranges of salaries) for Corporate Directors, the Deputy Chief Executive and Assistant Chief Executive.

3.2 The Committee meets on a monthly basis. The Committee is accountable to Council, has eleven members and is politically balanced. One place is reserved for the relevant Portfolio Holder with a remit covering Resources (or their substitute) in relation to matters in respect of the appointment process for the Chief Executive and Corporate Director and the dismissal process for the Chief Executive.

3.3 Chief Officers have no power to negotiate their own terms and conditions outside of the Council's polices and procedure either during recruitment, throughout employment, or upon termination of their contract. The degree of responsibility exercised by chief officers in return for their basic pay is restricted to established pay grades (Appendix 4) or to other pay such as market supplement or acting up allowances in accordance with the provisions contained within the Council's Pay Policy (Appendix 5).

4 PAY, TERMS AND CONDITIONS AT NOTTINGHAM CITY COUNCIL

4.1 The majority of chief officers working at Nottingham City Council belong to a group referred to internally as the 'Senior Leadership Management Group (SLMG)'. Colleagues employed as Heads of Services and other senior managers are also part of SLMG and its associated terms and conditions; however, the majority are not chief officers as defined by the Local Government and Housing Act.

4.2 Appendix 6 provides a comprehensive breakdown of all the terms and conditions offered to the Council's chief officers in comparison to LGS employees as at 31 October 2018, including pay range, allowances, fees and other benefits in kind. The table also provides information on which pay and condition is contractual.

4.3 The table highlights that many of the terms and conditions offered to LGS employees, such as overtime, travel expenses within County of Nottinghamshire, weekend allowances etc. are not available to the Council's chief officers. It should be noted that, whilst the Council has previously paid increments to employees on the lowest four grades in 2014/15 and 2015/16, automatic increments have been removed from the new pay structure which came in from 1 April 2017. In addition, certain allowances are no longer payable, e.g. evening allowances.

4.4 The Chief Executive is paid on a spot salary of £166,480 as agreed by the Council's appointing committee (Appointment and Conditions of Service).

4.5 The total additional payments made to the Council's Chief Officers between 1 April 2018 and 31 October 2018 are listed in the table below:

Pay Element	**Total for Chief Officers***
Total year to date additional payments (1 April 2018 to 30 September 2018) Additional payments include: Car mileage, allowances for additional responsibilities, general expenses (e.g. subsistence, parking etc), and travel expenses.	£12,980

* as defined by the Local Government and Housing Act 1989

This has decreased from last year, when the total additional payments were £22,100; this is due an overall fall in payments, as shown in Appendix 1, and changes to reporting lines. The table below outlines the types of payments made:

Payment Element	Amount
Additional Responsibility	£8,484
Market Supplement	£2,877
Occasional Miles	£68
Parking	£32
Pay Protection PTC	£1,484
Travel	£35
Total	**£12,980**

5 ELECTION DUTY PAYMENTS

5.1 The Returning Officer's fee is a payment made to a nominated chief officer (at Nottingham City Council, this is the Chief Executive) for being in charge of the running of Local, Local Police & Crime Commissioner and Parliamentary elections in addition to any National Referenda.

5.2 The Police & Crime Commissioner and Parliamentary elections as well as any national referenda are funded and paid for by central government and are therefore not related to Nottingham City Council's terms and conditions. The Council does not govern the fee payable to the Chief Executive for these elections and, therefore, the Chief Executive can retain any fee paid to them from these funds.

5.3 There was no Parliamentary election during 2018-2019 so the Chief Executive has not received an additional fee during this financial year, but as outlined in para 5.2, had there been one this would have been an independent payment and not paid or funded by the City Council and is not part of Nottingham City Council's terms and conditions.

5.4 The funding for any local election comes from local authority funds and follows the same principles as those for a central government funded election. The Chief Executive is not contractually entitled to a payment for local elections and therefore would not have received a payment for the bi-election which occurred during this financial year.

6 MONITORING OFFICER'S FEE

6.1 The Monitoring Officer has the specific duty to ensure Nottingham City Council, its officers, and its elected Councillors maintain the highest standards in all they do. The Monitoring Officer's fee derives from Section 5 of the Local Government and Housing Act 1989, and includes the following:-

1. To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
2. Matters relating to the conduct of Councilors' and officers.
3. Responsibility for the operation of the Council's Constitution.

6.2 The Monitoring Officer has a duty to report to Full Council if they consider any proposal, decision, or omission made by the Council, or on behalf of the Council, is illegal or would be illegal. The duty is a personal duty, and the Monitoring Officer cannot delegate it to someone else unless they are ill or away, in which case a deputy Monitoring Officer can take over the role.

6.3 The Monitoring Officer responsibility falls within the remit of the Director of Legal and Governance and is paid accordingly at SDIR salary banding (November 2018).

7 PAY RELATIONSHIPS

Without Allowances

7.1 The relationship between the Chief Executive's basic pay (£166,480) to that of the Council's non chief officer[1] average earner excluding allowances (£24,327) is a pay multiple of 1:7.

7.2 The pay multiple of the Chief Executive's basic pay (£166,480) to that of the Council's non chief officer median earner excluding allowances (£21,074) is 1:8.

With Guaranteed Payments[2]

7.3 The relationship between the average chief officer's pay including guaranteed payments (£83,670) and to that of the Council's non chief officer average earner including guaranteed payments (£26,552) is 1:3.

7.4 The relationship between the median pay of chief officers including guaranteed payments (£86,247) and to that of the Council's non chief officer median earner including guaranteed payments (£19,949) is 1:4.

7.5 The relationship between the average Chief Officer's pay excluding guaranteed payments (£76,343) and that of the Council's (non-Chief Officer) average earner excluding guaranteed payments (£24,627) is 1.3.

7.6 The relationship between the median Chief Officer's pay excluding guaranteed payments (£73,918) and that of the Council's (non-Chief Officer) median earner excluding guaranteed payments (£21,074) is 1.4.

8 THE COUNCIL'S STATEMENT ON PAY AND CONDITIONS FOR CHIEF OFFICERS FOR 2018/19

The section sets out the Council's approach to determining pay and conditions for chief officers for 2018/19.

(NB. Please refer to paragraph 2.7 of this document for the application of the statements below to Public Health employees under Statutory Transfer)

8.1 *Remuneration of chief officers on recruitment*

The basic all-inclusive pay for new chief officers will fall within the bandings for their job as set out in Appendix 4. New chief officers will normally start on the minimum pay point for their grading.

[1] The definition of 'non-chief officer' in section 7 includes colleagues on Greater London Provincial Council (GLPC), non -chief officers on Senior Leadership Management Group (SLMG) pay scales and Local Government Service (LGS) pay scales. It excludes the Chief Executive (CEX) and Corporate Directors' (CDIR). The ratio has been calculated using basic FTE pay, not actual pay.

[2] Includes basic FTE salary, pension – employer contribution on FTE basic pay, salary protection, market supplements, allowances and enhancements paid between 01/04/2018 to 31/10/2018.

Full council will be provided with an opportunity to vote before any salary package over £100,000 is offered for new appointments.

8.2 *The level and elements of remuneration for each chief officer*

Any changes or amendments to SLMG pay grading will be subject to consultation with chief officers, their trade union representatives and formal ratification by ACOS. Any decision to pay market supplements or acting up allowances to chief officers will be subject to a business case put forward to the Director of HR and Customer for approval in accordance with section 8 of the Council's Pay Policy.

8.3 *Increases and additions to remuneration for each chief officer*

A two point progression was implemented as part the SLMG pay review implemented on the 1st October 2018. Annual pay awards are negotiated nationally with the trade unions. There was a two year pay award of 2% per year for chief officers and the Chief Executive from 1 April 2018.

8.4 *The use of performance related pay for chief officers*

The Council does not offer performance related pay to chief officers due to budget constraints.

8.5 *The use of bonuses for chief officers*

The Council will not offer bonus payments to chief officers.

8.6 *Earn-Back Pay*

At time of writing, the Council is not intending to introduce the policy of 'earn back pay' which requires chief officers to have an element of pay 'at risk' to be earned back each year through meeting pre-agreed objectives.

The Council's Performance Appraisal system requires a number of mandatory competencies and objectives (team and individual) to be met which are reviewed throughout the year. In addition to this, Chief Officers are not excluded from the application of the Council's formal policies on Performance Management and Discipline, and will be managed under the appropriate procedures should there be sufficient underperformance or misconduct concerns, up to and including dismissal, should this be necessary.

8.7 *The payment of chief officers on their ceasing to hold office or to be employed by the Council*

The Council's payment to chief officers leaving the Council under the following types of termination is set out below:

- Redundancy Dismissal – Contractual notice and redundancy pay as set out in the Council's Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR Policy). See Appendix 7 for policy details. Note that if the chief officer is aged 55 or over, under Pension regulations they automatically access their pension benefits without any reduction.

- Efficiency - Efficiency payment as set out in the Council's Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR Policy). See Appendix 7 for policy details.

- Retirement – Under Pension Regulations, chief officers may automatically access their pension benefits from age 65, when they leave employment. The Council does not operate a default retirement age whereby employees are dismissed at age 65.

- Early Retirement – Chief Officers may retire from age 55 without consent but will leave with a reduced pension. Chief Officers can request access to their pension from age 55 with the Council's consent, and the Council may choose to waive the actuarial reduction.

- Flexible Retirement – Chief Officers may apply to access their pension from age 55 but remain working at the Council either under reduced pay or reduced hours. Any flexible requirement requests for chief officers would need to be approved by ACOS.

- The Council has the power to grant additional pension to chief officers at the discretion of ACOS supported by a business case. See Appendix 8 for policy details.

As noted in previous Pay Policy Statements, the Government had announced its intention to introduce a cap on Public Sector exit payments in order to restrict these to a maximum of £95,000. This was anticipated to be in place from 1 April 2016, however, at time of writing this has been delayed and an implementation date is not currently known. This has the potential to reduce both redundancy dismissal and efficiency pension benefits where the Chief Officer is aged 55+ and may have some of their pension benefits reduced where the overall cost of termination exceeds £95,000 including pension strain costs.

8.8 *Re-employment of former chief officers*

Former chief officers will be permitted to apply for vacancies at the Council by following the normal competitive recruitment process.

Where former chief officers are applying for work under a contract for services with the Council (e.g. as a Consultant or casual worker), the Leader of the Council along with the Director of HR and Customer will scrutinise and decide whether to approve such requests following a consideration of the skills required and an assessment of value for money.

As noted in previous Pay Policy Statements, the Government had announced its intention to introduce a legislative change under the Small Business, Enterprise & Employment Bill to recover exit payments made to Chief Officers if they leave the public sector and return to the public sector within 12 months of leaving. This was anticipated to be in place from 1 April 2016, however, at time of writing an implementation date is still awaited.

8.9 *The appointment of former chief officers in receipt of a pension (pension abatement)*

The Council is not in a position to abate pension payments (the act of reducing or suspending pension payments) if a chief officer is re-engaged or re-employed. The Council's pension fund is administered by Nottinghamshire County Council who set the rules for employers to follow on abatement.

Therefore, until the policy is amended by Nottinghamshire County Council, the City Council cannot enforce pension abatement for current or former employees.

8.10 Tax Avoidance

The Council takes its obligations for ensuring compliance with relevant taxation legislation very seriously and does not actively engage in or endorse any form of tax avoidance. Therefore, the Council has policies and procedures in place to ensure that the correct amount of taxes are accounted for and paid at the correct time.

All individuals employed or engaged by the Council are treated equally and the level of seniority does not allow for differential treatment in the engagement process, or in the method of remuneration.

The Council recognises that by paying employees through private companies it allows the individual to manage their own tax arrangements, and potentially reduce the amount of tax and national insurance they are obliged to pay, thus implicating the Council in tax avoidance schemes. Therefore, the Council does not and will not remunerate any employee at any level through a private company; all payments will be made through the Council payroll system and PAYE applied accordingly.

In addition, the Council has processes and policies in place in order to check the employment status of individuals who are engaged by the Council, ensuring that all such engagements, whether direct or through an intermediary are compliant with the off payroll rules (also known as IR35) for the public sector introduced in April 2017. This ensures that the Council is meeting its obligations in regard to Employment Tax as established by HMRC and, thereby reducing the risk of potential tax avoidance. All deemed contracts of employments as per HMRC regulations will be remunerated through the payroll system and the required deductions for Income Tax and National Insurance made and paid over to HMRC.

8.11 *Shared Senior Management*

Currently, the Council has no shared management arrangements with other organisations.

8.12 *Pay and Conditions of Lowest Paid Employees*

The pay and conditions of lowest paid employees are set out in the Council's Pay Policy (Appendix 5). The Government's compulsory National Living Wage (as introduced in April 2016) is currently an hourly rate of £7.50, set to increase to £9.00 per hour by 2020.

Changes to the Council's pay structure in April 2017 ensures that employees in Grades A – C receive a salary that is in excess of the Government National Living Wage (currently £7.50 per hour). As part of the changes to the pay structure, the top two spinal column points (SCP) of the former pay structure were removed and colleagues on those SCP are receiving pay protection. The changes to the pay structure and terms and conditions are reflected in the Council's Pay Policy at Appendix 5.

The new NJC pay model removes unsocial hour's payments for evening working, pays plain time for work undertaken on weekends and any overtime worked between 37 hours and 42 hours per week. Overtime in excess of 42 hours per week is paid at time and a half.

8.13 *Local Government National Pay Award*

At the time of writing this report, a National Pay award offer for LGS employees is in place for the period April 2018 – 31 March 2020. In year one LGS employees below SCP 20 (NCC Grade D and below) received an increase of between 3.734% and 9.191% creating a new bottom SCP of £8.50 per hour. LGS employees on or above SCP 20 (NCC Grade E and above), received a 2.0% pay increase.

8.14 In year two, the pay award proposal will increase the bottom SCP to £9.00 per hour and make revisions to the existing pay spine to rationalise the consequent compacting of differentials. The NJC pay spine revision will remove some spinal column points (SCP) at the bottom and insert some new SCP in the middle of the National Spine. All SCP will be re-numbered, and the National Spine will shrink from 49 SCP to 43.

9 PUBLISHED DOCUMENTS AND PAPERS REFERRED TO IN THE PAY POLICY STATEMENT

9.1 Communities and Local Government, 2012. *Openness and accountability in local pay: Guidance under section 40 of the Localism Act.* London

9.2 Department for Communities and Local Government, 2013. *Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011. Supplementary Guidance.* London

9.3 Local Government Association and Association of Local Authority Chief Executives (ALACE), *Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives*

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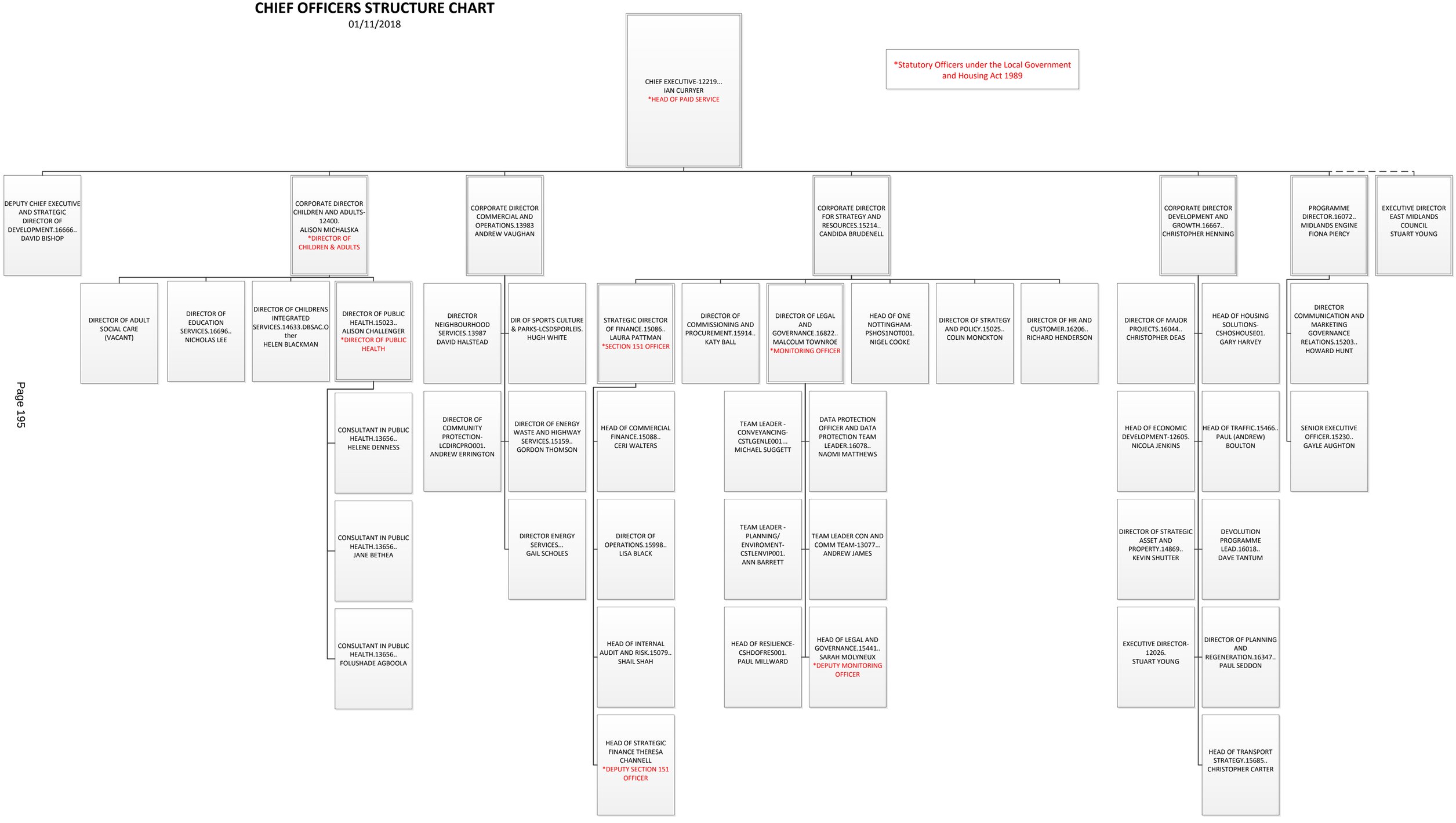
CHIEF OFFICERS STRUCTURE CHART

01/11/2018



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CITY COUNCIL - 4 MARCH 2019

REPORT OF THE PORTFOLIO HOLDER FOR TRANSPORT AND HR

RE-DESIGNATION OF THE DIRECTOR OF ADULT SOCIAL SERVICES (DASS) RESPONSIBILITIES FROM THE POST OF CORPORATE DIRECTOR FOR CHILDREN AND ADULTS TO THE POST OF DIRECTOR OF ADULT SOCIAL CARE

1 SUMMARY

1.1 Section 6 of the Local Authority Social Services Act 1970 places a duty on a local authority to designate a Director of Adult Social Services ("DASS"). This role is then one of the statutory chief officer roles of the local authority by virtue of section 2 of the Local Government and Housing Act 1989.

1.2 Currently, the Corporate Director of Children and Adults holds the DASS responsibility, in addition to the statutory responsibility of Director of Children's Services (DCS). As an interim measure, and in order to meet needs of service delivery, the role of DASS has temporarily been formally sub-delegated to the post of Director of Adult Social Care.

1.3 This report proposes that the statutory responsibility for DASS be re-designated to the post of Director of Adult Social Care and relevant changes made to the City Council's Constitution to reflect this change.

1.4 Archived statutory guidance entitled: *Guidance on the Statutory Chief Officer Post of the Director of Adult Social Services* (May 2006), issued by the Secretary of State for Health via the Department of Health, but so far not replaced, states at paragraph 9:-

> *Local authorities shall ensure that the DASS is directly accountable to the Chief Executive of the local authority and comparable, in terms of seniority, with the Director of Children's Services.*

1.5 It is therefore proposed that if re-designation is approved, the post of Director of Adult Social Care will additionally have reporting 'dotted line' access to the Chief Executive in matters relating to DASS duties.

2 RECOMMENDATIONS

2.1 To approve the re-designation of the Director of Adult Social Services (DASS) responsibilities to the post of Director of Adult Social Care.

2.2 To amend the City Council's Constitution to reflect the changes as a result of the re-designation of the Director of Adult Social Services (DASS) responsibilities, including change to the reporting lines of the post of Director of Adult Social Care, to recognise the change in status from Deputy Chief Officer to Chief Officer, as determined under the City Council's Officer Employment Procedure Rules (Standing Orders on Employment Matters), as a result of holding the DASS duties.

3 REASONS FOR RECOMMENDATIONS

3.1 Please see the summary above.

4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 The alternative option would be to continue the sub-delegation of the role of DASS from the Corporate Director of Children and Adults to the Director of Adult Social Care. However, this is a temporary measure designed to meet the needs of service delivery. Longer term, such a sub-delegation is not advisable because it does not ensure parity of the statutory role of DASS with the statutory role of Director of Children's Services, including reporting to the Chief Executive in relation to these statutory duties.

5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 Please see the summary above.

6 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)

6.1 There are no financial implications associated with this report. The DASS responsibility is already included within the salary budget for the Director of Adult Social Care, incorporated within the Medium Term Financial Plan.

Hayley Mason, Strategic Finance Business Partner, 18 February 2019

7 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

7.1.1 Amongst other things, section 6 of the Local Authority Social Services Act 1970 states:-

> *(A1) A local authority . . .shall appoint an officer, to be known as the director of adult social services, for the purposes of their social services functions, other than those for which the authority's director of children's services is responsible under section 18 of the Children Act 2004*

7.1.2 Amongst other things, section 7 of the Local Authority Social Services Act 1970 states:-

> *(1) Local authorities shall, in the exercise of their social services functions, including the exercise of any discretion conferred by any relevant enactment, act under the general guidance of the Secretary of State.*

7.1.3 Currently, there is only archived guidance on the role of the DASS entitled: *Guidance on the Statutory Chief Officer Post of the Director of Adult Social Services* (May 2006) issued by the Secretary of State for Health via the Department of Health but that is silent as to which particular officer in the local authority takes the role of DASS.

7.1.4 By virtue of section 2 of the Local Government and Housing Act 1989, the DASS is then one of the statutory chief officer roles of the local authority.

7.1.5 In addition in terms of whom the DASS should report to, the archived statutory guidance entitled: states at paragraph 9:-

> *Local authorities shall ensure that the DASS is directly accountable to the Chief Executive of the local authority and comparable, in terms of seniority, with the Director of Children's Services.*

7.1.6 Clearly, the DASS should be a senior officer directly accountable to the Chief Executive in terms of the DASS duties. Therefore, in Nottingham City Council ("NCC") if this role is not to be held by the NCC Corporate Director of Children & Adults, it is advisable that this role is held by the senior-most NCC officer responsible for adult social care, which is the NCC Director of Adult Social Care.

7.1.7 Under NCC's Constitution, Full Council has designated that the role of DASS is held by the NCC Corporate Director of Children & Adults. Therefore, any decision to re-designate the role of NCC DASS is a decision for NCC Full Council.

7.1.8 Currently, the NCC Director of Adult Social Care is a Deputy Chief Officer reporting to a Chief Officer (i.e. the NCC Corporate Director of Children & Adults). Since the DASS role is one of the statutory chief officer roles of the local authority by virtue of section 2 of the Local Government and Housing Act 1989 and should be directly accountable to the Chief Executive in terms of the DASS duties, it is necessary to consider the effect of the NCC Officer Employment Procedure Rules (Standing Orders on Employment Matters) in Part 4 of NCC's Constitution. Amongst other things, paragraph 1 of the Officer Employment Procedure Rules (Standing Orders on Employment Matters) states (emphasis added):-

> *For the purposes of the Officer Employment Procedure Rules the following categories are used:*
>
> *(a) 'Chief Officer' includes the following:*
> *a. Chief Executive (on the basis of appointment as Head of Paid Service);*
> *b. Corporate Directors (on the basis that with respect to all or most of their duties they report directly to or are directly accountable to the Head of Paid Service);*
> *c. any Strategic Directors who with respect to all or most of their duties report directly to or are directly accountable to the Head of Paid Service;*
> *d. any other officer who with respect to all or most of their duties reports directly to or is directly accountable to the Head of Paid Service;*
> *e. any other officer who, with respect to all or most of their duties is required to report directly to or is directly accountable to full Council or any committee or sub-committee of the Council;*
> *f. Monitoring Officer;*
> *g. Chief Finance Officer;*
> *h. Director of Public Health;*
>
> *(b) 'Deputy Chief Officer (Director level or above)' includes the following:*
> *a. any Strategic Director or Director who with respect to all or most of their duties reports directly to or is directly accountable to a Chief Officer;*
>
> *(c) 'Deputy Chief Officer (below level of Director)' includes the following*

a. any officer below the level of Director or Strategic Director who with respect to all or most of their duties reports directly to or is directly accountable to a Chief Officer.

To avoid any doubt, a person will not be deemed to be a Chief Officer or Deputy Chief Officer if her or his duties are solely secretarial or clerical or another form of support services;

(d) 'all other officers' includes all officers who do not fall into the definition of Chief Officer or Deputy Chief Officer (including Directors who as respects all or most of their duties report directly to or are directly accountable to a Deputy Chief Officer).

7.1.9 Whilst the above suggests a numerical consideration of the duties of an officer to determine whether or not the role is an NCC Chief Officer role, on balance with the DASS role it is advisable to consider that given the responsibility and attendant necessary seniority of the role (i.e. the need for the DASS to be an officer on par with the statutory Director of Children's Services and report to the Chief Executive), even if the DASS duties are numerically less than the other duties of the Director of Adult Social Care, the DASS duties, if given to the Director of Adult Social Care, would become the most important duties of the role. Therefore, it is advisable the Director of Adult Social Care, if that director were to be designated the NCC DASS, would then become a Chief Officer for the purposes of the Officer Employment Procedure Rules (Standing Orders on Employment Matters). In all other respects, the Director of Adult Social Care could remain line managed by the Corporate Director of Children & Adults. Hence the proposed 'dotted line' report from the Director of Adult Social Care to the Chief Executive in respect of DASS duties.

7.1.10 If NCC Full Council re-designates the role of NCC DASS from the Corporate Director of Children & Adults to the Director of Adult Social Care, then under paragraph 2.1 of the Officer Employment Procedure Rules (Standing Orders on Employment Matters) it would then be for NCC's Appointments and Conditions of Service Committee to consider and formally appoint to the role of the NCC DASS. Paragraph 2.1 of the Officer Employment Procedure Rules (Standing Orders on Employment Matters) states:-

The Appointments and Conditions of Service Committee (ACOS) is responsible for carrying out the appointment process for all Chief Officers (except for Chief Officers below the level of Director).

Jon Ludford-Thomas
Senior Solicitor
Legal Services

7.1.11 **HR OBSERVTIONS**

It is noted that this report seeks approval for the re-designation of the statutory role of DASS from the post of Corporate Director, and these proposals are supported.

In line with statutory guidance, in the event that this is approved, and in line with legal advice provide in paragraph 7.1.9 of this report, a 'dotted line' report from the Director of Adult Social Care to the Chief Executive in respect of DASS duties would be reflected in future organisational HR structural documents.

It is also noted as set out in paragraph 7.1.10 that in the event that the proposed re-designation of the DASS role to the Director of Adult Social Care post is approved, a

report should be presented to NCC's Appointments and Conditions of Services Committee. The purpose of which would be to consider the skills, ability and suitability, of the appointed post holder to fulfil the duties and responsibilities of the DASS, and that of a Chief Officer for the purposes of the Officer Employment Procedure Rules (Standing Orders on Employment Matters).

Lynn Robinson, HR Business Lead (Children and Adults)
Tel: 0115 8763605
Email: lynn.robinson@nottinghamcity.gov.uk

8 EQUALITY IMPACT ASSESSMENT (EIA)

8.1 Has the equality impact of the proposals in this report been assessed?

Yes. The EIA is attached as an appendix, and due regard will be given to any implications identified in it.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1 None

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 None

COUNCILLOR DAVE LIVERSIDGE
PORTFOLIO HOLDER FOR TRANSPORT AND HR

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Equality Impact Assessment Form

screentip-sectionA

1. Document Control

1. Control Details

Title:	Re-designation of statutory responsibility for Director of Adult Social Services (DASS) from Corporate Director Children and Adults to Director Adult Social Care
Author (assigned to Pentana):	Lynn Robinson, HR Business Lead Children and Adults
Corporate Director:	Alison Michalska, Corporate Director Children and Adults
Department:	Children and Adults
Service Area:	Children and Adults
Contact details:	Alison.michalska@nottinghamcity.gov.uk
Strategic Budget EIA: Y/N	No
Exempt from publication Y/N	No

2. Document Amendment Record

Version	Author	Date	Approved
1	Lynn Robinson, HR Business Lead	19 February 2019	

3. Contributors/Reviewers

Name	Position	Date
Jon Ludford-Thomas	Senior Solicitor, Legal Services	

4. **Glossary of Terms**

Term	Description
DASS	Director of Adult Social Services (statutory role)

screentip-sectionB

2. Assessment

1. **Brief description of proposal / policy / service being assessed**

Proposal is to re-designate the statutory duties for the City Council's Director of Adult Social Services ("DASS") from the post of Corporate Director of Children and Adults to the post of Director of Adult Social Care.

screentip-sectionC

2. **Information used to analyse the effects on equality:**

Subject to approval, the proposal is to re-designate the statutory role and responsibilities of the DASS from the post of Corporate Director Children & Adults to the post of Director of Adult Social Care. This change would also require the Director of Adult Social Care to have a direct reporting line to the Chief Executive on matters relating to the statutory responsibilities held by the DASS. In effect, there should be no change in impact on service delivery and therefore the effects on equality, as the designated postholder would continue to fulfil the statutory obligations and duties, other than a possible beneficial effect deriving from the role becoming the sole preserve of the Director of Adult Social Care with a consequent direct reporting line for DASS purposes from the Director of Adult Social Care to the Chief Executive. In

discharging the duties of DASS, the Director of Adult Social Care would be held to account to ensure the Council fulfils its statutory duties, and would therefore have the opportunity to have a positive impact on citizens, with specific ability to directly shape and align services.

3. Impacts and Actions:

screentip-sectionD	Could particularly benefit X	May adversely impact X
People from different ethnic groups.	x☐	☐
Men	x☐	☐
Women	x☐	☐
Trans	x☐	☐
Disabled people or carers.	x☐	☐
Pregnancy/ Maternity	x☐	☐
People of different faiths/ beliefs and those with none.	x☐	☐
Lesbian, gay or bisexual people.	x☐	☐
Older	x☐	☐
Younger	x☐	☐
Other (e.g. marriage/ civil partnership, looked after children, cohesion/ good relations, vulnerable children/ adults). ***Please underline the group(s) /issue more adversely affected or which benefits.***	x☐	☐

screentip-sectionE **How different groups could be affected** (Summary of impacts)	screentip-sectionF **Details of actions to reduce negative or increase positive impact** (or why action isn't possible)
If this proposal is approved, the statutory role of DASS will continue to be held by a member of the City Council's Senior Leadership Management Group. This will be at Director Level, but will entail a direct reporting line for DASS purposes from the Director to the Chief Executive. This will ensure best practice in service provision to all citizens, particularly vulnerable adults and their carers.	If the proposal is approved, the Director of Adult Social Care as DASS will work to improve outcomes for vulnerable adults and their carers in accordance with the City Council's statutory duties, central government policy and the City Council's own policies.

4. Outcome(s) of equality impact assessment:

x	No major change needed	☐	Adjust the policy/proposal
☐	Adverse impact but continue	☐	Stop and remove the policy/proposal

5. Arrangements for future monitoring of equality impact of this proposal / policy / service:

In the event that this proposed re-designation is dissolved a further EIA should be undertaken.

6. Approved by (manager signature) and Date sent to equality team for publishing:

Approving Manager: The assessment must be approved by the manager responsible for the service/proposal. Include a contact tel & email to allow citizen/stakeholder feedback on proposals.	**Date sent for scrutiny:** 13 February 2019 Send document or Link to: equalityanddiversityteam@nottinghamcity.gov.uk
SRO Approval: **Alison Michalska, Corporate Director Children & Adults** **Tel: 0115 8763332**	**Date of final approval:** 13th February 2019

Email:
Alison.michalska@nottinghamcity.gov.uk

Alison Michalska 13/2/19

Before you send your EIA to the Equality and Community Relations Team for scrutiny, have you:

1. Read the guidance and good practice EIA's
   http://intranet.nottinghamcity.gov.uk/media/1924/simple-guide-to-eia.doc
2. Clearly summarised your proposal/ policy/ service to be assessed.
3. Hyperlinked to the appropriate documents.
4. Written in clear user-friendly language, free from all jargon (spelling out acronyms).
5. Included appropriate data.
6. Consulted the relevant groups or citizens or stated clearly, when this is going to happen.
7. Clearly cross-referenced your impacts with SMART actions.