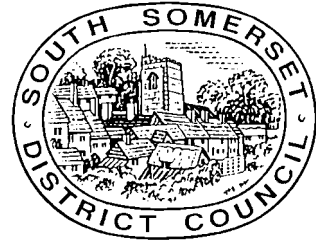


South Somerset District Council

Notice of Meeting



**South Somerset
District Council**

Making a difference where it counts

Thursday 26th February 2015

7.30 pm

**Council Chamber
Council Offices
Brympton Way
Yeovil
BA20 2HT**

(disabled access is available at this meeting venue)



All members of Council are requested to attend the meeting:

The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Angela Cox, Democratic Services Manager**, website: www.southsomerset.gov.uk

This Agenda was issued on Wednesday 18 February 2015.

Ian Clarke, Assistant Director (Legal & Corporate Services)

This information is also available on our website
www.southsomerset.gov.uk



South Somerset District Council Membership

Chairman: Mike Best
Vice-chairman: Carol Goodall

Cathy Bakewell	Andy Kendall	Ros Roderigo
Mike Beech	Jenny Kenton	Jo Roundell Greene
Dave Bulmer	Mike Lewis	Sylvia Seal
John Calvert	Pauline Lock	Gina Seaton
Tim Carroll	Tony Lock	Peter Seib
John Vincent Chainey	Ian Martin	Angie Singleton
Tony Capozzoli	Paul Maxwell	Sue Steele
Pauline Clarke	Nigel Mermagen	Paul Thompson
Nick Colbert	Graham Middleton	Kim Turner
John Dyke	Roy Mills	Andrew Turpin
Tony Fife	Terry Mounter	Linda Vijeh
Marcus Fysh	David Norris	William Wallace
Nigel Gage	Graham Oakes	Colin Winder
Jon Gleeson	Sue Osborne	Derek Yeomans
Dave Greene	Patrick Palmer	Martin Wale
Anna Groskop	Ric Pallister	Barry Walker
Peter Gubbins	Shane Pledger	Lucy Wallace
Brennie Halse	Wes Read	Nick Weeks
Henry Hobhouse	David Recardo	
Tim Inglefield	John Richardson	

Information for the Public

The meetings of the full Council, comprising all 60 members of South Somerset District Council, are held at least 6 times a year. The full Council approves the Council's budget and the major policies which comprise the Council's policy framework. Other decisions which the full Council has to take include appointing the Leader of the Council, members of the District Executive, other Council Committees and approving the Council's Consultation (which details how the Council works including the scheme allocating decisions and Council functions to committees and officers).

Members of the Public are able to:-

- attend meetings of the Council and its committees such as Area Committees, District Executive, except where, for example, personal or confidential matters are being discussed;
- speak at Area Committees, District Executive and Council meetings;
- see reports and background papers, and any record of decisions made by the Council and Executive;
- find out, from the Executive Forward Plan, what major decisions are to be decided by the District Executive.

Meetings of the Council are scheduled to be held monthly at 7.30 p.m. on the third Thursday of the month in the Council Offices, Brympton Way although some dates are only reserve dates and may not be needed.

The agenda, minutes and the timetable for council meetings are published on the Council's website – www.southsomerset.gov.uk

The Council's Constitution is also on the web site and available for inspection in Council offices.

The Council's corporate aims which guide the work of the Council are set out below.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

South Somerset District Council – Council Aims

Our key areas of focus are: (all equal)

- Jobs – a strong economy which has low unemployment and thriving businesses
- Environment – an attractive environment to live in with increased recycling and lower energy use
- Homes – decent housing for our residents that matches their income
- Health & Communities – communities that are healthy, self-reliant and have individuals who are willing to help each other

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South Somerset District Council

Thursday 26 February 2015

Agenda

1. Apologies for Absence

2. Minutes

To approve and sign the minutes of the previous meeting held on Thursday, 15th January 2015.

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (adopted July 2012), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the Agenda for this meeting. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

Members are reminded that they need to declare the fact that they are also a member of a County, Town or Parish Council as a Personal Interest. As a result of the change made to the Code of Conduct by this Council at its meeting on 15th May 2014, where you are also a member of Somerset County Council and/or a Town or Parish Council within South Somerset you must declare a prejudicial interest in any business on the agenda where there is a financial benefit or gain or advantage to Somerset County Council and/or a Town or Parish Council which would be at the cost or to the financial disadvantage of South Somerset District Council. If you have a prejudicial interest you must comply with paragraphs 2.9(b) and 2.9(c) of the Code.

4. Public Question Time

Questions, statements or comments from members of the public are welcome at the beginning of each meeting of the Council. The total period allowed for public participation shall not exceed 15 minutes except with the consent of the Council and each individual speaker shall be restricted to a total of three minutes. Where there are a number of persons wishing to speak about the same matter, they should consider choosing one spokesperson to speak on their behalf where appropriate. If a member of the public wishes to speak they should advise the committee administrator and complete one of the public participation slips setting out their name and the matter they wish to speak about. The public will be invited to speak in the order determined by the Chairman. Answers to questions may be provided at the meeting itself or a written reply will be sent subsequently, as appropriate. Matters raised during the public question session will not be debated by the Council at that meeting.

5. Chairman's Announcements

Items for Discussion

6. **Chairman's Engagements** (Page 1)
7. **Revenue Budget 2015/16 - Medium Term Financial Plan and Revised Capital Programme** (Pages 2 - 14)
8. **Council Tax Setting 2015/16** (Page 15)
9. **Treasury Management Strategy Statement and Investment Strategy 2015/16** (Pages 16 - 41)
10. **Approval of Financial Procedure Rules** (Pages 42 - 68)
11. **Disclosable Pecuniary Interests - Change to the Code of Conduct** (Pages 69 - 87)
12. **Pay Policy Statement for Chief Officers** (Pages 88 - 92)
13. **Draft Meetings Calendar for 2015/16** (Pages 93 - 94)
14. **Report of Executive Decisions** (Pages 95 - 99)
15. **Audit Committee** (Pages 100 - 101)
16. **Scrutiny Committee** (Pages 102 - 103)
17. **Motions**
There were no Motions submitted by Members.
18. **Questions Under Procedure Rule 10**
There were no questions submitted under Procedure Rule 10.
19. **Date of Next Meeting** (Page 104)

Agenda Item 6

Chairman's Engagements

29th January

At the invitation of the Deputy Mayor of Chard, Cllr Garry Shortland, Mike and Liz attended the Chard Amateur Theatre Society production of Aladdin.

30th January

At the invitation of the Girlguiding South West England and Girlguiding Somerset, Mike attended an Evening Reception at the Holiday Inn, Taunton where there was a presentation and a chance to meet with members of Girlguiding.

6th February

Emma Jane Taylor, Mayor of Ilminster, invited Mike and Liz to Ilminster Entertainment Society's production of Hay Fever at the Warehouse Theatre.

8th February

At the invitation of The Dean of Wells and the Deputy Lieutenants of Somerset, Mike and Liz attended Evensong at Wells Cathedral to give thanks for the work of Lady Gass DCVO as Lord Lieutenant.

10th February

The Chairman of Bath and North East Somerset Council, Councillor Martin Veal, invited Mike and Liz to attend a Reception to mark the retirement of Lady Gass, DCVO as Lord Lieutenant of Somerset in the Victoria Art Gallery, Bath.

12th February

Mike attended the Duke of Edinburgh Awards evening at the Octagon Theatre. The DOE entrants were presented with gold, silver and bronze awards for their success in the scheme.

14th February

At the invitation of the Chairman of North Somerset Council, Mike and Liz attended a Charity Valentine Dinner at the Royal Hotel, Weston-Super-Mare. The evening was a fundraiser for the Great Western Air Ambulance and the Children's Hospice South West.

21st February

Mike and Liz were due to attend Bath and North East Somerset's Themed Gala Evening "Around the World in 18 Ways" which was organised to raise money for their Chairman's chosen charities.

22nd February

At the invitation of the Chairman of East Devon District Council, Graham Godbeer, Mike and Liz were due to attend the Council's Civic Service being held at St. Martin's Primary School in Cranbrook.

Agenda Item 7

Revenue Budget 2015/16 - Medium Term Financial Plan and Capital Programme

Lead Officer: Donna Parham, Assistant Director (Finance and Corporate Services)
Contact Details: Donna.parham@southsomerset.gov.uk or (01935) 462225

Purpose of Report

1. To seek approval for the proposed 2015/16 Revenue Budget, Medium Term Financial Plan (Revenue Budgets for 2015/16 to 2019/20) and the Capital Programme.

Forward Plan

2. This report appeared on the District Executive and Council Forward Plan for February 2015.

Public Interest

3. This report sets out the budget for South Somerset District Council for 2015/16 and the estimated budgets for the following four years. It also asks members to approve capital schemes for funding in 2015/16.

Recommendations

4. That full Council:
 - (a) note the report of the Scrutiny Task and Finish Group attached at Appendix A.
 - (b) approves the overall Revenue Budget for 2015/16 of **£17,389,600** and the General Account Summary as shown at Appendix B and note future year projections;
 - (c) approves the detailed budgets for the District Executive and four Area Committees as shown at Appendix C;
 - (d) approves that there is no increase in the Council Tax for 2015/16 for South Somerset District Council, which will result in a continuing Band D charge of **£150.74**;
 - (e) approves the additional expenditure for budget pressure bids as shown in Appendix D;
 - (f) approves the savings proposals in Appendix E in conjunction with the Equalities Impact Schedule at Appendix G;
 - (g) approves the once-off items of expenditure as shown in Appendix F;
 - (h) approves the transfer of the NDR surplus (£0.9595 million) to the NDR Volatility Reserve;
 - (i) notes the current position and future estimation of reserves and balances as shown in paragraphs 53-56;

- (j) approves the revised Capital Programme as shown in Appendix H;
- (k) approves the new schemes to be included in the Capital Programme as shown in Appendix I;
- (l) notes the scoring of new capital schemes outlined in Appendix K;
- (m) notes the proposed funding of the Capital Programme as shown in paragraph 66.
- (n) notes the detailed Capital Investment appraisal forms for new schemes, as shown at Appendix J;

Background

- 5. District Executive and Scrutiny Committee have received update reports on the draft 2015/16 budget, Medium Term Financial Strategy and Medium Term Financial Plan. The drafts were subject to final amendments whilst awaiting clarity around Government grants and funding.
- 6. This report sets out the final proposals agreed by District Executive on 5th February 2015. The District Executive has delegated authority to manage and monitor the budget once it has been approved by Council.

Medium Term Financial Strategy

- 7. The Medium Term Financial Strategy (MTFS) outlines how the Medium Term Financial Plan (MTFP) i.e. the budget that will be delivered over the medium to long-term. The MTFP at South Somerset spans three years with a further two years added to show the likely longer-term picture. The Medium Term Financial Strategy links the resources required to deliver the Corporate Plan and the Council's strategies.
- 8. Currently the MTFP shows a projected budget gap for each year of the plan. The figures include all estimates for pay awards, council tax, Government grant, and inflation.
- 9. In October 2014 members agreed a two year savings plan to balance the budget over a two year period 2015/16 and 2016/17. Savings are to be achieved through the following key projects:-
 - **Optimising Income** – actively increasing our income, earning income through new sources, and marketing existing services.
 - **Service Redesign** – process improvement, EDM, specialist roles, channel shift and sharing (includes continuation of the Lean programme).
 - **Contracts and Procurement** – reviewing how procurement is delivered and reducing spend on contracts.
 - **Asset Savings** – identifying savings from council owned assets (land and buildings).

In addition to this budgets will continue to be reviewed in light of economic conditions, interest rates, and underspends.

Outcomes Expected from the Medium Term Financial Strategy

10. The Council will deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments.
11. The Council will achieve as much stability as possible for both service delivery and staff in planning the moving of resources (both money and people) to areas of agreed priority.
12. SSDC will continue the drive to make services as efficient as possible.
13. In addition the authority will continue to add value in procuring goods and services and manage its assets effectively.

Capital Strategy

14. The Capital Strategy outlines how the capital programme will be funded. All new receipts will be released for new capital schemes unless the receipt is required to be set aside for the loss of income. A further sum of capital receipts will be released to meet needs that deliver the Corporate Plan once the effect on revenue is assessed and can be funded within the Medium Term Financial Plan.
15. The “Spend to Save” scheme enables projects to come forward at any time which prove to give a return of the same or greater than the loss of interest that could be earned (this can include returning the capital utilised). This allows for individual schemes showing innovation, efficiencies, and income generation to be considered.
16. SSDC’s Asset Strategy has now been approved and bids will be made annually for approval within the overall budget process.
17. Members approved a process for releasing Infrastructure Funding in December 2013. This allows for funding outside of the normal annual budget process but all projects must outline the revenue implications when approved and these commitments will be added to the Medium Term Financial Plan.
18. District Executive has delegated authority to approve the use of up to 5% of capital receipts in any one year (approx. £1.5 million). Approvals beyond this sum must be agreed through full Council.

Strategy for New Homes Bonus (NHB)

19. A sum equivalent to 80% of the average annual council tax is received in grant for every new home once occupied. This sum is payable for six years with an additional bonus of £350 for every affordable home occupied.
20. The agreed strategy for New Homes Bonus is to mainstream it with Revenue Support Grant to maintain services.
21. To ensure that risk is minimised the amount of NHB being used to fund the MTFP will be outlined each year, In addition it will always fund the current and next year’s budget giving the authority time to make any cuts necessary in a measured way.
22. The current strategy for the use of NHB in priority order is as follows:
 - Supporting revenue spending to retain services that benefit the community;

- Supporting costs (revenue and capital) of spending on infrastructure before and on the introduction of CIL;
 - Supporting capital spending for affordable housing (from the affordable housing element of NHB);
 - Supporting business growth for the retention of business rates to stabilise and increase business rate income.
23. Currently NHB is being fully utilised to support revenue spending – this will be reviewed annually as part of the Medium Term Financial Strategy and Plan.
24. The current plan includes support of up to £3.0 million per annum from New Homes Bonus and assumes that NHB continues beyond the elections in 2015. At present SSDC holds sufficient NHB to fund £2.7 million in 2015/16, up to £3.0 million in 2016/17 and 1.3 million for 2017/18.
25. The maximum support from NHB in any one year for ongoing expenditure has been set at £3 million (10% of SSDC's gross spend). The limit and forward funding has been set to ensure that a reduction or the removal of NHB can be managed successfully over a reasonable length of time.
26. The current estimation is that if members agree to the annual savings targets outlined in the plan some NHB can be released for other priorities by 2016/17.

Strategy for Non Domestic Rates Retention (NDR)

27. The budget set for Non Domestic Rates for 2013/14 and 2014/15 were set around the central Government baseline. The most prudent level to set NDR for any authority is at the safety net level as this is the guaranteed level of income for any authority. However, current estimates are showing that although SSDC was close to the safety net for 2013/14 that there is a surplus expected in 2014/15.
28. The strategy is therefore to assess the expected outturn for 2014/15 and the budget for 2015/16 and set the budget based on the most reasonable set of assumptions at that time. The main risks are still around economic growth and appeals. To mitigate the risks members approved a request to set up a specific reserve of £500,000 to smooth out year to year the volatility of NDR during 2014/15.

Strategy for Balances and Reserves

29. A regular review of financial risks to assess the optimum levels of balances and reserves will be reported to members every quarter. This ensures that the authority has sufficient funds to meet its key financial risks. The strategy remains that balances remain at a level that covers these key risks.

Reviewing the Strategy

30. This strategy will naturally span the life of the Council Plan but will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.

The Medium Term Financial Plan

31. The table below summarises the MTFP projections, showing future commitments over the current year's base budget.

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Base budget	17,540.8	17,389.6	16,933.4	16,711.1	16,613.9
Additional payroll requirement	271.1	598.1	510.3	476.7	320.9
Inflation allowance on contracts	162.0	172.0	175.4	178.9	182.5
Additional budget Pressures	355.9	325.4	322.8	319.8	322.8
Change in Interest Receivable	(163.2)	0.0	0.0	0.0	0.0
Savings	(889.2)	(19.5)	(6.7)	0.0	0.0
Revenue effects of Capital Programme	42.4	95.7	95.7	95.7	40.0
Once-Off Expenditure	69.8	(137.4)	0.0	0.0	0.0
Total Budget Requirement	17,389.6	18,423.9	18,030.9	17,782.2	17,480.1
Financed by:					
Revenue Support Grant	2,709.4	2,032.1	1,524.0	1,143.0	857.3
Council Tax Reduction Scheme then passed to Town and Parish Councils	(351.4)	(320.7)	(292.6)	(272.1)	(257.3)
Business Rate Retention Base Line	3,328.4	3,389.8	3,423.7	3,457.9	3,492.5
New Burdens Grants	25.6	0.0			
Received/Confirmed New Homes Bonus	2,695.4	3,000.0	1,328.0		
Expected New Homes Bonus	0.0	0.0	1,672.0	3,000.0	3,000.0
Once-offs funded from revenue balances	111.8	0.0	0.0	0.0	0.0
NDR Surplus 2014/15	959.5				
NDR Surplus to Balances/Volatility Reserve	(959.5)				
Council Tax Surplus 2014/15	163.0				
Council Tax	8,613.8	8,832.2	9,055.9	9,285.0	9,519.7
Council Tax Freeze 2015/16	93.6	-	-	-	-
	17,389.6	16,933.4	16,711.1	16,613.9	16,612.2
Budget Shortfall	0.0	(1,490.5)	(1,319.9)	(1,168.3)	(867.9)

Assumptions Made

32. There are several assumptions in line with the MTFs as part of the overall estimates contained therein:

	2015/16	2016/17	2017/18	Notes
Inflation	contractual obligations	contractual obligations	contractual obligations	Assumes inflation remains constant at 2%
Council Tax	0%	2%	2%	Assumes Council Tax that remains broadly in line with inflation
Pay	2.2%	1%	2%	Assumes agreed 2.2% followed by 1% then a 2% increase
Pensions	13.9% plus £840k	13.9% plus £1,040k	13.9% plus £1,240k	Assume employers contributions increases as per actuarial valuation
Investment Income	Base 0.5%	Base 0.5%	Base 0.5%	Assume earnings will be 0.9% for 2015/16. Interest rates may increase in 2015 but estimates have been left at 0.5% until there is more certainty.
Costs of Capital	£42k	£96k	£96k	Assumes gradual release of capital receipts from 2015/16 to fund capital schemes
Revenue Support Grant	-28.1%	-25%	-25%	Based on provisional figures
Non-Domestic Rates	6.24%	1.84%	1.0%	As per Government baseline
New Homes Bonus	£4.0m	£4.6m	£4.6m	Current estimates assuming no top slicing

Revenue Budget 2015/16

33. Appendix B shows the General Revenue Budget Summary for 2015/16, which totals £17,389.6k. Appendix C provides the detailed budgets for the four Area Committees and the District Executive. Once approved by Full Council, these represent the financial plans that the Executive will manage under their delegated authority and monitor in accordance with the Financial Procedure Rules.

Government Grants

34. The provisional grant for 2015/16 was announced on the 18th December. The figures show a £1.1 million cut (28.1%) reduction from 2014/15.

Savings

35. Savings plans are outlined in Appendix E. All service savings over £25,000 will be monitored in 2015/16 and reported as part of the budget monitoring process. Of the savings targets set out in the Strategy in October the following shows the achievement of the targets for 2015/16 and the profile target for 2016/17:-

Project Area	Achievement 2015/16 £'000	Assumed Achievement 2016/17 £'000
Optimising Income (the profile shows higher savings in 2016/17 note the Incomes Intern is now in place).	223.0	440.0
Service Redesign (the profile shows that most of the savings are planned to be delivered in 2016/17. The Lean programme delivered £118.5k in 2014/15).	30.3	625.0
Contracts and Procurement	108.4	150.0
Asset Savings	184.8	48.0
Total	546.5	1,263.0
Other:-		
Treasury Management	163.2	-
Increased Income from Economic Upturn	200.0	-
Underspends/other	142.7	-
Total Other	505.9	-
Shortfall to be found from sharing posts and service targets	-	227.5
Overall Total	1,052.4	1,490.5

36. There are no proposals within the 2015/16 budget to increase car parking fees.

Unavoidable Budget Pressures

37. Unavoidable budget pressures are detailed in Appendix D.

Band D Equivalent Council Tax

38. The MTFP has been prepared on the basis of no increase in Council Tax for 2015/16 and the Band D Council Tax charge will remain at **£150.74**. The tax base for 2015/16 will be 57,143.68, an increase of 1,002.87 from 2014/15.

39. As billing authority, SSDC has to calculate a basic level of tax based on its own spending plans, to which is added the precepts from Somerset County Council, Devon and Somerset Fire Authority, Avon and Somerset Police Authority and any town/parish council.

40. The actual total of Council Tax for South Somerset residents will be calculated once all precepting authorities have notified SSDC of their proposals. The total Council Tax will be approved at Full Council on 26th February 2014.

41. The Government has offered the equivalent of 1% in grant (approximately £94k) if the authority freezes council tax. The Government outlined that an increase greater than 2% will result in a local referendum.

Estimates for Future Years Band D Council Tax

42. The current estimate within the Medium Term Financial Plan and Medium Term Financial Strategy is that Council Tax levels will remain in line with inflation estimated at 2% per annum for 2016/17, 2017/18, and 2018/19.

Council Tax Reduction Scheme

43. Council approved the scheme for 2015/16 in January 2015. The Medium Term Financial Plan currently assumes the same number of recipients as at the end of November 2015 will continue into 2015/16. This reflects a further reduction in claimants and the estimated budget is £9.012 million compared to £9.319 million in 2014/15. This will result in a reduction in costs £0.307 million in 2015/16 which reduced costs to SSDC of £32k.
44. The Government grant to support the Council Tax Reduction Scheme for local authorities and town and parish councils has been absorbed into Revenue Support Grant and cannot be identified separately. Members approved in October that £351,410 would be passported to Town and Parish Councils for 2015/16.

Non-Domestic Rates (NDR)

45. In 2013 the Government introduced Non Domestic Rate (NDR) Retention that passed some of the risks and rewards from NDR to local authorities. Each local authority must set a budget for the NDR they expect to retain and in South Somerset this has been delegated to the S151 Officer (Assistant Director – Finance and Corporate Services) because of the considerable time constraints in place. Central Government requires the budget to be set by the 31st January 2015.
46. The budget has been set on the baseline as the final calculations have not yet been completed. Members agreed to pool NDR at full Council in December and we are still working with our partner organisations to finalise our estimates. Current estimations are that SSDC will retain approximately £4 million as well as any share or deficit from the pool. This is £700k above the baseline. This will be monitored closely during 2015/16 to estimate 2016/17 budget. Given the fluctuation so far in NDR it is recommended that the NDR Collection Fund surplus (£959.5k) is transferred to the NDR Volatility Fund.

New Homes Bonus

47. In October 2012 members agreed that New Homes Bonus would be mainstreamed as part of the overall funding package for SSDC services. This is because in effect the funding is top-sliced from grant and then reissued as New Homes Bonus. SSDC has now received a provisional figure of £3.991 million for 2015/16.

New Burdens Grants

48. The Government has made a pledge to pass on support where legislation has increased the financial burden for authorities. The only New Burden currently allocated for 2015/16 is £25.6k towards additional administration of the Council Tax Reduction Scheme.

Public/Stakeholder Consultation

49. Individual savings and additional income plans that were approved in principle are individually consulted upon where there is partnership, economic, or equalities issues to consider. There are no issues as part of this exercise to report to members.

Budget Scrutiny

50. A Task and Finish Group has undertaken a review of the budget with an emphasis of considering the risks and rewards of budgeting in an uncertain landscape. As part of the review the group investigated different components of the budget and the four key workstreams currently being undertaken to meet the budget shortfall over 2015/16 and 2016/17.
51. The report has been included in Appendix A of the Budget Booklet.

Diversity and Equality

52. Each saving put forward has been reviewed by the Equalities Officer to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made.

Revenue Balances and Contingency & Reserves

53. In addition to the funds available for the Revenue Budget, the Council has certain balances and reserves. The Financial Strategy is to retain sufficient general balances to meet its major financial risks. Risks were reviewed in January 2015 once the budget figures had been completed, and general balances should be retained within the range of £3.4 to £3.8 million at the start of the new financial year. The current estimate of revenue balances by the year-end is £4.783 million ensuring that balances are more than sufficient next year. The key risks that have been taken into consideration are:

- a. Sustainability of base budget
- b. Reduced income
- c. Reduced investment income
- d. Civil emergencies
- e. Litigation
- f. Medium Term Financial Plan
- g. Assets and property
- h. Bad debts
- i. Housing benefits subsidy
- j. Additional use of capital funds
- k. Bank failure/ bail-in
- l. Redundancies
- m. National increases to pay
- n. Reduction in business rates to the safety net
- o. Risks of the Council Tax Reduction Scheme

54. General Fund Balances represent accumulated revenue surpluses. Within the total, however, are amounts that have been earmarked by the District Executive for specific purposes. The table below shows the current position on the General Fund Balance compared to that previously reported:

General Fund Balances	Estimated As at 31/03/15
	£000
Balance 1/4/14	5,280
Allocations from balances	(573)
NDR Deficit 2013/14	(803)
Estimated underspend on Revenue Budget 2014/15	879
Estimated Unallocated General Fund Balance at 31 March 2015	4,783
Use of Balances for 2015/16 Budget	(112)
Estimated Unallocated General Fund Balance at 1st April 2015	4,671

55. Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to meet the cost of the SSDC elections that occur every four years. The full list of specific usable reserves and the current balance on each is shown below: -

Reserve	Expected Balance As at 31st March 2015 £'000
Usable Capital Receipts	30,436
Capital Reserve	2,017
Total Capital	32,453
New Homes Bonus	3,040
Cremator Replacement Reserve	300
Infrastructure Reserve	988
CAMEO Reserve	363
Voluntary Redundancy/Early Retirement Reserve	408
Housing Benefits Reserve	613
Revenue Grants Reserve	512
Eco-Town Reserve	125
Local Plan Enquiry Reserve	41
Election Reserve	234
Yeovil Athletic Track Repairs Fund	100
LSP	72
Planning Delivery Reserve	32
Save to Earn Reserve	50
Yeovil Vision	100
Park Homes Replacement Reserve	124
Insurance Fund	45
Local Authority Business Grant Incentive (LABGI) Reserve	37
Artificial Grass Pitch Reserve	21
Health Inequalities Reserve	32
Business Support Scheme	235
Bristol to Weymouth Rail Reserve	17
Deposit Guarantee Claims Reserve	17
Wincanton Sports Centre Reserve	21
Closed Churchyard Reserve	7

Car park Income	5
Risk Management Reserve	11
Flooding Reserve	30
Planning Obligations Admin Reserve	39
NNDR Volatility Reserve	500
Total Reserves	40,572

56. A review of balances and reserves and the likely three-year forward prediction has been made. The levels of balances will continually be reviewed and additions from in year savings may be made to ensure they remain at the required level. The levels expected are shown below:

Year	Non-Earmarked Balances at Year End £'000	Capital Reserves at Year End £'000	Revenue Reserves at Year End £'000
2014/15	4,671	30,436	10,136
2015/16	4,500	23,620	9,000
2016/17	4,000	22,808	7,000
2017/18	4,000	23,308	7,000

Robustness of 2015/16 Revenue Budget

57. Under Section 25 of the Local Government Act 2003 the S151 officer is required to report to Council on the robustness of the estimates made for the purpose of calculations of the budget and the adequacy of the proposed financial reserves.
58. The formulation of the budget has allowed for best estimates of inflation and commitments necessary to maintain service levels. With demand-led budgets this inevitably entails a degree of judgement.
59. There has been a significant degree of scrutiny of the proposed budgets and savings for 2015/16 by:
- The Finance team
 - Management Board
 - Portfolio Holders
 - A Scrutiny Task and Finish Group
 - Scrutiny Committee
60. These examinations of the budgets have led to refinements and provide considerable assurance about the robustness of the estimates.
61. There remains however some key risks inherent in the 2015/16 Revenue Budget since the budget is a financial plan based on assumptions. The current key risks will be managed by the individual officers as shown in italics below:
- (a) There remains substantial risk in the banking sector and the added risk of “bail-ins” protection of SSDC’s principal sums continue to be our primary concern. Financial returns within the budget are set with base rates remaining at 0.5%. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. A loss of £4 million principal would mean a budget reduction of £36k through loss of interest. (*Assistant Director – Finance and Corporate Services*)

- (b) The NDR has been set at the Government's baseline figure. This is because the pooled figures have not been finalised. We have seen some fluctuations so far because of the requirements to set aside funding for bad debts and appeals. All indications so far are that the income will exceed the budget for 2015/16. If member agree the recommendations in this report the NDR Volatility Reserve will total £1.459 million to meet any unforeseen events and fluctuations. *(Assistant Director – Finance and Corporate Services)*
- (c) The new Council Tax Reduction Scheme carries risks of additional demand and non-collection. This will continue to be monitored through budget monitoring reports in 2015/16. *(Assistant Director- Finance and Corporate Services)*
- (d) Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £46m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors. *(Assistant Director – Finance and Corporate Services)*
- (e) Planning income has improved during 2014/15 and the budgeted income is now expected to be over achieved at the year-end by £323k however it is still an area susceptible to the economic downturn. A drop of 5% in income amounts to £58,750. *(Assistant Director - Economy)*
- (f) Building Control income has improved during 2014/15 but remains vulnerable to the economic downturn. A 5% reduction in income is £24,830. *(Assistant Director - Environment)*
- (g) Car parking income has continued to under achieve its budget in 2014/15 reflecting lower numbers of season ticket holders and penalty charge tickets. A further 5% reduction in usage across Yeovil car parks (which accounts for 70% of total income) is equivalent to £71,220 loss in car park income. *(Assistant Director - Environment)*
- (h) The Government is planning to transfer some land charge searches to the Land Registry Dept. The impact on income will be monitored during 2015/16 and the impact assessed for 2016/17 MTFP. *(Assistant Director – Legal & Corporate Services)*

62. In conclusion the process for the formulation of budgets, together with the level of challenge and sensitivity analysis undertaken provides a reasonable assurance of the robustness of the budget as presented.

63. The level of the Council's reserves and balances have been reviewed in light of the risks outlined above and are currently predicted to remain at the required level.

Capital Programme 2015/16 to 2019/20

64. Members are requested to approve capital bids totalling £522,000 for 2015/16. Full details of the revised Capital Programme are shown in Appendix H; new schemes are shown in bold type, with previously approved schemes in ordinary type. A summary of recommended schemes is included at Appendix I and the scoring of all bids at Appendix K. Attached at Appendix J are the Capital Investment Appraisal forms for all 2015/16 new schemes.

65. The District Executive considered the resources available and the various capital bids at its meeting on 8th January 2015.

Funding the Capital Programme for 2015/16

66. The table below shows how the 2015/16 Capital Programme will be financed:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Gross Capital Spend	6,959	743	0
External Grants	(647)	(531)	(500)
Net Capital Spend / SSDC Financing	6,312	212	(500)

Impact of the Capital Programme on Prudential Indicators

67. The impact of the new capital schemes approved within the capital programme on the average Band D household is as follows:

Prudential Indicator 12	2015/16 £	2016/17 £	2017/18 £
Increase in Council Tax Band D	0.07	0.17	0.17

Corporate Priority Implications

68. The budget is aligned to the Council Plan in terms of funding the plan for 2015/16 and beyond.

Carbon Emissions and Climate Change Implications

69. The budget is aligned to the Carbon Reduction Strategy and new capital projects to deliver the strategy will be included in the Capital programme once approved.

APPENDICES

- Appendix A - Scrutiny Task & Finish Group report
- Appendix B - Revenue Budget Summary 2015/16
- Appendix C - Area Committees & District Executive detailed budgets 2015/16
- Appendix D - Unavoidable Budget Pressures
- Appendix E - Savings
- Appendix F - Once-Off Bids
- Appendix G - Equalities Full Impact Schedule
- Appendix H - Revised Capital Programme
- Appendix I - New Bids with interest
- Appendix J - Capital Bids for new schemes
- Appendix K - Capital Bid Scoring

Background Papers

District Executive Outturn Report June 2014
 District Executive Medium Term Financial Plan Report Oct 2014, Jan & Feb 2015
 Scrutiny Task & Finish Group

Agenda Item 8

Council Tax Setting 2015/16

Lead Officer: Donna Parham, Assistant Director (Finance and Corporate Services)

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We are still awaiting confirmation of the precept from Somerset County Council and so this report will be circulated as soon as possible after this information has been received.

Agenda Item 9

Treasury Management Strategy Statement and Investment Strategy 2015/16

Lead Officer: Donna Parham, Assistant Director (Finance and Corporate Services)
Contact Details: donna.parham@southsomerset.gov.uk or (01935) 462225

1. Purpose of the Report

To approve the Treasury Management Strategy Statement and Investment Strategy for 2015/16. The report was considered by the Audit Committee on 22nd January 2015 who agreed the recommendation to go forward to full Council

2. Recommendation

Council is recommended to approve the Treasury Management Strategy Statement and Investment Strategy for 2015/16. The Strategy is attached at Appendix 1.

3. Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance

The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

4. Background

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.

CIPFA has defined Treasury Management as:

"the management of the organisation's 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."

The 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. Specific treasury management risks are identified in the Council's approved Treasury Management Practices. The risks include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years).
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements).

The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The proposed strategy for 2015/16 takes into account the Council's current treasury position and the approved Prudential Indicators and draws upon the forecasts for interest rates provided by the Council's treasury advisers.

The Strategy is attached at Appendix 1 and is split into the following main areas:

- Background
- Credit Outlook and Interest Rate Forecast
- Balance Sheet and Treasury Position
- Borrowing Requirement and Strategy
- Investment Policy and Strategy
- Policy on use of financial Derivatives
- Balanced Budget Requirement
- 2014/15 MRP Statement
- Monitoring and Reporting on Treasury Management
- Other Items

5. Financial Implications

The revised strategy will achieve the budget for new investments in 2015/16. If members would prefer to accept a more risk averse strategy we will be unable to achieve the Treasury Management Interest budget because the Authority will be restricted to counterparties who offer lower rates of return. In addition, there would be less diversification within the Council's portfolio, ultimately concentrating all risks within a select few counterparties.

6. Background Papers

Cipfa Treasury Management Code of Practice
Treasury Management Practices
Arlingclose Treasury Strategy Template

**South Somerset District Council
Treasury Management Strategy Statement
and Investment Strategy 2015/16**

Contents

- 1. Background**
- 2 Credit Outlook and Interest Rate Forecast**
- 3. Balance Sheet and Treasury Position**
- 4. Borrowing Requirement and Strategy**
- 5. Investment Policy and Strategy**
- 6. Policy on use of financial Derivatives**
- 7. Balanced Budget Requirement**
- 8. 2015/16 MRP Statement**
- 9. Monitoring and Reporting on Treasury Management**
- 10. Other Items**

Appendices

- A. Existing and Projected Portfolio Position**
- B. Prudential Indicators**
- C. Arlingclose's Economic and Interest Rate Forecast**
- D. Glossary of Terms**

1. **Background**

1.1 In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

1.2 In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

1.3 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance

1.4 CIPFA has defined Treasury Management as:

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

1.5 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.

1.6 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.

1.7 Full 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.

1.8 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Committee and for the execution and administration of treasury management decisions to the Assistant Director (Finance and Corporate Services) who will act in accordance with the organisation's policy statement and TMPs and CIPFA's standard of Professional Practice on Treasury Management.

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

1.10 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.

1.11 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 performance measurement techniques, within the context of effective risk management.

- 1.12 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary considerations.
- 1.13 The Council's borrowing will be affordable, sustainable and prudent 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.
- 1.14 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:
- Liquidity Risk (Adequate cash resources)
 - Market or Interest Rate Risk (Fluctuations in the value of investments)
 - Inflation Risk (Exposure to inflation)
 - Credit and Counterparty Risk (Security of Investments)
 - Refinancing Risk (Impact of debt maturing in future years)
 - Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

2. Credit Outlook and interest rate forecast

- 2.1 Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.
- 2.2 The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.
- 2.3 Interest rate forecast: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely

defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

- 2.4 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix C.

3. Balance Sheet and Treasury Position

- 3.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The estimates, based on the current Revenue Budget and Capital Programmes, are set out below:

	31/03/14 Actual £'000	31/03/15 Estimate £'000	31/03/16 Estimate £'000	31/03/17 Estimate £'000	31/03/18 Estimate £'000
CFR	9,624	9,484	9,361	9,316	9,293
Usable Capital Receipts	(36,396)	(32,117)	(30,601)	(30,276)	(30,276)
Balances & Reserves	(15,089)	(17,967)	(17,866)	(17,866)	(17,866)
Net Balance Sheet Position **	(41,861)	(40,600)	(39,106)	(38,826)	(38,849)

***excluding working capital.*

- 3.2 The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix A. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position.
- 3.3 As the CFR represents the underlying need to borrow and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements.
- 3.4 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years.
- 3.5 The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget. The estimate for interest payments in 2015/16 is nil and for interest receipts is £461,320

4. Borrowing Requirement and Strategy

- 4.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The Authority'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 Authority's long-term plans change is a secondary objective.
- 4.2 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of

affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

- 4.3 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.4 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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

- Public Works Loan Board (PWLB) or its replacement 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 [your local] Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- include any other counterparty you intend to borrow from

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

- 4.5 The Council will undertake a financial options appraisal before any borrowing is made.
- 4.6 For any borrowing that may be undertaken in advance of need the Council will adopt the same rigorous policies and approach to the protection of capital as it does for the investment of its surplus balances.

5. Investment Strategy

- 5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £42.9 and £64.7 million, and similar levels are expected to be maintained in the forthcoming year.
- 5.2 Both the CIPFA Code and the CLG Guidance require the Authority 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 Authority'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.
- 5.3 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and higher yielding asset classes during 2015/16.

The Authority may invest its surplus funds with any of the counterparties in the following table, subject to the cash limits (per counterparty) and time limits shown.

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2 m 5 years	£4 m 20 years	£4 m 50 years	£3 m 20 years	£2 m 20 years
AA+	£2 m 5 years	£4 m 10 years	£4 m 25 years	£3 m 10 years	£2 m 10 years
AA	£2 m 4 years	£4 m 5 years	£4 m 15 years	£3 m 5 years	£2 m 10 years
AA-	£2 m 3 years	£4 m 4 years	£4 m 10 years	£3 m 4 years	£2 m 10 years
A+	£2 m 2 years	£4 m 3 years	£2 m 5 years	£3 m 3 years	£2 m 5 years
A	£2 m 13 months	£4 m 2 years	£2 m 5 years	£3m 2 years	£2 m 5 years
A-	£2 m 6 months	£4 m 13 months	£2 m 5 years	£3 m 13 months	£2 m 5 years
BBB+	£1 m 100 days	£2 m 6 months	£2 m 2 years	n/a	£2 m 2 years
BBB or BBB-	n/a	£2 m 100 days	n/a	n/a	n/a
None	n/a	n/a	£4 m 25 years*	n/a	£2 m 5 years
Pooled funds	£4 m (nominal value) per fund				

*includes unrated UK Local Authorities

- 5.4 **Credit Rating:** Investment decisions are made 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.
- 5.5 **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. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank National Westminster Bank Plc.
- 5.6 **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.
- 5.7 **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.

- 5.8 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.
- 5.9 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.
- 5.10 **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus 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. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. The limit on pooled funds is on the nominal value not the valuation.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- 5.11 **Risk Assessment and Credit Ratings:** The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - on the advice of Arlingclose, any existing investments that can be recalled or sold at no cost will be following consultation with the chair of Audit Committee, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.12 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.
- 5.13 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.14 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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

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

5.16 Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified 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, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in the following table:

Non-Specified Investment Limits

	Cash limit
Total long-term investments (over 364 days)	£30m
Total investments without credit ratings or rated below A- (does not include other UK Local Authorities)	£5m *
Total investments in foreign countries rated below AA+	£4m
Total non-specified investments	£32m

*This limit will be reviewed in the event a change in EU legislation results in MMFs no longer being credit rated.

5.17 Investment Limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £4 million on 31st March 2014. South Somerset District Council has allocated a weighting of 25% to this risk, meaning that no more than 25% of available reserves (£1 million) will be put at risk in the case of a single default. The maximum that will be lent to any one organisation (other than the UK Government) will be £4 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also

be placed on investments in brokers' nominee accounts (e.g. King & Shaxson), foreign countries and industry sectors as below:

Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
Foreign countries	£12m per country
Registered Providers	£8m in total
Unsecured investments with Building Societies	£8m in total
Loans to unrated corporates	£4m in total
Money Market Funds	£20m in total

5.18 Investments may be made at either a fixed rate of interest, or at a variable rate linked to a market interest rate, such as LIBOR, subject to the limits on interest rate exposures below.

5.19 **Liquidity Management:** The Authority uses cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

6. Policy on use of financial Derivatives

6.1 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).

6.2 The Authority 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 Authority 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, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

6.3 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.

6.4 The local authority will only use derivatives after seeking expertise, a legal opinion and ensuring officers have the appropriate training for their use.

7. Balanced Budget Requirement

7.1 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

8. 2014/15 MRP Statement

Background:

8.1 CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

8.2 The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

8.3 The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. Four options for prudent MRP provision are set out in the CLG Guidance. Details of each are set out below:

Option 1 – Regulatory Method:

8.4 This method replicates the position that would have existed under the previous Regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes, however this option allows a historical adjustment to take place that is beneficial to some authorities. This method can only be used for supported expenditure.

Option 2 – CFR Method:

8.5 This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the CFR at the end of the preceding financial year. This method can only be used for supported expenditure.

Option 3 – Asset Life Method:

8.6 Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:

(a) Equal Installments: where the principal repayment made is the same in each year,
or

(b) Annuity: where the principal repayments increase over the life of the asset.
The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

- 8.7 MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP “holiday” to be taken in relation to assets which take more than one year to be completed before they become operational.
- 8.8 The estimated life of the asset will be determined in the year that MRP commences and cannot be revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.
- 8.9 If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.
- 8.10 In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made.

Option 4 - Depreciation Method:

- 8.11 The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account

MRP Policy for 2015/16:

- 8.12 It is proposed that for 2015/16 the Council adopts Option 3 – Asset Life Method. Option 3 enables the calculation of MRP to be aligned with the life of the asset. If it is ever proposed to vary the terms of this MRP Statement during the year, a revised statement will be made to Council at that time.
- 8.13 MRP in respect of leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

9. Monitoring and Reporting on Treasury Management

The scrutiny of the treasury management function is carried out by the Audit Committee who then make recommendations to Full Council. The Assistant Director (Finance and Corporate Services) will report to Council/Audit Committee on treasury management activity / performance as follows:

- (a) Audit Committee will be responsible for the scrutiny of treasury management activity and practices.
- (b) Audit Committee will review the Treasury Management Strategy Statement, Investment Strategy, MRP Statement, and Prudential Indicators twice per year and recommend them to Council for Approval.
- (c) Audit Committee will monitor Treasury Management activity quarterly and annually and will approve the Treasury Management Practices on an annual basis.
- (d) Full Council will receive the Treasury Management Strategy Statement, Investment Strategy, MRP Statement, and Prudential Indicators prior to the start of the financial year and a mid year review against the strategy approved for the year.

- (e) The Council will produce an outturn report on its treasury activity no later than 30th September after the financial year end.

10. Other Items

Training

CIPFA's revised Code requires the Assistant Director (Finance and Corporate Services) ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Officers tasked with treasury management responsibilities are engaged in regular financial and treasury training through attendance at selective seminars/workshops and treasury courses.

Treasury Management Advisors

The Council appointed Arlingclose as its Treasury Advisers in 2005. The provision of treasury advisory services was formally re-tendered in autumn 2014 and Arlingclose was reappointed. Among the various services received is **advice** on investment, debt and capital finance issues appropriate to the Council's individual circumstances and objectives.

The Council monitors the service through measuring:

- The timeliness of advice
- The returns from investments
- The accuracy of technical advice
- Regular market testing
- Regular internal meetings to discuss performance
- Direct access to a nominated advisor
- The quality and content of training courses

However, this doesn't divest the Council from its responsibility of its treasury decisions.

Financial Implications

The budget for investment income in 2015/16 is £461k, based on an average investment portfolio of £51.3 million at an interest rate of 0.9%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

EXISTING PORTFOLIO PROJECTED FORWARD

	31/03/14 Actual £'000	31/03/15 Estimate £'000	31/03/16 Estimate £'000	31/03/17 Estimate £'000
External Borrowing:				
<i>Long-term liabilities</i>				
• <i>Finance Leases</i>	511	371	248	203
Total External Debt	511	371	248	203
Investments:				
• Short term Deposits	18,500	21,028	27,000	27,000
• Monies on call and Money Market Funds	7,690	8,000	8,000	8,000
• Long term Deposits	2,000	8,000	4,000	4,000
• Bonds	10,750	6,912	5,000	5,000
• Property Fund & Other pooled funds	4,000	4,000	4,000	4,000
Total Investments	42,940	47,940	48,000	48,000
(Net Borrowing Position)/ Net Investment position	42,429	47,569	47,752	47,797

PRUDENTIAL INDICATORS 2014/15 TO 2016/17**Background:**

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Prudential Indicator 1 - Capital Expenditure:

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The approved expenditure for 2014/15 and the estimates of capital expenditure to be incurred for 2015/16 and future years are:

	2014/15 Approved £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Approved capital schemes	4,561	5,046	304	0
Reserve schemes	1,847	404	600	0
New Schemes for 2015/16 start		522		
Total Expenditure	6,408	5,972	904	0

The figures in the reserve scheme for 2015/16 is showing lower than in 2016/17. This is due to income already budgeted from previously approved schemes. The expenditure for 2017/18 is currently nil. This will change as anticipated capital projects are approved. Additional capital expenditure will also occur if new capital receipts are received and used to finance projects currently on the reserve list, as per the capital strategy.

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure. This shows how much of the revenue budget is committed to the servicing of finance.

Estimates of the ratio of financing costs to net revenue stream for the 2015/16 and future years, and the approved figures for 2014/15 are:

Portfolio	2014/15 Approved £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Financing Costs*	(226)	(338)	(416)	(438)
Net Revenue Stream	17,541	17,543	16,933	16,718
%*	(1.3)	(1.9)	(2.5)	(2.6)

*Figures in brackets denote income through receipts or reserves.

The financing costs include interest payable, notional amounts set aside to repay debt, less, interest on investment income. The figures are in brackets due to investment income outweighing financing costs significantly for SSDC. This shows the extent that the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Estimates of the year-end capital financing requirement for the authority are:

	2014/15 Approved £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Opening CFR (Actual 14/15)	9,624	9,484	9,361	9,316
Capital Expenditure	5,410	5,192	335	0
Capital Receipts*	(4,461)	(5,046)	(304)	0
Grants/Contributions*	(949)	(146)	(31)	0
MRP	(140)	(123)	(45)	(23)
Closing CFR	9,484	9,361	9,316	9,293

*Figures in brackets denote financing through receipts or reserves.

Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:

The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the gross external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period. This is a key indicator of prudence.

	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	0	0	0	0
Finance leases	371	248	203	180
Total Debt	371	248	203	180

Total debt is expected to remain below the CFR during the forecast period

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. Overall the authority is aiming to keep within the following exposure to fixed rates as and when market conditions improve.

	2014/15 % Limit	2015/16 % Limit	2016/17 % Limit	2017/18 % Limit
Fixed	80	80	80	80
Variable	100	100	100	100

The Council must also set limits to reflect any borrowing we may undertake.

	2014/15 % Limit	2015/16 % Limit	2016/17 % Limit	2017/18 % Limit
Fixed	100	100	100	100
Variable	100	100	100	100

The indicator has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

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

Upper Limit for total principal sums invested over 364 days	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Between 1-2 years	25,000	25,000	25,000	25,000
Between 2-3 years	20,000	20,000	20,000	20,000
Between 3-4 years	10,000	10,000	10,000	10,000
Between 4-5 years	10,000	10,000	10,000	10,000
Over 5 years	5,000	5,000	5,000	5,000

The estimates are considerably higher than the actual balances held in previous years to ensure the Council has sufficient flexibility to deal with any unexpected events. **The overall limit for maturities of greater than 364 days will not exceed 70% of the portfolio.**

Prudential Indicator 7 – Credit Risk:

The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average long-term credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

The Council targets a portfolio average long-term credit rating of 'A' or higher. (This target rating is one notch above the Council's minimum rating criteria of A-.)

Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2014	£'000
Borrowing	0
Other Long-term Liabilities	511
Total	511

Prudential Indicator 9 - Authorised Limit for External Debt:

The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council has acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A £9.1m borrowing requirement has been identified to finance the capital programme and further borrowing may be undertaken to increase our borrowing to this level if and when it is the most cost effective way of funding SSDC's requirements. A ceiling of £12 million for each of the next three years is recommended, to allow flexibility to support new capital projects over and above the identified borrowing requirement.

	2014/15 Approved £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	11,000	11,000	11,000	11,000
Other Long-term Liabilities	1,000	1,000	1,000	1,000
Total	12,000	12,000	12,000	12,000

Prudential Indicator 10 – Operational Boundary for External Debt:

The Operational Boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million is recommended for each of the next three years. The table overleaf shows that SSDC's current borrowing is well within this limit. This indicator more than covers the capital financing requirement.

The Assistant Director (Finance and Corporate Services) has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next Council meeting.

	2014/15 Approved £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	9,200	9,200	9,200	9,200
Other Long-term Liabilities	800	800	800	800
Total	10,000	10,000	10,000	10,000

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	2014/15 % Actual	2015/16 % Estimate	Lower Limit %	Upper Limit %
Under 12 months	0	0	0	100
12 months and within 24 months	0	0	0	100
24 months and within 5 years	0	0	0	100
5 years and within 10 years	0	0	0	100
10 years and within 20 years	0	0	0	100
20 years and within 30 years	0	0	0	100
30 years and within 40 years	0	0	0	100
40 years and within 50 years	0	0	0	100
50 years and above	0	0	0	100

As the council doesn't have any fixed rated external borrowing at present the above upper and lower limits have been set to allow flexibility to borrow within any of the maturity bands.

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax	0.07	0.17	0.17

Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:

This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18th April 2002.

Arlingclose's Economic and Interest Rate Forecast

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.55	0.60	0.65	0.85	1.00	1.15	1.30	1.45	1.60	1.75	1.85	2.05	2.15
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.95	1.00	1.05	1.20	1.35	1.50	1.65	1.80	1.95	2.10	2.20	2.40	2.50
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	1.70	1.75	1.90	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.90	2.95
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.05	3.10
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	2.90	2.95	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	3.00	3.05	3.10	3.15	3.20	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.60
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still

large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Arlingclose Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

Glossary of Terms

Balances and Reserves	Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.
Bond	A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.
Capital Expenditure	Expenditure on the acquisition, creation or enhancement of capital assets
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.
Capital growth	Increase in the value of the asset (in the context of a collective investment scheme, it will be the increase in the unit price of the fund)
Capital receipts	Money obtained on the sale of a capital asset.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.
Collective Investment Schemes	Funds in which several investors collectively hold units or shares. The assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'Pooled Funds'). Unit Trusts and Open-Ended Investment Companies are types of collective investment schemes / pooled funds.
Corporate Bonds	Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Corporate Bond Funds	Collective Investment Schemes investing predominantly in bonds issued by companies and supranational organisations.
CPI	Consumer Price Index. (This measure is used as the Bank of England's inflation target.)
Credit default swaps	Financial instrument for swapping the risk of debt default; the buyer effectively pays a premium against the risk of default.
Diversification / diversified exposure	The spreading of investments among different types of assets or between markets in order to reduce risk.
ECB	European Central Bank

Federal Reserve	The US central bank. (Often referred to as “the Fed”)
Floating Rate Notes	A bond issued by a company where the interest rate paid on the bond changes at set intervals (generally every 3 months). The rate of interest is linked to LIBOR and may therefore increase or decrease at each rate setting
Gilt	Is a fixed rate security issued as debt and repaid at a future date.
IFRS	International Financial Reporting Standards
Income Distribution	The payment made to investors from the income generated by a fund; such a payment can also be referred to as a ‘dividend’
Maturity	The date when an investment or borrowing is repaid
Money Market Funds (MMF)	Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.
Minimum Revenue Provision	An annual provision that the Authority is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets
Non-Specified Investments	Term used in the Communities and Local Government Guidance and Welsh Assembly Guidance for Local Authority Investments. It includes any investment for periods greater than one year or those with bodies that do not have a high credit rating, use of which must be justified.
Pooled funds	See Collective Investment Schemes (above)
Prudential Code	Developed by CIPFA as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice
Prudential Indicators	Indicators determined by the local authority to define the its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators
PWLB	Public Works Loans Board. It is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges
SI (Statutory Instrumeny)	Is the principal form in which delegated or secondary legislation is made in Great Britain.
SORP	Statement of Recommended Practice for Accounting (Code of Practice on Local Authority Accounting in the United Kingdom).

Specified Investments	Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than 1 year. UK government, local authorities and bodies that have a high credit rating.
Supranational Bonds	Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.
Supported Capital Expenditure	The financing element of Capital expenditure that is grant funded by Central Government
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services
Temporary Borrowing	Borrowing to cover peaks and troughs of cash flow, not to fund spending.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest)
Unsupported Capital Expenditure	The financing of Capital expenditure is financed internally through the revenue budget
Yield	The measure of the return on an investment instrument

Agenda Item 10

Financial Procedure Rules

Lead Officer: Donna Parham, Assistant Director (Finance & Corporate Services)
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Purpose of Report

This report introduces the changes to the Financial Procedure Rules that have been sent out with this agenda.

Recommendations

That full Council approves the updated Financial Procedure Rules as attached.

Background

The Financial Procedure Rules outline the financial policies of this authority and the financial accountabilities of individuals that apply to both officers and members. The review of those rules is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the effectiveness of SSDC’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action has been taken”

The last review took place in 2011 and it is best practice to review and update the rules on a regular basis. The main emphasis of this review has been to adjust the rules to reflect changes to other policies, decisions, and agreements.

Revised Financial Procedure Rules

The attached document shows any revisions to the current approved rules highlighted in yellow. The Audit Committee approved the amended rules to recommend to full Council on the 22nd January 2015.

The Assistant Director has been given delegated authority to change team/service titles and job titles as changes occur. This will ensure that the document can be updated to reflect the most up to date staffing structure.

Financial Implications

There are no financial implications in approving the attached Financial Procedure Rules. The rules ensure that sound financial controls are in place for all financial transactions and decisions.



1. INTRODUCTION

- 1.1** To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of Financial Procedure Rules that set out the financial policies of the authority. A modern council should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.
- 1.2** The Financial Procedure Rules provide clarity about the financial accountabilities of individuals – Members – the District Executive – the Chief Executive – Strategic Directors, the Assistant Director Legal & Corporate Services, the Assistant Director Finance & Corporate Services, other Assistant Directors/ Managers and all other officers of the Council.
- 1.3** The Council has established other internal regulatory documents: these should all be viewed in the context of the Council's Constitution, and are set out in Part 4 of that document. The Council's governance structure is laid down in its Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed.
- 1.4** It is not possible to draft procedure rules to cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility and accountability, as set out in this document should be applied in all circumstances.
- 1.5** The following general principles apply:-
- there should be adequate and understood separation of duties so as to maintain adequate control over all financial transactions and operations;
 - there should be a clear hierarchy of control;
 - there should be adequate training and supervision of staff and there should be adequate management and audit trails;
 - there should be adequate management of risks and additional checks where there are high levels of risk;
- operational financial procedures should be clearly documented, key risks identified, and such documents kept up to date and there should be adequate business continuity plans in place to maintain effective administration of the Council's finances at all times.
- 1.6** Financial Procedure Rules apply to every member and employee of the Council and anyone acting on its behalf.
- 1.7** Executive members and Directors should, where decision-making has been delegated to them, maintain a written record of all decisions. Where decisions have been delegated or devolved to other responsible officers, references to Directors in the rules should be read as referring to them.
- 1.8** All members and employees have a general responsibility for taking reasonable action to provide for the security of assets, funds and resources under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- 1.9** The Assistant Director Finance & Corporate Services is individually responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Audit Committee and then full Council for approval. She/he is also individually responsible for reporting, where appropriate, breaches to the Council, to the District Executive, or the Audit Committee. Strategic Directors and their staff are responsible for promptly notifying the Assistant Director Finance & Corporate Services of any breaches of these Financial Procedure Rules.
- 1.10** The Management Board is responsible for ensuring that all Managers are aware of the existence and content of the authority's Financial Procedure Rules, and other internal regulatory documents and that they are complied with by all employees. Strategic Directors and Assistant Directors shall also ensure that there is an adequate level of understanding of these rules within their teams and that copies are available for reference within their service area or are accessible via other media.



FINANCIAL PROCEDURE RULES

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	1.4	Assistant Director Legal & Corporate Services (Monitoring Officer)
	1.5	Assistant Director Finance & Corporate Services (Chief Finance Officer)
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	1.7	Executive Members Exercising Budget Responsibility
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FINANCIAL PROCEDURE RULES

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14.	LOANS POLICY	
15.	EXTERNAL ARRANGEMENTS	15.1 Partnerships 15.2 External Funding 15.3 Grants to Outside Bodies
16.	BREACHES OF FINANCIAL REGULATIONS	
Appendix A		Officer contacts for further information



FINANCIAL GOVERNANCE

1.1 Full Council

- a. The full Council is responsible for approving the policy framework and the budget within which the Executive operates. This encompasses any medium and longer term plans for both revenue and capital. The policy framework shall also include approval of each annual revenue and capital budget and setting the Council Tax levy.
- b. It is also responsible for monitoring the budget including compliance with the authority's overall framework of accountability and control. If unallocated revenue balances fall below the risk assessed minimum requirement then **only full Council can authorise any further use** of those balances. Any use of capital balances greater than 5% of useable receipts **in any one year** shall be agreed by Council.

1.2 District Executive

- a. The District Executive is responsible for proposing the policy framework and detailed budget to the full Council and for discharging executive functions in accordance with the policy framework and budget agreed by full Council. The detailed budget should include the allocations to the various services and projects, proposed funding, including taxation levels, and **minimum required levels of unallocated balances**. District Executive can approve the use of unallocated balances subject to balances remaining at the risk assessed minimum requirements. **Use of usable capital receipts up to a maximum of 5% of unallocated receipts can be approved in any one year.**
- b. Where executive decisions are delegated to a committee of the District Executive, or an individual Executive member (Portfolio Holder), or a member of staff, that delegation will include the financial accountabilities relating to the administration of the budget and spending decisions.
- c. The relevant budget holder will be the employee with responsibility for the relevant service, policy, or project, unless the Executive specifically identifies to whom

budget responsibility is delegated eg. to an Executive member.

- d. The Chief Executive, Strategic Directors or District Executive members who have responsibilities for budgets delegated to them will be accountable to the District Executive or full Council, as appropriate, for the use of delegated budgets and should report at least quarterly to their accountable body for the use of those budgets and on the latest budget position.
- e. The District Executive is responsible for ensuring individual Executive members with delegated powers consult with all relevant staff before taking decisions within their delegated authority, so that all implications, including financial implications are taken into account in the decision. The procedure for doing this is fully explained in The Decision Making Procedures folder.
- f. The District Executive will follow general good practice and comply with sound principles of accountability and effective management by delegating management and operational control normally to the Strategic Directors, Assistant Directors/Managers and other suitable officers wherever feasible and practical.
- g. It is the responsibility of the Executive or Executive member with delegated budget responsibility to consult with the Assistant Director Finance & Corporate Services over the availability of funds before committing the authority to expenditure.

The Statutory Officers

1.3 The Chief Executive

The Chief Executive is the Council's Head of Paid Service, and is responsible for the corporate and overall strategic management of the authority as a whole. This includes responsibility for establishing a framework for management direction, style, and standards and for monitoring the performance of the authority.

1.4 Monitoring Officer

- a. The Assistant Director Legal & Corporate Services is the Council's Monitoring Officer and is responsible for promoting and



FINANCIAL PROCEDURE RULES

maintaining high standards of conduct, including financial conduct.

- b. The Monitoring Officer in conjunction with the Chief Finance Officer is responsible for advising the Executive, full Council, Audit and Scrutiny Committee about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.
- c. Actions that may be contrary to the budget include:
 - initiating a new policy with additional unfunded budgetary implications;
 - committing expenditure in future years above the current year budget level or medium term plan;
 - incurring virement without approval or outside any limits set by Council;
 - causing total expenditure to increase above that stated in the budget approved by Council.

1.5 Chief Finance Officer

The Assistant Director Finance & Corporate Services is the Council's Chief Finance Officer or Section 151 Officer, and is responsible for the proper administration of the Council's financial affairs and shall:

- a. Advise the Council on insurance and financial risk;
- b. Advise the Council on effective systems of internal control;
- c. Ensure that there is an effective system of internal financial control;
- d. Advise the Council on anti-fraud and anti-corruption strategies and measures;
- e. Present each year's Statement of Accounts to the Audit Committee subsequent to external audit and submit to the appropriate departments of central government any associated grant claims. This includes responsibility for selecting and consistently applying accounting policies, determining accounting procedures and records, and ensuring compliance with relevant Accounting Codes of Practice;
- f. Ensure that there is an effective internal audit function and assisting managers to

provide effective arrangements for financial scrutiny;

- g. Secure effective systems of financial administration and to provide appropriate financial information to enable budgets to be monitored;
- h. Manage the cash and investments of the Council in accordance with the relevant CIPFA Code of Practice and the Council's Treasury Management Strategy Statement and the Treasury Management Practices;
- i. Ensure that financial management arrangements are in line with the Council's policy objectives, the Council's overall governance arrangements and comply with any internally or externally set financial management standards;
- j. Advise the Council on the setting of its revenue and capital budgets and the adequacy of its reserves to meet possible future commitments and contingencies. It is the responsibility of the Assistant Director Finance & Corporate Services to advise the District Executive on the setting of budget guidelines, to ensure budget estimates reflect agreed service levels and any guidelines set by the District Executive, and to liaise with budget holders throughout the budget preparation process;
- k. Discharging statutory duties under Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Accounts and Audit Regulations 2003, and the Local Government Act 2003;
- l. Advise the District Executive and full Council on prudent levels of reserves for the Council and on the robustness of the Revenue and Capital Budgets;
- m. Advise the District Executive, the Chief Executive, the Strategic Directors, and Assistant Directors/ Managers on all taxation issues that affect the Council;
- n. Ensure the effective billing, collection and recovery of all sums due to the Council, in accordance with the Debt Recovery Policy.



1.6 Chief Executive, Strategic Directors, Assistant Directors and Budget Holders

All budgets agreed by the Council will be delegated for management purposes to a named employee of the Council. Each named employee shall:

- a. Ensure that the financial content of all reports, forms and procedures is approved by the Assistant Director Finance & Corporate Services (or a named representative within the Financial Services Team);
- b. Report any irregularities concerning the Council's financial affairs to the Assistant Director Finance & Corporate Services or Group Auditor at the earliest possible opportunity. The provisions of the Council's Whistle Blowing Policy shall also be followed where relevant;
- c. Ensure that there are sufficient funds available in their cash limited budget **before** commitments are entered into;
- d. Consult with the Assistant Director Finance & Corporate Services **prior** to submitting to the District Executive or any Committee any report that may have financial implications;
- e. Ensure that the Council's Standing Orders, Procurement Rules, and Human Resources Rules and procedural notes are complied with together with all applicable statutes, regulations, and best practice;
- f. Monitor and control expenditure against budget allocations and report to the District Executive quarterly in conjunction with the Assistant Director Finance & Corporate Services on variances and the action being taken to address them;
- g. Maintain systems of control that facilitate the achievement of the Council's objectives by using resources economically, efficiently, and effectively and by safeguarding the authority's assets and interests;
- h. Review and appraise their operations so as to achieve continuous improvement;
- i. Liase with the Council's external auditor and any other inspectorate with statutory rights of access.

- j. All compensation payments shall be authorised in accordance with the limits set in the Constitution (see Scheme of Delegation). The relevant Director to report to the Management Board annually on the number and value of payments made.

k. Maintain systems, procedures and sufficient resources to ensure that collection and recovery of all sums due to the Council follow the Debt Recovery Policy.

1.7 Executive Members Exercising Budget Responsibility

Where an Executive Member exercises budget responsibility they shall comply with the provisions of section 1.6 above and all related Financial Procedure Rules.

1.8 All Other Employees

All other employees of the Council have a responsibility to:

- a. Report any irregularities concerning the Council's financial affairs to the Assistant Director Finance & Corporate Services or **the Assistant Director-SWAP** at the earliest possible opportunity. The provisions of the Council's Whistle Blowing Policy and the Anti Money Laundering Policy shall also be followed where relevant;
- b. Ensure that the Council's Standing Orders, Financial Procedure Rules, Procurement Procedure Rules and procedural notes are complied with.

2 CASH LIMITS

2.1 General and Budget Monitoring

- a. Delegation of cash limits shall be in accordance with the Scheme of Delegation.
- b. Delegation of cash limits is to the Chief Executive, Strategic Directors or Assistant Directors. The Chief Executive and each Strategic Director or Assistant Director should prepare a full list of delegations at the beginning of each financial year and submit this to the Assistant Director Finance & Corporate Services. Any Assistant Directors, the Chief Executive, or Strategic Director when delegating budgets shall ensure that the delegation is made to a suitable officer and that she/he has been given the appropriate training necessary.



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Directors shall not delegate responsibility for employee budgets to other officers.

- c. Accountability for appropriate budgets shall be held at Chief Executive, Strategic Director, or Assistant Director level.
- d. Cash limits can only be varied in accordance with these Financial Procedure Rules. Support service recharges will not be included in cash limits. These costs will be shown as "below the line" and will be managed as cash limits by the relevant support service Assistant Directors.
- e. Budget monitoring is the responsibility of each Strategic Director or Assistant Director. Where there is likely to be a significant variation between the budget and actual expenditure the Assistant Director Finance & Corporate Services shall be notified as soon as possible including an action plan to rectify the situation where appropriate.
- f. Budgets must be managed and monitored at nominal code level. (The nominal code describes what the money is being spent on) Virements must be requested where insufficient funds are available at nominal level. Virements are required where the variance is greater than £1,000.
- g. Budget monitoring reports shall be considered monthly by Management Board and quarterly by the District Executive.
- h. Centrally recharged support services are the responsibility of the appropriate Strategic/Assistant Director, who will provide a clear analysis of the services being recharged. No virements can be made between support service recharges and other cash limits.
- i. The Council has a statutory responsibility to produce a Statement of Accounts and all budget holders shall comply with the accounts closedown timetable produced by the Assistant Director Finance & Corporate Services.

2.2 Variations to Structures and Staffing Levels

- a. Within the total cash limit approved by the Council each year, the Strategic Directors or Assistant Directors shall be entitled to vary the numbers and composition of their workforce in order to meet service requirements, **provided such variations do**

not commit the Council to increased expenditure in future years and subject to Management Board approval.

Directors proposing restructures shall liaise with both Finance and Human Resources to agree overall cost implications and HR process and procedure. Directors shall ensure they have included the cost implications of the Council's severance scheme, and that these costs are verified by the Assistant Director Finance & Corporate Services. The restructure shall be calculated at the top of the grade, include all potential redundancies and/or early retirements and salary protections, and then be compared to the previous structure. Where there are any actual or potential additional costs associated with restructuring proposals that may commit the Council to increased expenditure in future years, agreement shall first be sought from the Management Board and District Executive outlining the method of financing.

- b. Directors shall not enter into or change a contract of employment, including the grading of a post without prior consultation with the Human Resources Manager.
- c. Directors shall adhere to the Council's personnel policies and personnel delegations, including the proper use of appointment procedures, systems for determining remuneration and the method used to make payments to employees.

2.3 Virement Rules

- a. Full Council is to approve the detailed budgets for each Service as defined in Appendix B (Detailed Budget Analysis) of the Annual Budget Report. There are separate totals of income and expenditure for each service.
- b. District Executive have delegated authority to approve virements between services within the overall net budget total and have agreed the following flexibilities and freedoms:-

Directors/Managers

- c. Strategic/Assistant Directors & Managers, can increase their expenditure by up to £10,000 in one financial year for goods purchased for resale with a matching increase in income budgets **provided that** the Assistant Director Finance & Corporate Services approves the proposal in advance.



FINANCIAL PROCEDURE RULES

- d. Strategic/Assistant Directors & Managers can increase their income on services by up to a maximum of £10,000 in one financial year. This is **provided that** the Assistant Director Finance & Corporate Services approves the fully costed proposals.
- e. Strategic/Assistant Directors & Managers can authorise any budget virement within each individual service of their responsibility (as defined by Appendix B), except the 'employees' budget, **provided that** the Assistant Director Finance & Corporate Services is notified in advance.
- f. Strategic/Assistant Directors can authorise any budget virement to or from the 'employees' budget **provided that** Assistant Director Finance & Corporate Service's approval is obtained in advance.
- g. Strategic/Assistant Directors can increase their budgets in respect of 100% externally funded staff provided that HR has agreed the contract terms and that the Assistant Director Finance & Corporate Services is notified in advance. Any additional once off costs associated with that member of staff shall be financed at the outset and provision made for possible redundancy costs.
- h. Strategic/Assistant Directors & Managers can approve virements between services within their areas of responsibility up to a maximum of £25,000, provided that the Assistant Director Finance & Corporate Services is notified in advance.

Practical examples of the virement rules are shown in the following table:

From	To	£	Approval	Reason
Ham Hill cost centre for printing	Ham Hill Cost centre for tools	50k	Director/ Manager and Assistant Director Finance & Corporate Services.	Within an individual cost centre any amount allowed.
Ham Hill cost centre for printing	Octagon cost centre for printing	20k	Director and Assistant Director Finance & Corporate Services,	Within an overall Directorate, up to £25k allowed.

			reported to DX.	
Ham Hill cost centre for printing	Procurement cost centre for printing	15k	Portfolio holder and Assistant Director Finance & Corporate Services, reported to DX.	Different services but within same portfolio up to £25k allowed.
Ham Hill cost centre for printing	Legal Cost centre for court costs	3k	Written Approval by DX.	Different services different portfolio.

- i. Movements to and from specific reserves and earmarked balances can be actioned by the relevant Assistant Director/Manager provided that the use is for the purpose previously agreed by Members. All such transfers shall be reported to District Executive for noting.
- j. All budget virements properly approved shall be actioned in Cedar (the Council's financial ledger) only by the Financial Services Team.

Elected Members

- k. Portfolio Holders can approve virements between services within their areas of responsibility, up to a maximum of £25,000 per virement, **provided that** all such approvals are agreed with the Assistant Director Finance & Corporate Services and reported to the District Executive for noting.
- l. Area Committees can approve virements between their reserves and budgets up to a maximum of £25,000 per virement, **provided that** all such approvals are reported to the District Executive for noting. (in accordance with the constitution)

2.4 Revenue Under/Overspends

- a. Assistant Directors/ Managers shall ensure that budgetary control is maintained.
- b. District Executive can approve an overspend of a maximum of £25,000 to be carried forward to the following financial year.
- c. Where overspendings occur on delegated budgets that cannot be covered by savings



or under-spending elsewhere they **shall** be reported to the District Executive and earmarked from balances. All service overspend over £50,000 shall be fully explained within the budget monitoring process to District Executive with a recovery action plan where appropriate.

- d. Assistant Directors/ Managers can request that specific underspendings (within a minimum of £5,000 for any specific purpose) to be carried forward to the same budget heading in the following year. This will be subject to approval of the District Executive as corporate needs require.

2.5 Capital General and Budget Monitoring

- a. A five-year Capital Programme is to be prepared and reviewed annually to confirm the Capital Budget for each financial year.
- b. The Assistant Director Finance & Corporate Services will be responsible for compiling the Capital Budget and the 5-year Programme including the associated capital financing, in consultation with Management Board and Assistant Directors/ Managers for consideration by the District Executive prior to submission to full Council. The programme will include:
- committed schemes that are in the process of completion;
 - schemes for replacement/maintenance of existing assets;
 - new starts for the following years;
 - receipts from expected sales of assets and;
 - external contributions expected.

- c. District Executive will set cash limits for the Capital Budget provisionally in December, based on resources available. New starts for the following year shall be submitted to District Executive for approval in accordance with the annual budget setting timetable. New schemes that are for urgent works, outside of the timetable will be considered by the Management Board and reported to District Executive (with proposed funding), together with proposals for funding of those works including the revenue implications.

- d. The Capital Programme will be monitored quarterly by District Executive and the appropriate Area Committee, where monitoring has been delegated. All Area Development Managers and the Assistant Director Finance & Corporate Services shall ensure that the area capital programmes should be reported in the same format as the district capital programme.
- e. The Assistant Director Finance & Corporate Services in consultation with Responsible Officers and the Management Board will prepare the quarterly monitoring reports to the District Executive and Area Committees.
- f. All schemes must follow the process below 2.6 even when the scheme is fully externally funded.

2.6 Bidding for Capital Resources

- a. Schemes where appropriate shall have completed a feasibility study before submission to Area Committees or District Executive. All schemes requiring Feasibility Funds require approval by Management Board and then District Executive.
- b. There is a de-minimus value of £10,000 for each Capital Scheme, £250 for Capital Grants, and £10,000 for capital receipts.
- c. During the annual budget setting process, decisions will be made on which new schemes are to be included in the following year's Capital Budget and 5 year Programme. Capital Investment Appraisal forms, through the project management methodology, can be submitted to the Assistant Director Finance & Corporate Services at any time during the year but will be considered by Management Board in September each year for onward approval by District Executive and full Council.
- d. Proposals shall be clearly linked to the Council Plan and any relevant Service Plans. All appraisals shall first be approved by the Project Resource Group and submitted on the appropriate forms. The Project Resource Group shall ensure that all proposals:
- are allocated a unique reference number;
 - the expected outcomes are clear;
 - include any revenue implications;



- include the estimated staff resources required to carry out the project;
- a risk assessment is made of the project;
- allocate the type of project and therefore the requirements placed upon that project until completion;
- have a source of finance identified. Where the approved expenditure is dependent on a specific capital receipt the scheme cannot start until the income has been received unless District Executive approval has been obtained;
- Include the details of “Whole Life Cost” of the asset.

“Save to Earn” schemes may be submitted using a “Save to Earn” Scheme Investment Appraisal form and can be submitted to the Assistant Director Finance & Corporate Services at any time during the year. Any “Save to Earn” scheme shall show that the income generated or the costs saved from the scheme at least equal the loss in revenue interest from the capital sum spent. The risks involved and break-even point shall be clearly laid out before being considered by District Executive. Any loss in revenue before the scheme can generate income shall be clearly outlined and sourced by the Responsible Officer.

- e. Any ICT bids for replacement IS systems shall be approved by the Management Board and the District Executive. Comments and recommendations shall be included from the relevant Assistant Director or Strategic Director and then cleared by Financial Services. The District Executive can approve both the capital and revenue implications of each capital scheme within the budget set by full Council.

f. Infrastructure Projects must follow the process agreed and all proposals must:-

- include clear expected outcomes;
- provide a business case to include the capital and revenue implications and a profile of spend and income;

- Include the estimate of staff resource to carry out the project;

- Include a risk assessment.

- g. The capital investment appraisal form shall disclose any revenue consequences. If these cannot be absorbed by the service a request shall be made to District Executive for additional resources.
- h. Each approved scheme will be the responsibility of a named Responsible Officer, who shall monitor the scheme’s progress and report accordingly.
- i. Internal borrowing is delegated to the Assistant Director – Finance and Corporate Services for assets purchased by the authority and recharged to services within the approved budget.

2.7 Purchase & Disposal of Plant & Vehicles over £10,000

- a. When an Assistant Director/Manager judges that a vehicle or item of plant is required they shall outline in writing to the Strategic Director (Operations & Customer Focus) their request, detailing:
- The need for the vehicle or plant;
 - Whether it replaces redundant vehicles or plant;
 - The registration number/description of the redundant item, likely income and a proposal for disposal;
 - The value of the purchase;
 - funding source
 - A business case, if appropriate.
- b. The Assistant Director/Manager shall review at six monthly intervals the leases of vehicles and plant held within their service and reports any action necessary to the Strategic Director (Operations & Customer Focus).
- c. Once authorised by the Strategic Director (Operations & Customer Focus), the request to purchase/dispose shall be passed to the Assistant Director Finance & Corporate Services. The Assistant Director Finance & Corporate Services shall ensure that there is sufficient budget as outlined and calculate



whether a lease or purchase **through internal borrowing** is the best financial option. Assistant Directors/ Managers shall ensure that Financial Procedure 3.5 Operational Leases is complied with. This also includes the written advice of the Procurement & Risk Manager.

- d. During the annual budget cycle each Assistant Director/ Manager shall list the items currently leased and replacement programme to the Assistant Director Finance & Corporate Services to ensure that sufficient funding is available each year.

2.8 Capital Receipts

- a. All Assistant Directors/ Managers shall inform the Assistant Director Finance & Corporate Services of all expected capital receipts as soon as they are identified. Where an asset is to be sold the Assistant Director Environment shall be consulted and a sale of asset pro forma submitted to District Executive for approval where the value is more than £10,000.

2.9 Virement Rules – Capital

- a. All contributions made from revenue budgets to capital budgets (other than those purely made for accounting adjustments such as accounting for leases) shall be approved by the relevant committee and authorised on the appropriate form by the Assistant Director Finance & Corporate Services or nominated representative.
- b. The Assistant Director Finance & Corporate Services (or nominated representative) will consult with Responsible Officer in order to prepare a quarterly monitoring statement for reporting to District Executive and the appropriate Area Committee. If, during the progress of approved schemes, it appears to the Assistant Director Finance & Corporate Services that there is a significant variation then virement can (subject to District Executive approval) be made **from** another scheme within the Corporate or Area totals. All such proposed virements shall be reported to the District Executive for approval.

2.10 Monitoring the Capital Programme and Capital Projects

- a. Where Responsible Officers require schemes to be re-phased between years they shall

notify the Assistant Director Finance & Corporate Services at least quarterly so that the overall financing of the Capital Programme can be maintained and investment income maximised.

- b. Progress on each project and funding projections must be submitted to the Assistant Director Finance & Corporate Services quarterly. This must include any slippage in the project timetable and spend with the actions being taken if necessary to bring the project back in line.
- c. Projects should be managed and monitored using the Council's Project Management Methodology and regular reports made to each Project Sponsor for monitoring purposes.
- d. Any projects amended between approval and implementation must be resubmitted to the District Executive for approval. This includes projects that have received further external financing **to meet additional costs over a demimus of £10,000.**

2.11 Capital Under/Overspends

- a. Underspends against budgets will be carried forward in the following year if the project has commenced before the year-end. District Executive or the appropriate Committee will decide at the year end whether projects that have a delayed start date of more than one year can continue.

2.12 Post Completion Appraisals

- a. On completion of a project the Responsible Officer will prepare a report in consultation with the Assistant Director Finance & Corporate Services (or nominated representative) stating how the project has performed against its set objectives. This will be reported as part of the outturn report to District Executive each year.

2.13 S106 Funds

- a. All S106 funds over £10,000 will be included **if appropriate** in the capital programme once received and included within a quarterly monitoring statement for reporting to District Executive.



3. FINANCIAL CONTROL

3.1 General

- a. All accounting systems, procedures and records shall be subject to the approval of the Assistant Director Finance & Corporate Services. Changes to existing systems and the introduction of new systems shall also be approved by the Assistant Director Finance & Corporate Services.
- b. All accounts and reports shall be prepared in accordance with these Financial Procedure Rules and in conformity with any Government Regulations and CIPFA Codes of Practice and any other professional guidance held to represent best practice.
- c. The Chief Executive, Strategic Directors, and all Assistant Directors/ Managers are responsible for specifying the budget requirements for their cost centre in accordance with the cash limit rules and the timetables established by the Assistant Director Finance & Corporate Services. Directors & Managers should seek the advice of the Assistant Director Finance & Corporate Services, or nominated representative, to ensure that budgets are compiled in accordance with the financial policies agreed by the Council.
- d. The Directors & Managers are responsible for the proper operation of financial processes within their group of services.

3.2 Annual Governance Statement

South Somerset District Council is required to publish an annual Governance Statement at the end of each financial year. The Chief Executive, Strategic Directors and Assistant Directors/Managers shall annually sign and evidence that the internal controls within their service area are regularly monitored and reviewed.

3.3 South West Audit Partnership Ltd

- a. The general standards for Internal Audit shall be those of the Institute of Internal Auditors (IIA) in conjunction with Public Sector Internal Audit Standards (PSIAS). The South West Audit Partnership Ltd Manager shall compile an Annual Audit Plan to be approved by the Audit Committee.

- b. To assist in the objectivity and independence of the South West Audit Partnership Ltd, all audit employees have:
 - authority to enter any Council premises or land;
 - authority to access all Council records, documents and correspondence;
 - receive explanations from employees and members on any matter that they are reviewing or investigating.
- c. Such authority will not be used unreasonably.
- d. All thefts and break-ins to Council property shall be reported to the South West Audit Partnership Ltd at the earliest possible opportunity.
- e. Where officers enter into agreements with partners that involve financial contributions from the Council, those agreements shall give the South West Audit Partnership Ltd authority to examine the financial accounts of the partner.

3.4 IT and Furniture Budgets

All IT purchases, stationary, and furniture budgets are held and controlled through the Procurement & Risk Manager. The manager has produced a specific procedure for new or the replacement of such items. Purchase of IT equipment and furniture shall follow the procedure as set by the Procurement & Risk Manager including consultation with the relevant Director.

3.5 Operational Leases

- a. The Assistant Directors/Managers may enter into an operational lease for equipment provided that the Assistant Director Finance & Corporate Services has confirmed in writing that the method of finance is appropriate for the asset concerned. Procedure 2.7 Purchase and Disposal of Plant & Vehicles over £5,000 shall be followed where appropriate. Assistant Directors/Managers may not enter into a lease without first taking written advice from the Procurement & Risk Manager. The Assistant Directors/Managers shall ensure that charges arising from such arrangements can be met from the



delegated cash limit for current and future years.

- b. Virements from capital to revenue budgets cannot occur. The Assistant Director Finance & Corporate Services will advise on whether expenditure is revenue or capital.

3.6 Treasury Management

- a. The Council has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities, and prepared a written statement of Treasury Management Practices, which include the main principals that the Council follows and detailed schedules of operational procedures.
- b. A Treasury Management Strategy Statement setting out the main principles shall be adopted by the Council once reviewed at the beginning and middle of each year by the Audit Committee.
- c. The Council has set a range of Prudential Indicators as required by the Prudential Code. These shall be reviewed regularly and any revisions shall also be subject to Council approval.
- d. All executive decisions on borrowing, investment or financing shall be delegated to the Assistant Director Finance & Corporate Services, or to nominated finance employees in accordance with Treasury Management practices. All employees are required to act in accordance with the CIPFA Code of Practice for Treasury Management in Local Authorities and the Council's Treasury Management Strategy Statement and comply with the Treasury Management Practices.
- e. The Assistant Director Finance & Corporate Services will provide an activity monitoring report at least three times per annum to the Audit Committee (including the mid year review of the Treasury Management Strategy Statement). In addition to this provide an annual report on Treasury Management activity in the previous year by no later than 30th June to the Audit Committee and by the 30th September to full Council.
- f. All investments shall be made in the name of the Council or its approved nominees.
- g. All financial balances in the possession of the Council shall be controlled by the

Assistant Director Finance & Corporate Services.

4. CONTRACT

4.1 General

All employees shall comply with the Procurement Procedure Rules. The rules are available through the Procurement Team.

5. PAYMENT OF INVOICES

- a. The Assistant Director Finance & Corporate Services shall make arrangements for the payments of all monies due from the Council, which shall comply with statutory provisions in force.
- b. Invoices to be paid shall not be made out by employees of the Council, except in any case or category of case agreed by the Assistant Director Finance & Corporate Services in advance. Employees shall not add any item to an invoice and only invoices that are in permanent ink or print shall be accepted. Copy invoices shall be clearly marked by the employee who authorises payment with a certification that the invoice has not previously been paid.
- c. Where an order has been raised for goods and services (see Procurement Procedure Rules) the invoice must be matched with the order. In most circumstances, it is appropriate for an official order to be raised. Any exceptions to this should be documented.
- d. All suppliers shall be asked to quote on all invoices the name of the group and section, the order number and the place where the work was done or goods delivered.
- e. Any amendments to invoices shall be made in ink and the reason clearly stated. If the invoice bears VAT then amendments are not acceptable and the invoice shall be returned to the supplier or a credit note obtained.
- f. No payment is to be made on the basis of a supplier's statement of account.
- g. The Chief Executive, Strategic Directors and Assistant Directors/Managers (or other delegated employees) shall be responsible for the verification and certification of all payments from their own budgets only.



Certification means a manual signature or a computerised authorisation as required by the Council's Cedar Financial Management System. The certification by, or on behalf of the Assistant Directors/Managers shall be regarded as an assurance that:

- value has been received and accounted for in the opinion of the Chief Executive, Strategic Directors and Assistant Directors/Managers;
 - expenditure complies with the Procurement Procedure Rules and Financial Procedure Rules in force at the time;
 - the document presented to support the payment is correctly priced and the invoice has not been previously passed for payment;
 - all trade and prompt payment discounts have been deducted (where appropriate);
 - VAT has been properly accounted for in accordance with the HM Revenues and Customs regulations applicable at the time.
 - Expenditure and income is posted to the appropriate nominal codes on Cedar to ensure that the financial system reflects the correct nature of the expenditure/income incurred.
- h. Where the same person raises the order and authorises the payment, a second person shall input details of the transaction into the Council's Cedar Financial System.
- i. The Chief Executive, Strategic Directors and Assistant Directors/Managers can authorise any payments within their area of responsibility, and are allowed to delegate payments of up to £100,000 to their supporting officers by the process described in (g).
- j. A list of those employees authorised to certify all types of expenditure (including those authorisers via the Council's Cedar Financial System) shall be prepared and signed by the Strategic Directors or each Assistant Director/Manager and copies forwarded to the Assistant Director Finance & Corporate Services together with specimen signatures and initials. The lists shall be kept fully up to date by the

Strategic Directors and Assistant Directors/Managers and all changes notified as soon as possible.

- k. Where invoices are authorised on line via the Council's Exchequer Services the Assistant Directors/Managers shall ensure the due date is in accordance with the invoice terms or the Council's payment policy. This requires that all undisputed invoices for goods and services supplied should be paid within 10 working days of their receipt by the Council.
- l. Invoices shall be kept for 6 months at the various locations and then forwarded to the Exchequer Team for CD conversion. The Exchequer Team will retain the CD copy in a secure and accessible manner.
- m. The CDs will be retained by the Exchequer Team for 6 years from the date of the invoice and then destroyed.
- n. As soon as possible after 31 March each year, Assistant Directors/Managers shall notify the Financial Services Team of all outstanding expenditure relating to the previous financial year. When such expenditure is subsequently certified for payment it shall be identified as required by the Assistant Director Finance & Corporate Services.
- o. The Assistant Director Finance & Corporate Services shall publish detailed closedown procedures each year.

5.1 Corporate Credit Cards

The Assistant Director Finance & Corporate Services and the Chief Executive are required to authorise the issue of a corporate credit card. The card shall only be used for business purchases. Receipts for all transactions shall be passed to Financial Services for reconciliation to the monthly statements.

5.2 Procurement Cards

The issue and use of a procurement card shall be in accordance with the Procurement Card Rules. These Rules are available from the Procurement Team.



6 PAYROLL SERVICES

6.1 Appointment of Employees

The appointment of all employees shall be made in accordance with the procedures set out in the Employment Policies and Procedures Manual. The Assistant Directors/Managers shall complete a replacement post form signed off by the appropriate accountant and Director/Chief Executive to ensure that there is sufficient budget provision and necessity for the post.

6.2 Amendments to Payroll

The Strategic/Assistant Directors shall notify the Human Resources Manager as soon as possible, in the prescribed form, of:

- all appointments, promotions, resignations, retirements, dismissals and suspensions from duty;
- all transfers between services within the control of the Strategic/Assistant Directors;
- all periods of sickness and absence, except normal annual leave;
- all changes in remuneration of employees, except normal increments;
- all payments for compensation and any other emoluments to any employee;
- such other information as may be required by the HR Manager in connection with the calculation and payment of pay related expenditure.
- All leavers should be immediately reported to the ICT Manager to enable their access to be cancelled on the financial system.
- The Strategic/Assistant Directors are also required to contact the ICT Manager and the Revenue and Benefits Manager to identify if there is any outstanding debt owing to the Council. If this is the case, the Strategic Director or Assistant Director shall then instruct payroll to deduct any debt from the last salary payment.

- The Financial Systems support team will circulate at least once a year an up to date list of Cedar users and access levels to the Strategic/Assistant Directors, who will be required to sign and return this list, noting any amendments.

6.3 Other Payments

- a. All travelling, subsistence, financial loss, and any other reimbursements to employees shall be paid through the payroll system and in accordance with the detailed arrangements required by the Assistant Director Finance & Corporate Services and approved by the Council. In special cases a payment can be made through BACS.
- b. All travelling claims from both Officers and Members shall be submitted on the appropriate form monthly to payroll by the 5th working day of the month, together with appropriate VAT receipts to cover the mileage claimed. All high mileage claims over 300 miles per month shall be submitted monthly, claims under 300 miles per month shall be submitted at least quarterly.
- c. Valid insurance (showing cover for business use) must be provided before new starters to the authority can claim mileage and then annually to payroll. Travel payments will cease until this information is provided.
- d. All payments for allowances, travel and subsistence etc. to elected members shall be paid through the payroll system and in accordance with the detailed arrangements required by the Assistant Director Finance & Corporate Services and approved by the Council.

6.4 Time Sheets

- a. All timesheets and records for overtime, expenses etc. shall be in a form approved by the Assistant Director Legal & Corporate Services. All claims shall be submitted at least quarterly. Any claims submitted outside of this time limit (without the approval of the Chief Executive) will not be paid.
- b. The standard procedure for employees leaving the Council, or transferring to another post shall be followed in all cases. These procedures are laid down in the



Employment Policies and Procedures Manual.

7 BANKING ARRANGEMENTS

7.1 General

- a. All arrangements with the Council's bankers concerning the Council's bank accounts and partnership accounts which the Council manages on behalf of any partnership, and the issue and deposit of cheques shall be made through the Assistant Director Finance & Corporate Services.
- b. The Assistant Director Finance & Corporate Services shall be authorised to operate such subsidiary bank accounts as deemed necessary. All amendments/ changes to these arrangements shall be reported to the District Executive.
- c. Any overdraft on the Council's bank accounts shall be kept within the limits set out in the Treasury Management Strategy Statement. Bank accounts shall be reconciled by the Assistant Director Finance & Corporate Services at intervals no longer than one month and kept up to date.

7.2 Cash and Cheques Received

- a. All monies received on behalf of the Council shall, without delay, be banked in the Council's name in accordance with the instructions of the Assistant Director Finance & Corporate Services. Post dated cheques will not be accepted.
- b. There shall be separation of duties between receiving and paying out monies. Employees who collect cash shall not be involved in the maintenance of cash and deposit books or other financial records in respect of that cash. This requirement can only be accepted on the written approval, in advance, of the Assistant Director Finance & Corporate Services.
- c. Post that may contain income shall be subject to control by not less than two persons from the point of delivery through to the receipt of a signature at the cash desk. The Assistant Director Finance & Corporate Services will issue detailed written instructions for the handling of postal income and these instructions shall be adhered to at all times.

- d. Where a person or body claims to have made a payment which has not been credited to their account, the Senior Cashier, or in his/her absence another senior employee, shall follow the agreed procedure immediately.
- e. All copies of cancelled receipts shall be retained for inspection.
- f. Assistant Directors/Managers are responsible for ensuring the control, monitoring and regular banking of daily receipts arising from cash collection points under their control. The Assistant Director Finance & Corporate Services will provide detailed procedure notes which shall be adhered to at all times.

7.3 Money Laundering

- a. The Council has a nominated officer in respect of Money Laundering (MLRO). The MLRO is the Assistant Director – Finance and Corporate Services.
- b. Any transaction involving an unusually large amount of cash should cause questions to be asked about the source. This may particularly be the case where cash paid exceeds the amount needed to pay the transaction and a refund is requested but not in cash form. Any suspicious transaction in cash over £10,000 should be directly reported to the Money Laundering Responsible Officer and Money Laundering procedures followed.
- c. Any property or assets purchased from this Council shall be properly traced to the source of funds. Any suspicious transaction shall be reported to the Money Laundering Responsible Officer.

7.4 Payments by Direct Debit

- a. All agreements with banking organisations regarding direct debits shall be approved by the Assistant Director Finance & Corporate Services.
- b. Any telephone lines used to transmit confidential banking information regarding the Council's customers shall meet security standards approved by the ICT Manager. The ICT Manager shall ensure that direct



debits requested from banks are made on the dates specified by the Senior Cashier.

7.5 Direct Debits and Cheques Paid

a. All cheques and direct debit mandates drawn on bank accounts of the Council shall:

- be signed only by the Assistant Director Finance & Corporate Services or other employee authorised by the District Executive to sign on behalf of Assistant Director Finance & Corporate Services;
- bear the name of the Assistant Director Finance & Corporate Services as produced by the Council's computers where this has been specifically agreed by the Assistant Director Finance & Corporate Services.

b. The Assistant Director Finance & Corporate Services shall arrange for such safeguards as are deemed necessary and practicable, including the separation of duties, so that as far as possible the following procedures are the responsibility of separate employees:

- the checking of creditors' accounts;
- the control of cheques;
- the preparation of cheques;
- the signature of cheques;
- authorisation procedures for electronic payments (BACS, CHAPS);
- the entry of the cash account;
- the reconciliation of bank balances.

7.6 Handling of Cheques

The list of outstanding cheques shall be examined at least monthly by the Exchequer Services and reasons sought for cheques that have not been cashed. Cheques, which have not been cashed six months after the date of issue, shall be cancelled.

8 INCOME

8.1 Income Collection

a. Arrangements for the collection of all monies due to the Council shall be subject to the control or approval of the Assistant Director Finance & Corporate Services.

- b. Assistant Directors/ Managers shall maintain such information in connection with the work done, goods supplied or services provided so that a correct record of all sums due is maintained. Wherever possible income due should be collected in advance. Assistant Directors/Managers, shall ensure that individual sundry debtors are raised as soon as possible but no later than **five** working days from the delivery of goods or provision of services, unless specified terms have been agreed by the Assistant Director Finance & Corporate Services.
- c. Monthly and where appropriate quarterly accounts should be produced five working days after the month or quarter's end. Assistant Directors/Managers shall record promptly, within the Council's Sundry Debtor System, all money due to the Council. The records shall include details relating to contracts, leases and other agreements and any arrangements entered into which involve the periodic receipt of money by the Council.

8.2 Setting Fees and Charges

In line with the budget setting timetable all fees and charges shall be reviewed annually by each Strategic Director and Assistant Director/Manager in consultation with the Assistant Director Finance & Corporate Services. All changes to such charges shall be agreed in advance with the Assistant Director Finance & Corporate Services and recorded annually within the Fees and Charges Register. The Register will be published on the Council's website and it is the responsibility of each Strategic Director and Assistant Director/Manager to notify the Assistant Director Finance & Corporate Services of any changes made in addition to the annual review.

8.3 Writing Off of Debts

- a. Any debts written off shall be in accordance with procedures approved by District Executive. Debts of less than £100 can be written off with the approval of the Finance Manager (Deputy S151 Officer). Debts over £100 (including cumulative invoices) but less than £20,000 can be written off with the approval of the Assistant Director Finance & Corporate Services; Write off of debts over £20,000 shall require approval of the Portfolio Holder- Finance & Spatial Planning



after liaising with the relevant Ward Member **where appropriate**. The Assistant Director Finance & Corporate Services is responsible for reviewing these procedures annually with the Portfolio Holder- Finance and Spatial Planning and advising District Executive of any recommended amendments.

- b. The Assistant Director Finance & Corporate Services shall promptly create and submit debtors' accounts in accordance with the information recorded by Assistant Directors/Managers, on the Sundry Debtor System. The recovery of all debts shall be in accordance with the procedures laid down by the Assistant Director Finance & Corporate **Services in the Debt Recovery Policy**. It is the responsibility of Assistant Directors/Managers to adhere to those debt recovery procedures and to respond promptly to the monthly aged debt report.
- c. Assistant Directors/Managers shall be responsible for accounting for VAT on income, fees and charges in accordance with the Regulations of HM Revenue and Customs. The Assistant Director Finance & Corporate Services shall advise those managers of any changes to the Regulations.

8.4 Cash Floats and Petty Cash

Where cash floats, petty cash or cash remittances are held, Assistant Directors/Managers shall ensure that cash holdings and receipts should be regularly reconciled and recorded to evidence monitoring and minimise the risk of cash differences.

9 IMPREST ACCOUNTS

The Senior Cashier is responsible for the arrangements for imprest accounts. Guidance notes will be issued and employees in control of Imprest Accounts shall follow the correct procedures at all times. Assistant Directors/Managers shall ensure that all monies authorised for reimbursement in an Imprest Account are accounted for in accordance with the guidance notes.

10 RISK MANAGEMENT AND INSURANCES

10.1 Risk Management

- a. The Assistant Director Finance & Corporate Services will prepare the authority's risk management policy statement and strategy for the approval of the District Executive and review the effectiveness of those arrangements. Systems will be developed to identify and evaluate all significant risks to the authority by all associated in the planning and delivery of services.
- b. A computerised central risk register will be maintained by the Procurement & Risk Manager. All risks identified in respect of the activities of the Council will be recorded on the register.
- c. The Strategic/Assistant Directors are responsible for managing all risks in respect of their service. The Assistant Director/Manager will nominate a named officer (or officers) who will be responsible for maintaining risk data and profiles, on the computerised central risk register for their service.
- d. Risks will be identified by:
 - Programmed Control and Risk Self Assessments sessions facilitated by the South West Audit Partnership;
 - Audit reviews;
 - The Strategic/Assistant Directors as part of their responsibilities for maintaining accurate risk records.
- e. The South West Audit Partnership in conjunction with the Strategic/Assistant Directors will devise Action Plans to actively manage risks, following all control & risk self assessment sessions. The Strategic/Assistant Directors will be responsible for ensuring that all actions identified, in respect of any risk, are dealt with in accordance with the timetable specified.
- f. The Procurement & Risk Manager will provide reports, providing details of the Council's current risk status, to the Management Board biannually and to the Audit Committee annually.



10.2 Insurances

- a. The Assistant Director Finance & Corporate Services shall make arrangements for approved insurance cover, maintaining adequate records and negotiating claims with the Council's insurers.
- b. The Strategic/Assistant Directors shall advise the Insurance Officer of the extent and nature of all new risks where insurance may not exist or may be inadequate.
- c. The Assistant Director Finance & Corporate Services can authorise payments of small claims from self insured funds of up to £2,000.

10.3 Notification of Loss

- a. The Strategic/Assistant Directors/Managers shall notify immediately the Insurance Officer, in writing, of any loss, liability or damage or any event likely to lead to a claim in connection with their areas of responsibility.
- b. All employees of the Council shall be included in a fidelity guarantee policy.

10.4 Review

The Assistant Director Finance & Corporate Services shall review insurance cover annually.

10.5 Car Allowances

Recipients of car allowances shall provide Payroll with copies of policies or premium receipts as may be necessary to ensure adequate cover against any liability of the Council arising from official use of their vehicle.

10.6 Current Insurance

The Insurance Officer shall keep all Strategic/Assistant Directors notified as to the nature and extent of the various risks that are covered or left exposed.

10.7 Inventories

Assistant Directors/Managers shall be responsible for ensuring proper maintenance of inventories of furniture, equipment and the means for prompt and

efficient identification of each item for the purposes of insurance claims or claims under suppliers' guarantees. The information shall be recorded in the format specified by the Assistant Director Finance & Corporate Services.

11 STOCKS, STORES, FURNITURE AND EQUIPMENT

11.1 General

Assistant Directors/Managers shall be responsible for the care and physical control of all stocks, stores, furniture, plans and equipment in their custody. Records shall be maintained in a form specified by the Assistant Director Finance & Corporate Services.

11.2 Write Offs

Any items of stocks, stores, furniture or equipment to be written off shall require the certification of the Director or an employee nominated by the Assistant Directors/Managers. The certification shall be in writing and details notified to the Assistant Director Finance & Corporate Services as soon as possible.

11.3 Stock Checks

All stocks of goods held as stores, or for resale, shall be subject to stock check quarterly. Assistant Directors/Managers, shall certify a certificate of the value held at 31 March each year at cost and the certificate forwarded to the Assistant Director Finance & Corporate Services within 10 days of the year end. The deminimus level for year end stock certificate being returned to Financial Services is £1,000.

11.4 Corrections

Correction of deficiencies and surpluses on stocks and stores accounts shall be in accordance with the procedures laid down by the Assistant Director Finance & Corporate Services, and adjustments exceeding £1,000 shall be reported to the appropriate Committee.



11.5 Disposal of Surplus Furniture & Equipment (including personal computers)

- a. Prior to disposal the Assistant Director/Manager shall offer the surplus furniture or equipment to other services within the organisation at no cost. Only when there is no organisational need to retain the equipment can it be sold.
- b. If there is no established organisational need disposal of unwanted furniture is the responsibility of the Assistant Director/Manager. In order to ensure a consistent approach, and that the Council receives value for money from disposal, the Procurement & Risk Manager shall co-ordinate disposal of furniture, equipment, personal computers and related items.
- c. The Assistant Director/Manager who wishes to dispose of surplus furniture and equipment shall advise the Procurement & Risk Manager. If it is reusable it will be sold. An advertisement shall be placed on the Bulletin Board and sealed bids submitted. The highest bid will be accepted and the income credited to the appropriate cost centre.
- d. All redundant personal computers and related items shall be returned to the ICT Service who will offer the equipment to other units/sections of the Council or to be disposed of securely.
- e. Assistant Directors/Managers shall amend inventories to reflect disposals and acquisitions.
- f. Disposal of mobile telephones belonging to SSDC shall be agreed through the Procurement & Risk Manager.

12 CAR LOANS AND LEASED CARS

All loans and leases for the provision of motor vehicles shall be administered in accordance with the scheme approved by the District Executive.

13 BUILDINGS, LAND AND PROPERTY

13.1 Asset Register

The Assistant Director Finance & Corporate Services shall maintain a full and accurate register of all Council fixed assets for the

purpose of calculating capital charges in accordance with relevant Codes of Practice.

13.2 Buildings, Land and Property Transactions

- a. No arrangements shall be made for the acquisition or disposal of land and buildings where the value is estimated to exceed £10,000 (with the exception of transfers of housing or parking land to Registered Social Landlord (RSL)), without first gaining the approval of the District Executive and meeting any requirements stipulated by the District Executive. If the proposal is not within the approved Capital Budget, the District Executive will make a recommendation.
- b. A Capital Investment Appraisal form for acquisitions and an Asset Sale Appraisal Form for disposals shall be completed and submitted to the appropriate Committee.
- c. Requests for the transfer of land or property valued at under £100,000 transferred at less than best value to an RSL for social housing or parking associated with social housing purposes should be made through an Asset Sale Disposal Form and follow the agreed policy for such a disposal. Approval is required of the Assistant Director Finance & Corporate Services and the Portfolio Holder – Strategy and Policy. Any transfers outside of the agreed policy or where land/property is valued at £100,000 or more shall seek District Executive approval.
- d. All arrangements for the acquisition and disposal of land and buildings shall be in accordance with Council Asset Management Strategy, and be conducted by the Assistant Director Finance & Corporate Services (or designated representative), including all negotiations and the preparation and certification of valuation certificates (which certification shall be carried out by properly qualified persons designated by the Assistant Director Finance & Corporate Services).
- e. All disposals made under the Community Asset Transfer Policy must be approved through District Executive.
- f. Receipts generated from the sale of assets where the value is £10,000 or more shall be set aside to replace any loss in revenue income before the receipt becomes



available for other purposes. The net proceeds after also deducting costs will then form part of the overall available capital receipts and be distributed in accordance with the Council's overall corporate priorities. Where the net receipt is less than £10,000 the proceeds will be credited to the appropriate revenue budget.

g. The Assistant Director Finance & Corporate Services (or designated representative) shall, in the absence of any specific conditions or exemptions agreed by the District Executive and these Financial Procedure Rules, have authority to undertake the following in consultation with the relevant Strategic Director, Assistant Director, or Portfolio Holder, where the value of the consideration, rent, licence fees, easement or wayleave payment in each case does not exceed £50,000 **annually** and is in accordance with the District Valuer (or other **properly qualified** professional) valuation:-

- the agreement of all monthly tenancies;
- the agreement of all licences;
- the conducting and agreement of all rent reviews;
- the agreement of all lease renewals;
- the agreement of lettings;
- the agreement of all easements and wayleaves;
- the agreement of all changes of use;
- the agreement of all compensation claims where there is budgetary provision;
- the agreement of all releases/variations of covenants.

h. In respect of a disposal at less than best consideration (with the exception of transfers of land valued under £100,000 to RSLs), the relevant Strategic Director, Assistant Director, or Portfolio Holder shall, in conjunction with the Assistant Director Finance & Corporate Services report to the District Executive, requesting approval to proceed with the disposal in such circumstances where either the use of a specific, or general disposal consent is

required, or a Qualifying Meeting (as defined in the General Disposal Consent of 1998) is required, before the disposal can be completed, or in any other circumstances where the recommendation is to accept a tender which is other than the tender which offers the best consideration reasonably obtainable.

i. The Assistant Director Finance & Corporate Services (or designated representative) shall, in the absence of any specific conditions or exemptions agreed by the District Executive and these Financial Procedure Rules, have authority to undertake the following in consultation with the relevant Strategic Director, Assistant Director, or Portfolio Holder, where the value of the compensation claim in each case does not exceed £50,000 and is in accordance with the District Valuer (or other **properly qualified** professional) valuation.

13.3 Condition Surveys

The Assistant Director Environment shall ensure that condition surveys of all buildings and property assets in which the Council has a proprietary interest are carried out at least once every 5 years. Survey details are to be recorded in appropriate systems and work programmes prepared in accordance with priorities set out in the Property Repairs and Maintenance Policy.

13.4 Asset Management Plans

a. The Assistant Director Finance & Corporate Services **and the Assistant Director – Environment** shall maintain an Asset Management Plan in respect of the Council's land and property portfolio. The Plan must **detail the actions to be monitored by the Strategic Asset Steering Group.**

b. The Assistant Director Finance & Corporate Services shall maintain records and systems that enable the Council to ensure that the best use is made of all properties. The Assistant Director Finance & Corporate Services shall advise the Council on alternative uses of land and property as best serves the Council's interests at the time.

c. The Assistant Director Finance & Corporate Services shall, in consultation with the Assistant Director Legal & Corporate Services, ensure that all leases are kept up



to date and rents due are revised at the appropriate time.

13.5 Custody of Deeds and Documents

The Assistant Director Legal & Corporate Services shall have custody of the title deeds and other agreements under seal or hand of all land owned by the Council (together with all deeds and documents held as security for any monies owed to the Council) and are responsible for their safe-keeping.

13.6 Security

- a. The Strategic/Assistant Directors shall be responsible for ensuring the proper security at all times for buildings, stocks, stores, furniture, equipment, cash and information held on files. The Strategic/Assistant Directors shall consult with the Assistant Director Environment in any instance where security is thought to be defective or where it is considered that special security arrangements may be needed, or where circumstances suggest the possibility of any irregularity.
- b. The Strategic/Assistant Directors shall ensure that there are appropriate arrangements for the control of all door, safe and cabinet keys held within their areas of responsibility. There shall be independent control of all receipt forms, cheques, tickets, store notes, order forms or similar documents and it shall be the responsibility of the appropriate Strategic Director or Assistant Director to ensure that all such items are serially numbered and controlled in accordance with arrangements agreed with the Assistant Director-SWAP.

14 LOANS POLICY

- a. The Council should only provide small loans to outside bodies where alternative forms of borrowing are not available or at prohibitive costs. The loans will only be made to outside bodies that operate from within the South Somerset District geographical area and are either registered charities, public sector, or not for profit organisations.
- b. All loan agreements will either be charged on the property to which they relate (like a mortgage) or a guarantee will be required from a surety which could be an individual, group of individuals or body.

- c. The maximum repayment period will be 10 years and all loans will be repaid on a repayment basis so that the loan is repaid across the loan period at instalment rates approved in advance. (ie in the same way as mortgage repayments)
- d. Loans will be given at the appropriate PWLB rate for the period of the loan. The maximum amount of a loan to an outside body shall be £150,000.
- e. Approval of loans shall be by District Executive and a full appraisal submitted which shall include details of the security offered. In order to qualify for a loan the outside body shall also submit a Business Plan to the Assistant Director Finance & Corporate Services covering the period of the loan.
- f. For small loans of £5,000 or less the approval procedure may be delegated to the area portfolio holders, in consultation with the Area Development Managers. The interest rate will be the relevant PWLB rate and the loans should be guaranteed by the Town or Parish Council, or similar trustees.
- g. Any loans agreed outside of the loans policy shall be agreed by full Council

15 EXTERNAL ARRANGEMENTS

15.1 Partnerships

- a. In leading the community and entering into partnerships the Council will seek to achieve the promotion or improvement of the economic, social or environmental wellbeing of its area.
- b. The main criteria for SSDC entering into a partnership are:-
 - to provide improvements in service delivery;
 - to provide efficiency in the costs of service provision;
 - to share risk;
 - to achieve specific corporate priorities.
- c. A partner is defined as a formal working arrangement involving one or more independent bodies, from any sector, who pool resources and share responsibility for



agreeing and then delivering a set of planned actions and outcomes. A formal agreement is made by all partners to work together for specific outcomes.

d. Partners may participate by;

- acting as a deliverer or sponsor, solely or jointly with others;
- acting as a funder or part funder;
- being the beneficiary group (or part thereof) of the activity undertaken in a partnership.

e. The District Executive is responsible for determining and agreeing all key partnerships. Directors are responsible for agreeing all substantial and minor partnerships. At inception a review period must be agreed and any associated delegation arrangements approved by District Executive if a key partnership or by the appropriate Director if a substantial or minor partnership.

f. All partnerships must be reviewed annually and reported by the appropriate Assistant Director to the relevant committee (either District Executive or Area Committee). All partnerships must be included within the Partnership Register and updated annually by the appropriate Assistant Director.

g. The Strategic/Assistant Directors and Portfolio Holders shall consider and make provision for any overall corporate governance issues and shall ensure account is taken of any legal issues when arranging contracts with external bodies. They shall ensure that risks have been fully appraised before agreements are entered into with external bodies.

h. The governance arrangements of all key and significant partnerships require approval of the members of Corporate Governance Group.

h. All key partnerships have a requirement to produce, maintain, and monitor a shared risk register.

i. The same high standards of conduct that apply throughout the authority shall be maintained in partnerships, and representatives to partnerships should exercise these same high standards.

j. The Assistant Director Finance & Corporate Services shall ensure that accounting arrangements to be adopted in relation to partnerships and joint ventures are satisfactory.

k. Regular monitoring arrangements must be in place. For key partnerships monitoring must be reported regularly to the District Executive and other partnerships (substantial and minor) to the Area Committees. This can be carried out through the quarterly budget monitoring reports as a minimum.

l. Strategic/Assistant Directors and Portfolio Holders are responsible for ensuring that appropriate Council approvals are obtained before concluding negotiations in relation to work with external bodies.

15.2 External Funding

The Assistant Director Finance & Corporate Services in consultation with the relevant Strategic Director, Assistant Director/Manager, or Portfolio Holder is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts. Each Strategic Director, Assistant Director, and Portfolio Holder is responsible for informing the Assistant Director Finance & Corporate Services promptly about such funding. Where such income is receivable against a grant claim the relevant Strategic Director, Assistant Director, or Portfolio Holder shall provide written confirmation to the Assistant Director Finance & Corporate Services that all output and other grant requirements have been properly and fully met.

15.3 Grants to Outside Bodies

a. The District Executive or relevant Area Committee shall approve all grants and other assistance to external bodies, except where such annual assistance in total is less than £1,000 in value to any one body and there is budgetary provision for such assistance. It must not form a commitment of future year's annual budget unless it matches the criteria as set within the Community Grants Policy (4) in respect of those bodies with approved three-year SLA agreements. Where the total value per annum to any one body is below £1,000 the



FINANCIAL PROCEDURE RULES

relevant Strategic Director, Assistant Director, or Portfolio Holder may approve such assistance subject to the requirements of these Financial Procedure Rules being met. Where the total value per annum to any one body is below **£1,000** the relevant Strategic Director or Assistant Director may delegate the approval to the appropriate designated officer, again subject to the requirements of these Financial Procedure Rules being met.

b. The District Executive Committee may approve a framework for the administration of any specified class of grant and assistance under that committee's control over the value of **£1,000** by a relevant Strategic Director for the efficient conduct of business, subject to the agreed framework and meeting the other requirements of these Financial Procedure Rules.

c. Reports to the District Executive Committee or Area Committees (and decisions taken under the provisions of (a) above) seeking approval to assist an outside body by grant or other assistance in kind shall provide assurance that the following requirements have been met or will be met, and ensure that the Council's interests are protected before any grant or assistance is actually made:

- the receiving body has been properly identified, has suitable lead parties, a defined work area/purpose, and suitable trust documents/constitution;
- any conflicts of interest have been declared and properly managed;
- any risks to such agreements and the Council's interests are being adequately and appropriately managed;
- it will be possible to confirm the proper use of the Council's assistance;
- the assistance contributes to the delivery of the Council's services or achievement of the Council's corporate objectives;
- the extent and purpose of the assistance have been properly identified;

- arrangements for the repayment of any loans have been made;
 - arrangements to gain repayment /recovery for the value of the assistance are in place in the event of default by the recipient;
 - any specific conditions relating to the assistance are identified;
 - monitoring arrangements are to be set in place to ensure the assistance is used for the purpose approved;
 - the recipient will provide evidence to the Council demonstrating proper accounting for, and use of the assistance, including, for assistance over £1,000 in value, access to the accounts of the body for Assistant Director Finance & Corporate Services, or designated representative and to supporting information, documents and evidence;
 - a legally binding agreement is in place between the Council and the body covering the above conditions relating to the use of grant or other assistance.
- d. Full records will be maintained of all grants and related applications for assistance, which should identify which staff are involved in the processing of applications and grants, and record the date of approval of any grant or other assistance and by whom, and any other relevant transaction information.

16 BREACHES OF FINANCIAL REGULATIONS

- a. Where a failure to comply with these regulations is identified the matter should be brought to the immediate attention of the Assistant Director Finance & Corporate Services and the Assistant Director - SWAP.
- b. A report shall be made to the Assistant Director Finance & Corporate Services for minor breaches and to the District Executive where the Assistant Director Finance & Corporate Services and the Assistant Director - SWAP consider the matter to be of significance.



Appendix A

Guidance on Interpretation –Officer Contacts

Section Ref.	Financial Regulation	Contact Officer
1	FINANCIAL GOVERNANCE	
1.2(e)	Decision Making Procedures	Assistant Director Finance & Corporate Services Member Services Manager
2	CASH LIMITS	
		Assistant Director Finance & Corporate Services
3	FINANCIAL CONTROL	
3.1	General	Assistant Director Finance & Corporate Services
3.2	Statement of Internal Control/Statement of Governance	Assistant Director Finance & Corporate Services
3.3	South West Audit Partnership	Assistant Director-SWAP
3.4	IT and Furniture Budgets	ICT Manager/Procurement & Risk Manager
3.5	Operational Leases	Assistant Director Finance & Corporate Services/Procurement & Risk Manager
3.6	Treasury Management	Principal Accountant – Exchequer
4	CONTRACTS	
4.1	General	Procurement & Risk Manager
5	PAYMENT OF INVOICES	
5	Payment of Invoices	Principal Accountant – Exchequer
5.1	Corporate Credit Cards	Assistant Director Finance & Corporate Services
5.2	Procurement Cards	Procurement & Risk Manager
6	PAYROLL SERVICES	
6.1	Appointment of Employees	HR Manager
6.2	Amendments	HR Manager
6.3	Other Payments	HR Manager
6.4	Timesheets	HR Manager
7	BANKING ARRANGEMENTS	
7.1	General	Assistant Director Finance & Corporate Services
7.2	Cheques/Cash Received	Principal Accountant - Exchequer
7.3	Money Laundering	Assistant Director-SWAP
7.4	Direct Debits (received)	Assistant Director Finance & Corporate Services
7.5	Direct Debits and Cheques Paid	Assistant Director Finance & Corporate Services
7.6	Handling of Cheques	Principal Accountant - Exchequer
8	INCOME	
		Assistant Director Finance & Corporate Services
9	IMPREST ACCOUNTS	
		Assistant Director Finance & Corporate Services
10	RISK MANAGEMENT AND INSURANCES	
10.1	Risk Management	Procurement & Risk Manager
10.2	Insurances	Insurance and Accounting Technician



FINANCIAL PROCEDURE RULES

10.3	Notification of Loss	Insurance and Accounting Technician
10.4	Review	Insurance and Accounting Technician
10.5	Car Allowances	Insurance and Accounting Technician
10.6	Current Insurance	Insurance and Accounting Technician
10.7	Inventories	Insurance and Accounting Technician
11	STOCKS, STORES, FURNITURE AND EQUIPMENT	
11.1	General	Assistant Director Finance & Corporate Services
11.2	Write Offs	Assistant Director Finance & Corporate Services
11.3	Stock Checks	Assistant Director Finance & Corporate Services
11.4	Corrections	Assistant Director Finance & Corporate Services
11.5	Disposal of Surplus	Procurement & Risk Manager
12	CAR LOANS AND LEASED CARS	Assistant Director Finance & Corporate Services
13	BUILDINGS, LAND AND PROPERTY	
13.1	Asset Register	Finance Manager
13.2	Buildings, Land and Property Transactions	Assistant Director Finance & Corporate Services
13.3	Condition Surveys	Assistant Director Environment
13.2	Asset Management Plans	Assistant Director Finance & Corporate Services
13.3	Custody of Deeds	Assistant Director Legal & Corporate Services
13.4	Security	Assistant Director Environment
14	LOANS POLICY	Assistant Director Finance & Corporate Services
15	EXTERNAL ARRANGEMENTS	
15.1	Partnerships	Assistant Director Finance & Corporate Services
15.2	External Funding	Assistant Director Finance & Corporate Services
15.3	Grants to Outside Bodies	Assistant Director Finance & Corporate Services
16	BREACHES OF FINANCIAL REGULATIONS	Assistant Director-SWAP /Assistant Director Finance & Corporate Services

Agenda Item 11

Disclosable Pecuniary Interests – Change to the Code of Conduct

Lead Officer: Ian Clarke, Monitoring Officer & Solicitor to the Council, Assistant Director (Legal and Corporate Services)

Contact Details: ian.clarke@southsomerset.gov.uk or (01935) 462184

Purpose of the Report

To advise members of and seek their approval to a slight change to the code of conduct which will apply to all members post the District Council Election held on 7th May 2015.

Public Interest

The public expect a certain standard of behaviour from those it elects to represent them. That standard should be documented and members (councillors) judged against it. On the 19th July 2012 the Council adopted a new code of conduct. Certain provisions did not technically apply at that time and so weren't included within the code. As these provisions will automatically apply to all members elected on 7th May 2015 now is the time to revise the code to include them to avoid any confusion.

Recommendation

That the revised code of conduct attached to this report as Appendix A be formally adopted by this Council to be the code of conduct which shall apply to all members elected to the District Council at the District Council Elections held on 7th May 2015 and to all members elected or co-opted thereafter.

The Code of Conduct

Members will no doubt recall that the Council adopted a new code of conduct at its meeting in July 2012 and agreed a slight revision to it in May 2014. Whilst the Council has a discretion as to what it includes within its Code of Conduct providing it reflects the seven principles of public life, regulations, made under the Localism Act 2011 ("the Act") require both the registration and disclosure of "Disclosable Pecuniary Interests" (DPI).

The Monitoring Officer is required to maintain a register of interests, which must be available for inspection and available on the Council's website. As members will be aware their register of interests are already published on the Council's website.

The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 specify what amounts to a DPI and this information is already set out in full in our Code. The Act extended the requirement for registration to cover not just the member's own interests, **but also those of the member's spouse or civil partner, or someone living with the member in a similar capacity i.e. as their spouse or civil partner.** However the requirement to register a DPI, other than the member's own DPI, only applied from the date a member was elected or co-opted. As the Regulations came into force in July 2012, they could only apply to those members who actually were elected or co-opted after that date.

Accordingly this means that this provision will now apply as a matter of law to all members, existing and new, who are elected in the May 2015 elections and they will be

required to register both their own DPI and those of their spouse/civil partner or equivalent. However clearly members can only register a DPI of which they are aware. Whilst members will hopefully be aware of their own DPI, they may not be aware of any others and they are not required to interrogate their "other half" in order to find out what DPI they may have. The spouse/partner is under absolutely no legal obligation to disclose any of their own DPI to the member in any event. Hopefully none of this will be the cause of any matrimonial discord!

The change to the Code being proposed is simply to acknowledge that the provisions in relation to DPI of a spouse or civil partner will be effective and are included as part of the "new" code.

Registration on election or co-option

As from May 2015 each elected or co-opted member must register all DPI (including those DPI of the member's spouse or civil partner etc,) within 28 days of becoming a member. Failure to register is made a criminal offence, but would not prevent the member from acting as a member. The form of the Register will be such as not to distinguish the DPI of the member from those of his/her spouse/civil partner.

As in previous years the Monitoring Officer will be reviewing all register of interest forms received from SSDC members to check for any obvious omissions or anomalies before they are made available for public inspection so as to hopefully lessen the risk of any inadvertent breaches occurring whether in relation to the criminal law or the code of conduct. Whilst this does have a resource implication it is important that this is done as there are potential criminal sanctions for any breaches in relation to DPI.

Disclosure of Interests and Withdrawal from Meetings

Members will recall that the duty to disclose and not participate in the discussion or vote arises whenever a member attends any meeting of Council, a committee or sub-committee, or of District Executive or a District Executive sub committee, and is aware that he/she has a DPI in any matter being considered at the meeting. This includes any DPI i.e. of the member or of the spouse/civil partner.

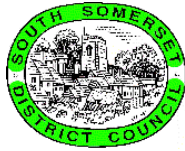
- Where these conditions are met, the member must disclose the interest to the meeting (i.e. declare the existence and nature of the interest).
- If a member does make a disclosure of a DPI at a meeting, if it is not already on the register, he/she must then notify it to the Monitoring Officer within the next 28 days, so that it can be added.
- If a member has a DPI in any matter, he/she must not participate in any discussion of the matter at the meeting (this will preclude making any representations although members who have a prejudicial interest - which is not also a DPI - will still be entitled to make representations; or participate in any vote on the matter),

unless he/she has obtained a dispensation allowing him/her to speak and/or vote.

A member with a DPI is required to withdraw from the meeting room and this is covered by Standing Orders as well as being in the Code. Whilst a failure to comply with the obligation to withdraw would not be a criminal offence it would amount to a breach of the Code of Conduct and the meeting could also vote to exclude the member.

Background Papers

Localism Act 2011; The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012; Reports to Council 19th July 2012 and 15th May 2014.



SOUTH SOMERSET DISTRICT COUNCIL - MEMBER CODE OF CONDUCT

(as amended 15th May 2014)

INTRODUCTION AND INTERPRETATION

As a member and representative of this Council it is your responsibility to comply with this Code when you undertake or claim to be undertaking Council business or give the impression that you are undertaking Council business.

As a representative of this Council your actions impact on how the Council as a whole is viewed by the public. It is important, therefore, that you do not do anything when undertaking Council business which you could not justify to the public. It is not enough to avoid actual impropriety, you should at all times avoid any occasion for suspicion or appearance of improper conduct.

This Code is based upon the seven principles of public life which are set out at Appendix 1. You shall have regard to those principles when fulfilling your role.

An explanation of the terms used in this Code can be found in Appendix 2.

1. GENERAL OBLIGATIONS

When undertaking Council business you must:

- 1.1 treat others with respect;
- 1.2 not use or attempt to use your position as a member improperly to give yourself or any other person, an advantage or disadvantage;
- 1.3 when reaching decisions on any matter, consider any relevant advice provided to you by—

- a) the Council's Chief Finance Officer (S151); or
 - b) the Council's Monitoring Officer,
- in accordance with his or her statutory duties;
- 1.4 give reasons for decisions in accordance with any statutory requirements and the Constitution of the Council;
- 1.5 act in accordance with the Council's Constitution and the policies contained within it and any other relevant Council policies ;
- 1.6 not use Council's resources improperly (including for political purposes);
- 1.7 avoid doing anything which may cause the Council to breach a statutory duty or any of the equality enactments (as defined in section 149 of the Equality Act 2010);
- 1.8 not bully any person;
- 1.9 not intimidate or attempt to intimidate any person who is or is likely to be—
- a) a complainant,
 - b) a witness,
 - c) involved in the administration of any investigation or proceedings, or
 - d) any other person carrying out the functions of the Council,
- in relation to an allegation that a member (including yourself) has failed to comply with the Council's code of conduct;
- 1.10 avoid doing anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the Council;
- 1.11 not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

- a) you have the consent of a person authorised to give it;
- b) you are required by law to do so;
- c) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
- d) the disclosure is—
 - i. reasonable and in the public interest; and
 - ii. made in good faith and in compliance with the reasonable requirements of the Council; and
- e) you have consulted the Monitoring Officer prior to its release;

1.12 not prevent another person from gaining access to information to which that person is entitled by law; and

1.13 not conduct yourself in a manner which could reasonably be regarded as bringing your office or the Council into disrepute.

2. INTERESTS

Disclosable Pecuniary Interests

2.1 You must register and declare any Disclosable Pecuniary Interests that relate to your public duties as required by this Code, and set out in Appendix 3.

2.2 You must, within 28 days of this Code being adopted by the Council or your taking office as a member or co-opted member, register any Disclosable Pecuniary Interests with the Council's Monitoring Officer, where the Disclosable Pecuniary Interest is yours, your spouse's or civil partner's, or is the Disclosable Pecuniary Interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners. Disclosable Pecuniary Interests will be recorded in the District Council's Register of Members' Interests and made available for public inspection.

- 2.3 Within 28 days of becoming aware of any new Disclosable Pecuniary Interest or change to any such interest already registered, you must register details of that new interest or change in writing to the Council's monitoring officer.
- 2.4 Where any business of the Council, relates to or affects a Disclosable Pecuniary Interest whether registered under 2.2 or 2.3 above or not, and you attend any meeting of the Council, its Executive or any Committee, Sub-Committee, Joint Committee at which that business is to be considered, you must:
- not seek to influence a decision about that business
 - disclose to that meeting the existence and nature of that interest no later than the start of the consideration of the business in which you have that interest, or (if later) the time at which the interest becomes apparent to you. The exception to the requirement to disclose an interest is if the matter is a sensitive interest under paragraph 2.11
 - withdraw from the meeting room or chamber as soon as it becomes apparent that the business is being considered at that meeting;
- unless you have obtained a dispensation from the Council's Monitoring Officer or Standards Committee.
- 2.5 Following any disclosure at a meeting or as part of a decision record, of a Disclosable Pecuniary Interest not on the Council's register or the subject of pending notification, you must notify the Monitoring Officer of the interest within 28 days beginning with the date of the disclosure at the meeting or in the decision record in order for the interest to be included in the register.
- 2.6 Unless a dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a Disclosable Pecuniary Interest. Additionally you must observe the restrictions the Council places on your involvement in matters where you have a Disclosable Pecuniary Interest as defined by the Council and set out in this Code.

Other Interests

NOTE: It is conceivable that an interest could be categorised as both a Disclosable Pecuniary Interest and a personal or a personal and prejudicial interest. If so you must treat it as a Disclosable Pecuniary Interest and comply with the requirements set out in paragraphs 2.1 – 2.6 inclusive

2.7 (1) In addition to the Disclosable Pecuniary Interests notifiable under the Localism Act 2011, you must, within 28 days of—

a) this Code being adopted by or applied to the Council; or

b) your election or appointment to office (where that is later),

give written notification to the Monitoring Officer of the details of your other personal interests, as defined in 2.8(1) (i) and (ii) below, for inclusion in the register of interests. The exception to this requirement is if the detail of the personal interest is classified as sensitive – see paragraph 2.11.

(2) You must, within 28 days of becoming aware of any new personal interest or change to any such registered interest, notify the Monitoring Officer of the details of that new interest or change.

Personal Interests

2.8 (1) You have a personal interest in any business of the Council where:

a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Council;

(ii) any body—

(a) exercising functions of a public nature;

(b) established for charitable purposes; or

(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management;

b) a decision in relation to any business of the Council might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a significant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division, as the case may be, affected by the decision;

- (2) Subject to sub-paragraphs (3) to (5) below, where you are aware of a personal interest described in paragraph (1) above in any business of the Council, and you attend a meeting of the Council at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the start of the consideration of that business, or when the interest becomes apparent to you.
- (3) Where you have a personal interest in any business of the Council which relates to or is likely to affect a significant person (see paragraph 1 (b) above and Appendix 2 for the interpretation of the term 'significant person'), you need only disclose to the meeting the existence and nature of that interest if and when you address the meeting on that business.
- (4) Where you have a personal interest but the interest is not detailed in the Council's register of members' interests because of the sensitive nature of the interest, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.
- (5) Where you have a personal interest in any business of the Council and you have made an individual decision (as a Executive member) in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest subject to (4) above.
- (6) Any personal interests notified to the Monitoring Officer will be included in the register of interests.
- (7) A copy of the register will be available for public inspection.

Prejudicial Interests

- 2.9 (1) Where you have a personal interest in any business of your Council you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest and where that business—
- (a) affects your financial position or the financial position of a significant person;
or
 - (b) relates to determining any approval, consent, licence, permission or registration in relation to you or any significant person.

For the avoidance of doubt and by way of explanation where you are also a member of Somerset County Council and/or a Town or Parish Council within South Somerset you must declare a prejudicial interest in any business of South Somerset District Council where there is a financial benefit or gain or

advantage to Somerset County Council and/or a Town or Parish Council which would be at the cost or to the financial disadvantage of South Somerset District Council.

- (2) Subject to paragraph (3) and (4), where you have a prejudicial interest in any business of your Council—
 - (a) You may not participate in any discussion of the matter at a meeting.
 - (b) You may not participate in any vote taken on the matter at a meeting.
 - (c) You must disclose the existence and nature of the interest to the meeting and leave the room where the meeting is held while any discussion or voting takes place on the matter. The exception to the requirement to disclose the detail of the interest is if the matter is a sensitive interest under paragraph 2.11. In these circumstances you need only state that you have a prejudicial interest and that the details are withheld because of the sensitive information involved.
- (3) Where you have a prejudicial interest in any business of your Council, you may attend a meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business and you leave the meeting room immediately after making representations, answering questions or giving evidence.
- (4) Subject to you disclosing the interest at the meeting, you may attend a meeting and vote on a matter where you have a prejudicial interest that relates to the functions of your Council in respect of—
 - (i) housing, where you are a tenant of your Council provided that those functions do not relate particularly to your tenancy or lease;
 - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - (iv) an allowance, payment or indemnity given to members;
 - (v) any ceremonial honour given to members; and
 - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

- (5) Where, as a Executive member, you may take an individual decision, and you become aware of a prejudicial interest in the matter which is the subject of the proposed decision you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter, or seek to influence a decision about the matter.

Receipts of gifts and hospitality

- 2.10 (1) You must, within 28 days of receipt, notify the Monitoring Officer in writing of any gift, benefit or hospitality with a value in excess of £25 which you have accepted as a member from any person or body other than the Council.
- (2) The Monitoring Officer will place your notification on a public register of gifts and hospitality which forms part of your register of interests.

Sensitive Interests

- 2.11 (1) If you have a Disclosable Pecuniary Interest or a Personal or Personal and Prejudicial Interest but you consider that disclosure of the interest could lead to you or a person connected with you being subject to violence or intimidation **and** the Monitoring Officer agrees with that assessment then instead of disclosing the interest you need only disclose that you have a Disclosable Pecuniary Interest or Personal or Personal and Prejudicial Interest (as the case may be). In such instances any published version of the register of interests will exclude details of the interest but may state that you have an interest, the details of which are withheld.

Overview and Scrutiny

- (1) In relation to any business before an Overview and Scrutiny Committee of the Council (or of a sub-committee of such a committee) where—
- (a) that business relates to a decision made (whether implemented or not) or action taken by your Council's Executive or another of your Council's committees, sub-committees, joint committees or joint sub-committees; and
- (b) at the time the decision was made or action was taken, you were a member of the Executive, committee, sub-committee, joint committee or joint sub-

committee mentioned in paragraph a) and you were present when that decision was made or action was taken; or

- (c) that business relates to a decision made (whether implemented or not) or action taken by you (whether by virtue of the Council's constitution or under delegated authority from the Leader);

you may attend a meeting of the overview and scrutiny committee or sub-committee of the Council but only for the purpose of making representations, answering questions or giving evidence relating to the business.

THE SEVEN PRINCIPLES OF PUBLIC LIFE**THE SEVEN PRINCIPLES OF PUBLIC LIFE**

Preamble: The principles of public life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, NDPBs, and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public services. The principles also have application to all those in other sectors delivering public services.

SELFLESSNESS

Description: Holders of public office should act solely in terms of the public interest.

INTEGRITY

Description: Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

OBJECTIVITY

Description: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

ACCOUNTABILITY

Description: Holders of public office are accountable to the public for their decisions and actions and must admit themselves to the scrutiny necessary to ensure this.

OPENNESS

Description: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

HONESTY

Description: Holders of public office should be truthful.

LEADERSHIP

Description: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

COUNCIL'S CODE OF CONDUCT - INTERPRETATION

In the Council's Code of Conduct the following words shall have the following meanings ascribed to them—

- **“the Act”** means the Localism Act 2011;
- **“Disclosable Pecuniary Interest”** is as defined in Appendix 3
- **“meeting”** means any meeting of—
 - (a) the Council;
 - (b) the Executive of the Council;
 - (c) any of the Council's or its Executive's committees, sub-committees, joint committees, joint sub-committees, or area committees; whether or not the press and public are excluded from the meeting in question by a resolution of members
- **“member”** includes a co-opted member and an appointed member.
- **“sensitive information”** means information relating to a member's interests that the monitoring officer has determined need not be included in the member's registration of an interest or any change to that interest, by virtue of the fact that its availability for inspection by the public is likely to create a serious risk that any person may be subjected to violence or intimidation
- **“bullying”** means offensive, intimidating, malicious, insulting or humiliating behaviour based on abuse or misuse of power or authority which attempts to undermine
- **“disrepute”** means a lack of good reputation or respectability which can be reasonably regarded as reducing the public's confidence in that member being able to fulfil their role or adversely affecting the reputation of members generally in being able to fulfil their role
- **“significant person”** in relation to personal and personal and prejudicial Interests means a member of your family or any person with whom you have a close association; or any body-
 - (1) of which you are a member or in a position of general control or management and to which you are appointed or nominated by the Council;
 - (2) exercising functions of a public nature;
 - (3) established for charitable purposes; or
 - (4) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management
- **“wellbeing”** means a condition of contentedness, healthiness and happiness. Anything that could be said to affect a person's quality of life, either positively or

negatively, is likely to affect their wellbeing. It is not restricted to matters affecting a person's financial position

- **“close association”** means someone that you are in regular contact with over a period of time who is more than an acquaintance or colleague. It may be a friend, a business associate or someone you know through general social contacts. It is someone who a reasonable member of the public might think you would be prepared to favour or disadvantage when discussing a matter that affects them.
- **“member of your family”** means partner i.e. someone you are married to, your civil partner, or someone you live with in a similar capacity, a parent, a parent-in-law, a son or daughter, a stepson or stepdaughter, the child of a partner, a brother or sister, a brother or sister of your partner, a grandparent, a grandchild, an uncle or aunt, a nephew or niece, and the partners of any of these people

DISCLOSABLE PECUNIARY INTERESTS

This note explains the requirements of the Localism Act 2011 (Ss 29-34) in relation to disclosable pecuniary interests.

These provisions are enforced by criminal sanction.

They came into force on 1 July 2012.

1 Notification of disclosable pecuniary interests

Within 28 days of becoming a member or co-opted member, you must notify the Monitoring Officer of any 'disclosable pecuniary interests'.

A 'Disclosable Pecuniary Interest' is an interest of yourself or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) within the following descriptions:

<i>Interest</i>	<i>Description</i>
Employment, office, trade, profession or vacation	An employment, office trade profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contract	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Council – (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.

Land	Any beneficial interest in land which is within the area of the Council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Council for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge) – (a) the landlord is the Council; and (b) the tenant is body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where – (a) that body (to M/s knowledge) has a place of business or land in the area of the Council; and (b) either – (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

These descriptions on interests are subject to the following definitions;

“the Act” means the Localism Act 2011;

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means the person M referred to in section 30 of the Act;

“member” includes a co-opted member;

“relevant authority” means the Council of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) of the Act;

“relevant person” in relation to disclosable pecuniary interests means M or M’s spouse or civil partner or a person with whom M is living as husband and wife or a person with whom M is living as if they were civil partners;

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

2 Dispensations

The Standards Committee or Monitoring Officer may grant you a dispensation, but only in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

3 Offences

It is a criminal offence to

- Fail to notify the Monitoring Officer of any disclosable pecuniary interest within 28 days of election
- Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register
- Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting
- Participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest
- As a Executive member discharging a function acting alone, and having a disclosable pecuniary interest in such a matter, failing to notify the Monitoring Officer within 28 days of the interest.
- Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting

The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.

Guidance on Bias and Predetermination – This is not part of the code of conduct

- Where you have been involved in campaigning in your political role on an issue which does not impact on your personal and/or professional life you may participate in a decision on the issue in your political role as a member. However, you must not place yourself under any financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
- When making a decision, consider the matter with an open mind and on the facts made available to the meeting at which the decision is to be taken.

Agenda Item 12

Pay Policy Statement for Chief Officers - Statement for Financial Year 2015 – 2016

Lead Officer: Mike Holliday, HR Manager
Contact Details: mike.holliday@southsomerset.gov.uk or (01935) 462161

1. Purpose of the Report

- 1.1 Section 38(1) of the Localism Act 2011 requires English local authorities to produce an annual statutory pay policy statement.
- 1.2 The pay policy statement must be formally approved at a Full Council meeting by the end of March each year, though it can be amended in-year with Full Council approval.
- 1.3 The pay policy statement must be published on the authority's website.
- 1.4 In the context of managing scarce public resources, remuneration at all levels within the Council needs to be adequate to secure and retain high- quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive.

2. Recommendation

- 2.1 That Council approve the proposed Statutory Pay Policy Statement for the year 2015/16 for publication.

3. Scope

- 3.1 The definitions of chief officer and deputy chief officer to be covered by the pay policy statement are defined by the legislation.
- 3.2 The Pay Policy Statement for South Somerset District Council (SSDC) will apply to the following posts which collectively will be referred to as 'chief officers' for the purpose of this statement:
 - Chief Executive Officer
 - Strategic Director posts
 - Head of Paid Service
 - Monitoring Officer
 - Section 151 (Finance) Officer
 - A person for whom the head of the authority's paid service is directly responsible.
 - A person who, as respects all or most of their post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority
 - A deputy chief officer 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.

Note: 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.

3 a) The levels and elements of remuneration for chief and senior officers (at year end 31st March 2015)

Below are listed the salaries of Chief Officers in posts where the FTE remuneration is above the £58,200 threshold level.

Post	Statutory Role	Salary (per annum)	Bonus or Performance related pay	Other Benefits	Pension Enhancement in Year
Chief Executive The Chief Executive post is a shared post with East Devon District Council (EDDC). The current Chief Executive is an employee of EDDC. SSDC only contributes 50% of the stated salary and benefits.	Head of Paid Service	£122,210 (Shared cost post – £61,105 paid by SSDC to East Devon District Council)	No	£5,774 Lease Car £3,000 Travel Allowance (Shared cost post – 50% of above cost paid by SSDC to East Devon District Council)	No
Strategic Director (Place and Performance)		£98,953	No	Essential Car User Allowance £1,239	No
Strategic Director (Operations and Customer Focus)		£94,398* (Contractual salary £98,953)	No	Essential Car User Allowance £1,239	No
Assistant Director – Legal & Corporate Services	Monitoring Officer	£72,705* (Contractual salary £76,213)	No		No
Assistant Director – Finance & Corporate Services	Section 151 Finance Officer	£72,705* (Contractual salary £76,213)	No	Essential Car User Allowance £1,239	No
Assistant Director - Economy		£63,007	No	Essential Car User** Allowance £1,239	No
Assistant Director – Health and Well-being		£63,007	No	Essential Car User Allowance £1,239	No
Assistant Director – Environment		£63,007	No		No
Assistant Director – Communities (Joint Post)		£61,167* (Combined salary)	No	Essential Car User** Allowance £1,239	No

*Reduced salary through participation in Additional Annual Leave Scheme

**Transfer from lease car scheme during 2013/14

3b) The full time remuneration of the lowest paid employee

Definition	Salary (per annum)	Bonuses or Performance related pay	Other Benefits	Pension Enhancement in Year
Employee on lowest pay spine point (scp 10)	£14,338	No	No	No

- 3.3 The lowest paid employee is defined as an employee on the lowest spine point of Pay Grade 1 (scale point 10) – the lowest grade for posts within the authorities pay scheme. Excluded for this purpose are any appointments under the Work Placement Schemes and Internships Policy, apprenticeships and casual employees.
- 3.4 Under the Single Status Scheme approved by Full Council this is the minimum starting salary for any employee covered by the scheme. Nationally the lowest pay point is National Pay Scale 5 (£13 500).
- 3.5 Through this policy the pay multiple of the Chief Executive will be monitored annually. Should the multiplier between the annual salary paid to a full time employee on the lowest spine point and the annual remuneration paid to the Chief Executive be greater than 10 then this will be reported by the Leader of the Council to Full Council for consideration

3c) The multiplier of remuneration of highest paid employee to other officers

	Total remuneration per annum (including lease car value and travel allowance)
FTE median pay for all employees	£23,698
Pay multiple of Chief Executive to median average FTE salary	5.52
Pay multiple of Chief Executive to lowest paid FTE	9.14

4a) Remuneration of Chief Officers on Appointment (directly employed posts)

a) Chief Executive and Strategic Directors Posts

The Leader of the Council will, after taking independent pay advice from South West Councils or similar, recommend the remuneration package on appointment to the above posts to Full Council prior to advertisement of the vacancy. The remuneration package will then be subject to the approval of Full Council.

b) All other chief officer posts

The remuneration on appointment for all other posts covered by this Pay Policy Statement for Chief Officers will be set within the Single Status Scheme approved by Full Council.

4b) Increases and additions to remuneration for each Chief Officer (directly employed posts)

a) Chief Executive and Strategic Director Posts

The Leader of the Council shall recommend to Full Council within the remuneration package prior to appointment how salary progression and any

annual pay reviews will be administered or calculated. Any other subsequent changes to the remuneration package will be subject to further Full Council approval.

b) All other Chief Officer posts

The salary progression for all other posts covered by this Pay Policy statement will be set within the Single Status Scheme approved by Full Council. Salary increases in relation to the cost of living will be made in line with National Joint Council recommendations

5) Use of Performance Related Pay for Chief Officers

Any performance related pay schemes for chief officers will be subject to approval by Full Council prior to implementation. No performance related pay scheme is currently operated or exists for chief officers.

6) Use of Bonuses or Honoraria for Chief Officers

Bonus or honoraria payments to chief officers will only be paid if approved in advance by Full Council. None are currently paid and none have been approved by Full Council.

7) Use of Market Supplements

Market supplements may be applied to posts in certain circumstances as outlined in the Market Supplement Policy. When a decision is made to use market supplements for any chief officer post this will be reported to Full Council. No market supplements are currently attached to chief officer posts.

8) Payment of chief officers on their ceasing to hold office under or be employed by the authority

Any termination payments to chief officers on ceasing office will comply with the current Redundancy and Severance Pay Policy, which was approved by Full Council in December 2010. This policy applies equally to all employees of the Council. No additional termination payments will be made without the approval of Full Council.

9) Remuneration of chief officers who return to Local Authority employment

Where the chief officer:

a. was a previously employed chief officer who left with a severance payment and applies to comeback as a chief officer.

District Executive approval would be required to authorise re-employment within the authority of a previously employed chief officer who had left with a severance payment and is seeking re-employment within the severance payment payback period.

b. was previously employed by the same authority and have comeback as a chief officer under a contract for services.

District Executive will be required to approve any award of a 'contract for services' to a chief officer who has previously been employed by the authority.

c. are in receipt of a Local Government Pension Scheme Pension

If an employee receiving a pension from the Local Government Pension scheme becomes re-employed then their pension could be affected. If their pension plus the earnings from their new job is higher than the final pay their pension was calculated on, then their pension will be affected. For every pound that their earnings plus pension exceed previous pay, then their pension will reduce by a pound. This abatement will last for as long as the person exceeds their limit (so either when the new job ends or they reduce their hours so their earnings drop down below the acceptable level).

However, an abatement is not applied where the member's pension is less than £3,000 per annum.

10) Publication of and access to information relating to remuneration of chief officers

The remuneration of chief officers earning over a salary of £58,200 per annum will be published on the South Somerset District Council website.

11) Payments for Duties at Elections

Additional payments are set and provided for by Central Government to officers carrying out additional duties at elections. These payments directed by Central Government will only be received when elections are take place and although fixed, do vary according to the type of election for which the payment is made. These payments are not within the scope of this policy as South Somerset District Council is not the designated employer in these circumstances.

Agenda Item 13

Draft Meetings Calendar for 2015/16

Lead Officer: Ian Clarke, Assistant Director (Legal and Corporate Services)

Contact Details: ian.clarke@southsomerset.gov.uk or (01935) 462184

1. Purpose of the Report

For Members to review and comment on the proposed meetings timetable for 2015/16.

2. Recommendation

The Council is asked to approve the meetings timetable for 2015/16 subject to any amendments made by the Annual Council meeting in May 2015.

3. Background

Attached as Appendix A is the proposed meetings timetable for the new municipal year and the Council is asked to agree the timetable for publication. The Annual Council meeting in May will be asked to confirm the timetable in the light of its decisions on the constitution and appointment of new committees for 2015/16.

4. Background Papers

None

South Somerset District Council
Programme of Meetings of Council and Committees – 2015/2016

Meeting	Day	Time	2015								2016				
			May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Council	Thurs	7.30pm	21*	(18)	16	(20)	17	(15)	19	(17)	21	18**	17	(21)	19*
District Executive	Thurs	9.30am	-	4	2	6	3	1	5	3	7	4	3	7	5
Area Committee - South	Wed	2.00pm	-	3	1	5	2	7	4	2	6	3	2	6	4
Area Committee - East	Wed	9.00am	-	10	8	12	9	14	11	9	13	10	9	13	11
Area Committee - West	Wed	5.30pm	-	17	15	19	16	21	18	16	20	17	16	20	18
Area Committee - North	Wed	2.00pm	-	24	22	26	23	28	25	16	27	24	23	27	25
Scrutiny Committee	Tues	10.00am	-	2	30 June	4	1	29 Sep	3	1	5	2	1	5	3
Audit Committee	Thurs	10.00am	28	25	23	27	24	22	26	?	28	25	24	28	26
Regulation Committee	Tues	10.00am	-	16	21	18	15	20	17	15	19	16	15	19	17
Licensing Committee	Tues	10.00am	-	9	-	11	-	13	-	8	-	9	-	12	-
Standards Committee	Tues	2.15pm	-	9	-	-	-	13	-	-	-	9	-	-	-

* Annual Meeting of Council - May

** Council Budget and Council Tax Setting Meeting – February

Dates in brackets () for Council are reserve dates which will only be engaged if required.

Agenda Item 14

Report of Executive Decisions

Lead Officer: Angela Cox, Democratic Services Manager
Contact Details: angela.cox@southsomerset.gov.uk or (01935) 462148

This report is submitted for information and summarises decisions taken by the District Executive and Portfolio Holders since the last meeting of Council. The decisions are set out in the attached Appendix.

A meeting of the District Executive was held on 5th February 2015.

Members are invited to ask any questions of the Portfolio Holders.

Background Papers

All Published

Ric Pallister, Leader of the Council
Angela Cox, Democratic Services Manager
angela.cox@southsomerset.gov.uk or (01935) 462148

Appendix

Portfolio	Subject	Decision	Taken By	Date
Strategy and Policy	Consent for disposal of a property at West Coker by Yarlington Housing Group	The Portfolio Holder for Strategy and Policy has agreed to approve consent for the disposal of number 28, Font Villas, West Coker by Yarlington Housing Group, on the proviso that Yarlington Housing Group give an undertaking to reinvest the net sums raised in new housing in the local area.	Portfolio Holder Executive Bulletin No. 657	16/01/15
Strategy and Policy	Consent for disposal of a property at Aller by Yarlington Housing Group	The Portfolio Holder for Strategy and Policy has agreed to approve consent for the disposal of number 1 Vale View, Aller by Yarlington Housing Group, on the proviso that Yarlington Housing Group give an undertaking to reinvest the net sums raised in new housing in the local area.	Portfolio Holder Executive Bulletin No. 659	30/01/15
Strategy and Policy	Consent for disposal of a property at Shepton Montague by Yarlington Housing Group	The Portfolio Holder for Strategy and Policy has agreed to the disposal of number 4 Townsend, Shepton Montague by Yarlington Housing Group, on the proviso that Yarlington give an undertaking to reinvest the net sums raised in new housing in the local area. The Portfolio Holder notes for future reference the remaining potential for further such requests with respect to the remaining properties of the same construction type.	Portfolio Holder Executive Bulletin No. 659	30/01/15
Environment and Economic Development	Heart of the South West Local Enterprise Partnership (LEP) – The Partnership Manager	Members noted the content of the report and the accompanying presentation made by the LEP Partnership Manager.	District Executive	05/02/15
Environment and Economic Development Property and Climate Change	Somerset Waste Partnership – Draft Business Plan 2015-20	District Executive approved the Draft Business Plan 2015-20 on behalf of the authority and provided the following comment for the Board to consider for inclusion in the next iteration of the Plan:- <ul style="list-style-type: none"> When setting out the budget forecasts it would be useful to have the previous years outturn figures as a comparison. 	District Executive	05/02/15
Finance and Spatial Planning	2014/15 Revenue Budget Monitoring Report for the Period ending 31st	District Executive: a) Noted the current 2014/15 financial position of the Council; b) Noted the reasons for variations to the previously approved	District Executive	05/02/15

Portfolio	Subject	Decision	Taken By	Date
	December 2014	<p>Directorate Budgets as detailed in paragraphs 3.2;</p> <p>c) Noted the transfers made to and from reserves outlined in paragraph 11.1 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D;</p> <p>d) Noted the virements made under delegated authority as detailed in Appendix B;</p> <p>e) Approved a £5,000 contribution for a Thorney Bund pump and £5,000 for a boat from the Flood Reserve as detailed in paragraph 11.5.</p>		
Finance and Spatial Planning	2014/2015 Capital Budget Monitoring Report for the quarter ending 31st December 2014	<p>District Executive: -</p> <p>a) Noted the net spend of £1,306,000 so far on capital for 2014/15 and approved the revised capital programme for 2014/15 and beyond (paragraph 6 and 7);</p> <p>b) Noted the progress of individual capital schemes as detailed in Appendix A;</p> <p>c) Noted the slippage over £50,000 in the capital programme as detailed in paragraph 10;</p> <p>d) Approved the virement of £29,000 outlined in paragraph 11;</p> <p>e) Approved the re-allocation of funding of £60,000 as detailed in paragraph 12 & 13;</p> <p>f) Noted the schemes that were approved prior to 2010, as detailed in Appendix D, and confirmed approval for those projects that they wish to remain in the programme;</p> <p>g) Noted the total land disposals to registered social landlords as detailed in Appendix B;</p> <p>h) Noted the balance of S106 deposits by developers held in a reserve as detailed in Appendix C;</p> <p>i) Noted the current position with regard to funds held by the Wessex Home Improvement Loans as detailed in paragraph 17.</p>	District Executive	05/02/15
Finance and Spatial Planning	Revenue Budget 2015/16 - Medium Term Financial Plan and Capital Programme	This report was recommended to Council and appears elsewhere on the agenda.	District Executive	05/02/15
Strategy and	Investing in Market	District Executive:	District	05/02/15

Portfolio	Subject	Decision	Taken By	Date
Policy	Housing	<ol style="list-style-type: none"> 1. Noted the current position on the council's housing property portfolio as in the appendix. 2. Agreed to continue to take an opportunistic approach to purchasing properties for housing purposes which fulfil a defined housing need and provide a reasonable rate of return on the capital investment of up to £600,000. 3. Agreed that each purchase be approved by the Portfolio Holder for Strategy and Policy as advised by the Corporate Strategic Housing Manager, Assistant Director (Economy) and Assistant Director (Finance and Corporate Services) and a member of the Scrutiny Committee. 4. Approved the criteria for acquisition of new dwellings as set out in this report. (Para 6.3). 5. Noted the longer term options available should the council may wish to explore for developing a property portfolio as set out in para 6.1. 6. Authorise officers to begin a review of the overall management arrangements for existing properties. 7. Noted that a report will be brought back in a years' time including the full costs income and yield from the implementation of this policy and receive recommendations for further capital investment. 	Executive	
Leader, Strategy and Policy	Policy for Awarding Private Sector Housing Grants/Loans and other Financial Assistance	District Executive agreed that the Policy for Awarding Private Sector Housing Grants/Loans and other Financial Assistance in Appendix 1 concerning the provision of financial assistance for dealing with private sector housing matters be adopted as the future policy of the Council.	District Executive	05/02/15
Community Safety	Anti-Social Behaviour, Crime and Policing Act 2014	<p>District Executive agreed:</p> <ol style="list-style-type: none"> 1. To the implementation and use of the new provisions of the Anti-social Behaviour, Crime and Policing Act 2014, as described in the report. 2. To delegate powers to other agencies to issue Community Protection Notices to be delegated to the Portfolio Holder for Regulatory & Democratic Services. 3. That the decision to set penalty charges in relation to Fixed Penalty Notices be delegated to the Portfolio Holder for 	District Executive	05/02/15

Portfolio	Subject	Decision	Taken By	Date
		Regulatory & Democratic Services.		
Leader of the Council Strategy and Policy	The Living Wage	District Executive agreed that from the 1st April 2015 the two spine points 9 and 10 remaining below the current living wage level on our permanent and fixed pay scale are deleted so that all main pay scale rates meet the living wage criteria.	District Executive	05/02/15
Leisure and Culture	Councillor Induction Programme 2015 and Future IT Proposals for Councillors	District Executive agreed:- 1. The Member Induction Programme (as amended) attached at Appendix A to the report; 2. That from May 2015, Members be offered a one off sum of £400 to purchase an internet enabled device (tablet or laptop) of their choice to enable them to access their SSDC emails, agendas and minutes and the internet in order to conduct their SSDC business. This payment is defined as a Benefit in Kind for tax purposes; 3. That with effect from 1 May 2015 Members will be encouraged to receive their meeting papers and other circulated documents digitally through the Mod.Gov app; 4. To delegate the necessary changes to be made to Part 6 (Members Allowances Scheme) of the Council's Constitution to the Assistant Director (Legal and Corporate Services).	District Executive	05/02/15
Strategy and Policy	Family Focus Programme Update	Members noted the progress made in delivering South Somerset Family Focus, the multi-agency family support programme in the District.	District Executive	05/02/15
Property and Climate Change	Access from Memorial Hall car park to land at the rear of the Dolphin Hotel, Wincanton	This item was withdrawn from the Agenda.	District Executive	05/02/15
Environment and Economic Development	Waste Fees and Charges 2015/16	That the Portfolio Holder agrees with the proposed waste fees and charges as recommended by SSDC as set out in the table.	Portfolio Holder Executive Bulletin 661	13/02/15

Agenda Item 15

Audit Committee

This report summarises the items considered by the Audit Committee on Thursday 22 January 2015

Financial Procedure Rules

Audit Committee members were content to approve the recommendation.

RESOLVED: That the Audit Committee recommend full Council to approve the attached Financial Procedure Rules.

Treasury Management Strategy Statement and Investment Strategy 2015/16

The Principal Accountant introduced Mark Swallow of Arlingclose who gave a comprehensive, confidential presentation.

Members were content to recommend the Treasury Management Strategy Statement and Investment Strategy for 2015/16 to full Council.

RESOLVED: To recommend the Treasury Management Strategy Statement and Investment Strategy for 2015/16 to full Council.

Grant Thornton Audit Committee Update for SSDC

Peter Lappin, Senior Manager of Grant Thornton external auditors presented the progress report and emerging issues, as detailed in full in the agenda. He made particular reference to the item '2020 Vision', which would present a challenge to local government.

RESOLVED:
That the Audit Committee notes the attached report.

Grant Thornton Certification report for SSDC

Peter Lappin Senior Manager - Grant Thornton presented the report, as detailed in full in the agenda, regarding their findings from the signing off of the Housing Benefit Subsidy claim for 2013/14.

He highlighted the fact that the fees for certification of housing benefit subsidy claims had been reduced to reflect the removal of council tax benefit from the scheme and gave a further explanation of the appeal regarding the extrapolation process with the Department for Work and Pensions (DWP).

He explained further that the calculation of Housing Benefit was a complicated process particularly with regard to earned income and classification of overpayments, it was anticipated that a neighbouring Local Authority should be able to help SSDC officers to produce a report through the Northgate System that could identify and highlight concerns more regularly.

In the meantime the following actions had already been agreed and outlined in the Grant Thornton report:-

- Improvements to the forms filled out by the Housing Benefits Team to calculate earned income (already completed).
- Further training on the areas outlined (partially completed).
- An information sheet to give the team more guidance (to be completed by the end of January).
- Further testing on the areas where errors were found (to be completed by the 31st March 2015).

The Revenues and Benefits Manager, in attendance, said that a lot of work had been carried out in the year and the focus should remain on what work could be done in order to minimize the errors. The audit findings were useful in order to be able to work out where the weaker areas were.

In conclusion, the Assistant Director Finance and Corporate Services said that there would always be errors in this type of work but if the suggested Northgate report could be produced, the risk of extrapolation against larger cell values would be mitigated to a certain extent. She confirmed that a committee report would be presented to Audit Committee members with an update of how the issue had been mitigated and the result of the appeal.

The Chairman thanked both Peter Lappin and Simon Garlick who were shortly to leave the employ of Grant Thornton for their work in the past and wished them both luck in the future.

RESOLVED: that the Audit Committee:

- (1) Note the contents of the Certification of Claim Report for 2013/14.
- (2) Note that SSDC is appealing the extrapolation process with the Department for Work and Pensions (DWP).

Councillor Derek Yeomans,
Chairman of Audit Committee

Agenda Item 16

Scrutiny Committee

This report summarises the work of the Scrutiny Committee since the last Council meeting.

Items considered during Scrutiny Committee 3rd February

Somerset Waste Partnership Business Plan

Members commented that in future, it would be beneficial if the current year outturn and variance figures could be included in the report to show how the partnership had performed against agreed budgets.

Budget monitoring reports

Members noted the 2014/15 Revenue and Capital budget monitoring reports and requested that on future Capital and Revenue Reserves are identified separately.

Revenue Budget – 2015-16

A Scrutiny Task and Finish group was established to consider various aspects of the budget setting process in greater detail – their final report is included in the Budget Book at Appendix A. In addition, members of the Scrutiny Committee sought clarification as to what level of tolerance was used when calculating the budget given the various elements which remain uncertain e.g. RSG and New Homes Bonus.

Investing in Market Housing

- Members sought clarification on the issues regarding Right to Buy and what the implications would be and the detail of how these implications would be mitigated.
- Scrutiny queried how the 'need' would be defined as stated in para.6 – how will this be applied consistently?
- Members queried what the risk would be if the market changed.
- Scrutiny queried the recommendation for purchases to be agreed at Portfolio Holder and senior officer level, and whether it was more appropriate for a decision to be made by District Executive to allow for this new policy initiative to be accurately monitored in the first 12 months.
- Members queried if SSDC would be the direct landlord for any future purchases and the associated implications.
- It was queried where this policy would sit with other policies relating to housing and homelessness.
- It was noted there was no risk assessment included with the report.

Policy for Awarding Private Sector Housing Grants/Loans and other Financial Assistance – item 12

- Members asked if any issues had been encountered in the past few years.
- Scrutiny recommend that the element of the policy regarding unsecured loans should be reviewed. Members were of the opinion that there should be some come back on defaulted loans and the policy should be 'tightened up'.

Anti-Social Behaviour, Crime and Policing Act 2014 – item 13

- It was noted that Scrutiny Committee had received a presentation on the same subject at the November meeting. Members did not raise any additional comments to those raised at the November meeting where members questioned the risks and costs associated with the community remedy, and associated investigations regarding complaints and allegations.

The Living Wage – item 14

- Members sought clarification as to whether deleting the spinal column points as set out in the report constituted a change of policy in that SSDC are now committed to delivering the ‘Living Wage’ rather than the legally binding minimum wage?

Councillor Induction Programme 2015 & Future IT Proposals for Councillors – item 15

- Members did not raise any comments about the Induction programme but raised a number of issues regarding the future IT proposals including:
 - Members questioned the proposed amount, after tax and National Insurance, did not seem much to purchase a suitable item of equipment, printer, paper and ink.
 - Members queried how the sum of £320 had been arrived at.
 - Some members raised concern that there may be a risk of the business of SSDC being affected if going paperless, especially during any bedding-in period.
 - It was felt a number of members may not be comfortable with such a big step in I.T. provision, and some members might require more, and different types of support to others.
 - Members accepted the proposal was a way forward but in practical terms did not think it was ideal solution.
 - Battery life at meetings would probably be an issue.
 - It was commented that many members would require the use of Microsoft Word and Excel and queried whether they would be widely available for tablets.
 - Members fully supported the principle of going paperless and digital, but felt how it would be delivered, the associated costs and support needs required further investigation and options.

Family Focus programme Update – item 16

Members noted the report but expressed disappointment at the ‘next steps’ detailed on page 132 regarding ‘getset’ in South Somerset – in that Somerset County Council had failed to recruit to the South Somerset Delivery posts.

Future items to be considered by the Scrutiny Committee

In addition to considering items including in the District Executive Agenda, at their meeting on 3rd March, the Scrutiny Committee will be receiving reports from the Civil Contingencies Manager explaining the processes and policies relating to the discovery of undocumented migrants in Ilminster last year. At their meeting on 31st March, members will be considering a report from the Assistant Director – Health and Well-being looking at the successful delivery of the Ranger’s Centre project and how the success of this project can be replicated across the authority.

*Sue Steele, Chairman of Scrutiny Committee
Emily McGuinness, Scrutiny Manager (01935) 462566*

Agenda Item 19

Date of Next Meeting

Members are asked to note that the next scheduled meeting of the Full Council will take place on **Thursday, 5th March 2015** in the Council Chamber, Council Offices, Brympton Way, Yeovil **commencing at 7.30 p.m.**