

You are hereby summoned to attend a meeting of the

## MAIDSTONE BOROUGH COUNCIL



Date: Wednesday 25 February 2015

Time: 6.30 p.m.

Venue: Town Hall, High Street,  
Maidstone

Membership:

Councillors Thick (The Mayor), Ash, Black,  
Mrs Blackmore, Burton, Butler,  
Chittenden, Collins, Cox, Cuming,  
Daley, Edwards-Daem, Ells, English,  
Fissenden, Garland, Mrs Gooch, Greer,  
Mrs Grigg, Harper, Harwood,  
Mrs Hinder, Hogg, Mrs Joy, Long,  
McKay, McLoughlin, Moriarty,  
B Mortimer, D Mortimer, Munford,  
Naghi, Newton, Paine, Mrs Parvin,  
Paterson, Perry, Pickett, Powell,  
Mrs Ring, Mrs Robertson, Ross,  
Round, Sams, Sargeant, Springett,  
Mrs Stockell, Vizzard, B Watson,  
P Watson, de Wiggondene, Willis,  
J.A. Wilson and Mrs Wilson

Continued Over/:

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**Issued on 17 February 2015**

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEBBIE SNOOK on 01622 602030**. To find out more about the work of the Council, please visit [www.maidstone.gov.uk](http://www.maidstone.gov.uk)

*Alison Broom*

**Alison Broom, Chief Executive, Maidstone Borough Council,  
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

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## AGENDA

Page No.

1. Prayers
2. Apologies for Absence
3. Dispensations (if any)
4. Disclosures by Members and Officers
5. Disclosures of Lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information.
7. Minutes of the meeting of the Borough Council held on 10 December 2014 1 - 12
8. Mayor's Announcements
9. Petitions  
Notice has been given pursuant to Council Procedure Rule 11 of the intention to present a petition in the following terms:  
  
Saving Bridgemill Play Area  
  
We, the undersigned, wish our park at Bridgemill Play Area to remain with the bark surfacing, and not to be replaced with rubber surfacing, and do not want this play area to close.
10. Question and Answer Session for Members of the Public
11. Questions from Members of the Council to the
  - (a) Leader of the Council
  - (b) Cabinet Members
  - (c) Chairmen of Overview and Scrutiny Committees
  - (d) Chairmen of other Committees
12. Current Issues - Report of the Leader of the Council, Response of the Group Leaders and Questions from Council Members
13. Report of the Cabinet held on 17 December 2014 - Update on Motion Referred to the Cabinet by Council 13 - 14
14. Report of the Cabinet held on 11 February 2015 - Draft Strategic Plan 2015/2020 15 - 24
15. Report of the Cabinet held on 11 February 2015 - Budget Strategy 2015/16 Onwards 25 - 45
16. Report of the Cabinet held on 11 February 2015 - Treasury Management Strategy 2015/16 46 - 78
17. Report of the Member and Employment and Development Panel held on 21 January 2015 - Pay Policy Statement 79 - 111

18. Oral Report of the Economic and Commercial Development Overview and Scrutiny Committee to be held on 24 February 2015 (if any)

19. Notice of Motion - Living Wage

Notice of the following motion has been given by Councillor Harper:

Living Wage

As a result of the cost of living crises since 2010, wage levels have not generally kept pace with prices. This is more exacerbated for lower earners.

The independently verified Living Wage represents the minimum hourly wage someone can live on at a basic level and ensures that those in full-time work are guaranteed a decent standard of living.

The Maidstone economy has a large element of lower paid unskilled jobs.

To demonstrate THIS Council's commitment to the Living Wage, the Council agrees the following:

1. To note that the Council employs all its staff above the level of the Living Wage and to advertise the fact to encourage other employers as a good example;
2. To investigate with the Living Wage Foundation the implications of being an accredited Living Wage Employer and to receive a report back to a future Council Meeting on this;
3. To ask the Council's Officers to undertake an audit of all Council contractors and sub-contractors to establish if they pay any staff below the Living Wage;
4. If any contractor/sub-contractor is paying below the Living Wage, to review the impact of bringing their lowest paid staff to the Living Wage;
5. To investigate the policy of the Royal Borough of Greenwich to offer discounted business rates to local companies who commit to paying their workers the Living Wage. This is aimed to encourage local businesses looking at making the change to the Living Wage, to supporting local communities and the local economy in general;
6. To apply the Living Wage to apprentices in its employment (as the young should not be discriminated against); and, where they are paid less currently, to prepare an action plan on how this will be remedied and also to undertake a similar exercise with its contractors and sub-contractors; and

7. To recommend that Kent County Council and other members of the Mid-Kent Consortium take similar measures.
  
20. Report of the Head of Finance and Resources - Members' Allowances 112 - 123
  
21. Report of the Head of Finance and Resources - Harrietsham Parish Council - Increase in Number of Councillors 124 - 129
  
22. Report of the Head of Finance and Resources - Committee Membership 130
  
23. Appointment of Mayor Select 2015/16
  
24. Appointment of Deputy Mayor Select 2015/16

**PLEASE NOTE:**

**MEMBERS ARE REQUESTED TO BRING WITH THEM TO THE MEETING THE FOLLOWING DOCUMENT WHICH HAS BEEN CIRCULATED SEPARATELY:**

**APPENDIX A TO THE REPORT OF THE CABINET RELATING TO THE BUDGET STRATEGY 2015/16 ONWARDS**

## **MAIDSTONE BOROUGH COUNCIL**

### **MINUTES OF THE MEETING OF MAIDSTONE BOROUGH COUNCIL HELD AT THE TOWN HALL, HIGH STREET, MAIDSTONE ON 10 DECEMBER 2014**

**Present:** Councillor Thick (The Mayor) and Councillors Ash, Black, Mrs Blackmore, Burton, Butler, Chittenden, Cox, Cuming, Daley, Ells, English, Fissenden, Garland, Mrs Gooch, Greer, Mrs Grigg, Harper, Harwood, Mrs Hinder, Hogg, Mrs Joy, Long, McKay, McLoughlin, Moriarty, B Mortimer, D Mortimer, Munford, Naghi, Paine, Parvin, Mrs Parvin, Paterson, Pickett, Powell, Mrs Ring, Mrs Robertson, Ross, Round, Sams, Sargeant, Springett, Mrs Stockell, Vizzard, B Watson, P Watson, de Wiggondene, Willis, J.A. Wilson and Mrs Wilson

86. PRAYERS

Prayers were said by the Reverend Ian Parrish, the Vicar of All Saints, Maidstone.

87. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Collins, Edwards-Daem, Newton and Perry and that Councillor Willis had indicated that he would be late in arriving at the meeting.

88. DISPENSATIONS

There were no applications for dispensations.

89. DISCLOSURES BY MEMBERS AND OFFICERS

Councillor Sams stated that she was a Member of Harrietsham Parish Council, but, having taken advice from the Monitoring Officer, she intended to vote on the recommendation of the General Purposes Group that the number of Councillors on Harrietsham Parish Council be increased from nine to eleven.

90. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

91. EXEMPT ITEMS

**RESOLVED:** That the items on the agenda be taken in public as proposed.

92. MINUTES OF THE EXTRAORDINARY MEETING OF THE BOROUGH COUNCIL HELD ON 10 NOVEMBER 2014

**RESOLVED:** That the Minutes of the extraordinary meeting of the Borough Council held on 10 November 2014 be approved as a correct record and signed.

93. MAYOR'S ANNOUNCEMENTS

The Mayor updated Members on recent/forthcoming engagements.

94. PETITIONS

1. ALLOCATION OF HOUSING SITES – HARRIETSHAM

Mr Mike Williams presented a petition in the following terms:

*Harrietsham Against Reckless Development has been formed by villagers concerned about the proposed scale of expansion of our lovely village.*

*This petition calls for our Parish Council and Maidstone Borough Council to:*

- *Reduce the proposed expansion of Harrietsham to a more proportionate level, similar to other rural villages;*
- *Refuse any development on greenfield sites of special landscape value and to prioritise brownfield sites; and*
- *Refuse any major development off minor village roads.*

In presenting the petition, Mr Williams said that Harrietsham was a small rural village with very few facilities. It was not a rural service centre and it was not a suitable or sustainable location for the housing growth proposed. Local residents were concerned about the level and location of the growth proposed and the impact on the character of the village and local infrastructure. The Council should lobby central government to direct growth away from sensitive greenfield sites and small rural villages to more appropriate locations.

During the discussion on the petition, Members made a number of points, including:

- The Council should be doing more to influence national debate and central government policy on planning and other issues.
- It was naive to suggest that there was no connection between the rural service centre/larger village designation and larger housing numbers. There was a connection and it was necessary to consider whether this was the right approach. Consideration

should be given to the adequacy of infrastructure in these areas to support the development proposed.

- The absence of a national strategy for the distribution of population and the implications for planning at district level had been debated at the Town and Country Planning Conference, and concerns were being fed back at the highest level. However, whichever approach was adopted the same number of houses would be required.
- The policy regarding rural service centres/larger village designations was underwritten by hierarchical settlement work based upon an assessment of the infrastructure capacity.
- Harrietsham should not be designated as a rural service centre; it was a small village with few facilities. The housing sites proposed in the draft Local Plan, one of which was a designated receptor site, were not suitable and should not be considered.
- This was not just a rural issue. Significant housing development was proposed in deprived urban areas with limited social infrastructure and green spaces.
- In the NPPF there was a presumption in favour of sustainable development. The trajectory of growth for Maidstone was not sustainable and if the current trajectory of growth continued beyond 2031, there was a risk that the character of the Borough would be destroyed and that it would become a southern outlier of the Medway towns.
- The projected level of housing development was unprecedented in this Borough and had implications for quality of life etc.
- The type of development now coming forward (larger houses on greenfield sites) was being promoted by a strong developer lobby of central government, but with the NPPF the Council had fewer tools to manage this growth. The Council should work with MPs and others to form a lobby group to promote development in areas that can accommodate it.
- There was a national need for housing with demand exceeding supply. Some Parish Councils like Harrietsham had taken the opportunity to promote Neighbourhood Plans to shape new development in their areas. Local residents would be able to vote on the adoption of the Neighbourhood Plan and to submit views to the Borough Council during the next round of consultation on the draft Local Plan.
- The Council should have taken the opportunity in the past to ensure that housing development was supported by appropriate infrastructure. A strategic approach was now required to

prevent inappropriate developer-led housing provision in village locations.

- There was a need to build more homes and these should be affordable and accessible. It would be popular to say that there would be no housing growth in Harrietsham, but this was not possible. The Council was seeking to prioritise the development of brownfield sites, but there were very few available.
- Harrietsham, with its railway station and proximity to the M20 motorway, was a sustainable location for development.

**RESOLVED:** That the petition and the points raised during the debate be referred to the Cabinet for consideration.

Note: Councillor Willis entered the meeting during the discussion on this petition (6.50 p.m.).

## 2. SUTTON VALENCE – DESIGNATION AS A LARGER VILLAGE

Councillor Mrs Eileen Riden, the Chairman of Sutton Valence Parish Council, presented a petition in the following terms:

*We, the undersigned, object to Maidstone Council's plans for Sutton Valence to be designated a "larger village" leading to increased housing development. This threatens to change the cherished rural nature of our Parish, overwhelm local infrastructure and amenities, threaten greenfield sites, and add to traffic and parking congestion. We further call upon Maidstone Council to recognise the constraints to growth in Sutton Valence and ensure delivery of levels and types of housing which will respond to local population trends and needs.*

In presenting the petition, Councillor Mrs Riden said that the Parish Council only became aware of the designation of Sutton Valence as a "larger village" when the Borough Council sent a letter to landowners and developers asking them to submit sites for possible housing development. As a result five applications had been submitted, all for development on greenfield sites. This would increase the size of the Parish by 20% with a consequential detrimental impact on the already limited local infrastructure. Local residents were not against development appropriate to the needs of the Parish (modest, affordable homes for young people and smaller developments for older people), and work had commenced on a Neighbourhood Plan. Sutton Valence was set in a beautiful rural area on the Greensand Ridge which the Borough Council was seeking to protect in the Local Plan. The designation of the village as a "larger village" should be taken out of the draft Local Plan.

During the discussion on the petition, Members made a number of points, including:



- Sutton Valence was a historic village with limited infrastructure. The housing numbers proposed were too large and should be reduced. The “larger village” designation was a magnet for developers and should be removed.
- Different circumstances applied to the development of Sutton Valence due to its position on the Greensand Ridge which was more unspoiled than the Kent Downs with traditional farm patterns and important views. With the loss of policies relating to Special Landscape Areas, the Council had fewer tools to manage development on the Greensand Ridge. Priority should have been given to the development of brownfield sites in the draft Local Plan.
- The Council needed to be absolutely certain before the examination in public that it had taken into account the most up to date decisions and guidance from the Planning Inspectorate and that it had re-examined all assumptions to ensure that it was not over providing for housing need.
- The evidence base for the settlement hierarchy should be re-examined to ensure that development is spread at appropriate locations across the Borough. Some Parishes needed managed development to maintain the services they had got.
- The updated “objectively assessed need” for new housing was for 18,600 dwellings during the period 2011-31 (a reduction in the total requirement by some 1,000 dwellings compared with the main Strategic Housing Market Assessment report). The Council could attempt to reduce this figure, but there was a risk that an unrealistically low figure would fail at the Examination in Public and that housing would be imposed on the Borough in the wrong places.
- The housing growth proposed in Sutton Valence over the Plan period was relatively modest.
- Parish Councils were the first tier of local government and were asking the Borough Council to listen to their views. They accepted the need for appropriate development and were preparing Neighbourhood Plans, but they also understood the constraints and their views should be considered.

**RESOLVED:** That the petition and the points raised during the debate be referred to the Cabinet for consideration.

## 95. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

### Questions to the Leader of the Council

Mr Fergus Wilson asked the following question of the Leader of the Council:

*Given the current delays in the delivery of Planning Services is the Mid Kent Partnership fit for purpose and should Maidstone Borough Council withdraw from it?*

The Leader of the Council responded to the question.

Councillor Mrs Wilson, the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

Mr Wilson asked the following supplementary question of the Leader of the Council:

*What timescale are we aiming at to process an application to determination?*

The Leader of the Council responded to the question.

Councillor Mrs Wilson, the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

Mrs Geraldine Brown asked the following question of the Leader of the Council:

*Have Parishes made known to the Leader, other Cabinet Members and Officers their concerns about the 18,600 figure for Objectively Assessed Housing Need?*

The Leader of the Council responded to the question.

Councillor Mrs Wilson, the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

Mrs Geraldine Brown asked the following supplementary question of the Leader of the Council:

*I understand that you have had a lot of meetings with a lot of different organisations, but at the outset you promised regular meetings with the Kent Association of Local Councils representing the Parishes. Can we return to that because it is not happening?*

The Leader of the Council responded to the question.

Councillor Mrs Wilson, the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

## Question to the Cabinet Member for Planning, Transport and Development

Mr John Hughes asked the following question of the Cabinet Member for Planning, Transport and Development:

*The GL Hearn report (para 4.117) states that the Borough had a "significant oversupply (of housing) over the past decade", and this recent oversupply has been trended forward to form the basis of the housing needs assessment for the draft Local Plan. Why hasn't a lower, more balanced, longer term trend been used, as allowed by Para 36 of the Government's Planning Practice Guidance?*

The Cabinet Member for Planning, Transport and Development responded to the question.

Councillor Harwood, on behalf of the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

Mr Hughes asked the following supplementary question of the Cabinet Member for Planning, Transport and Development:

*Paragraph 36 of the National Planning Practice Guidance clearly allows previous oversupply of housing to be taken into account in calculating the Housing Needs Assessment. Would it not be a good idea to explore and pursue the flexibility given by paragraph 36 to reduce the high level of growth proposed to a more balanced reasonable level with a less adverse effect on infrastructure, the environment and attractiveness of the Borough?*

The Cabinet Member for Planning, Transport and Development responded to the question.

Councillor Harwood, on behalf of the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor McKay, the Leader of the Labour Group, then responded to the question.

The time allowed within the Council's Procedure Rules for questions by members of the public having expired, the Mayor announced that the remaining four questions would be held over to the next meeting of the Council unless the questioners requested a written answer in the meantime.

Note: To listen to the responses to these questions, please follow this link:

<http://live.webcasts.unique-media.tv/mbc185/interface>

96. QUESTIONS FROM MEMBERS OF THE COUNCIL

Question to the Leader of the Council

Councillor Harper asked the following question of the Leader of the Council:

*Could the Leader of the Council please inform me of the current state of progress with the Local Plan and would she agree with the Labour Party that completion of the Local Plan is the Council's top priority and that everything possible is being done to bring it to a conclusion during the first half of 2015?*

The Leader of the Council responded to the question.

Councillor Harper asked the following supplementary question of the Leader of the Council:

*Could the Leader of the Council please inform me of the support she is receiving from all Political Groups represented on the Council in terms of moving the Local Plan forward?*

The Leader of the Council responded to the question.

Note: To listen to the responses to these questions, please follow this link:

<http://live.webcasts.unique-media.tv/mbc185/interface>

97. ADJOURNMENT OF MEETING

The meeting was adjourned from 8.10 p.m. to 8.20 p.m.

98. CURRENT ISSUES - REPORT OF THE LEADER OF THE COUNCIL, RESPONSE OF THE GROUP LEADERS AND QUESTIONS FROM COUNCIL MEMBERS

The Leader of the Council submitted her report on current issues.

After the Leader of the Council had submitted her report, Councillor Mrs Wilson, the Leader of the Opposition, Councillor Mrs Gooch, the Leader of the Independent Group, Councillor Powell, the Leader of the UKIP Group, and Councillor Harper, on behalf of the Leader of the Labour Group, responded to the issues raised.

A number of Members then asked questions of the Leader of the Council and the Leader of the Opposition on the issues raised in their speeches.

99. REPORT OF THE CABINET HELD ON 8 OCTOBER 2014 - LOCAL COUNCIL TAX DISCOUNT SCHEME

It was moved by Councillor Mrs Blackmore, seconded by Councillor McLoughlin, that the recommendation of the Cabinet relating to the Local Council Tax Discount Scheme be approved.

**RESOLVED:** That the Local Council Tax Discount Scheme be maintained from 1 April 2015 at its current level, providing a 13% reduction in the former national Council Tax Benefit Scheme, as set out in Appendix A to the report of the Cabinet.

100. REPORT OF THE CABINET HELD ON 8 OCTOBER 2014 - UPDATE ON MOTIONS REFERRED TO CABINET BY COUNCIL

It was moved by Councillor Mrs Blackmore, seconded by Councillor Hogg, that the recommendation of the Cabinet relating to motions referred to it by the Council be approved.

**RESOLVED:** That the action taken by the Cabinet in respect of the three motions referred to it by the Council relating to the Bedroom Tax (Spare Room Subsidy), Cycling Safety and the Gyrotory System and Over-Development of Inner Maidstone be noted.

101. REPORT OF THE GENERAL PURPOSES GROUP HELD ON 21 NOVEMBER 2014 - HARRIETSHAM PARISH COUNCIL - INCREASE IN NUMBER OF COUNCILLORS

It was moved by Councillor Parvin, seconded by Councillor Black, that the recommendation of the General Purposes Group relating to a request by Harrietsham Parish Council for an increase in the number of Parish Councillors be approved.

**RESOLVED:** That, in accordance with the adopted scale, the request by Harrietsham Parish Council for an increase from nine Councillors to eleven Councillors be accepted and that the necessary community governance review and consultation under S82 of the Local Government and Public Involvement in Health Act 2007 be commenced.

102. REPORT OF THE GROUP LEADERS OR NOMINATED REPRESENTATIVES WORKING GROUP - REVIEW OF GOVERNANCE ARRANGEMENTS

It was moved by the Mayor, seconded by Councillor Mrs Joy, and

**RESOLVED:** That all of the Council Rules of Procedure (except Rules 19.5 and 20.2) be suspended for this item to enable Members to receive a presentation from the Head of Policy and Communications on the proposals of the Group Leaders or Nominated Representatives Working Group relating to a new scheme of committee governance; to allow a factual question and answer session to take place; and to facilitate a thorough discussion on this important issue. A debate will take place on the recommendation in the report following which Members may speak on

any of the alternative options listed in the report. At the end of the debate, the recommendation or any alternative recommendation arising from discussion of the alternative options will be moved, seconded and voted upon by the Council. Members may speak more than once during the debate.

During the debate, following the presentation and factual question and answer session, it was moved by Councillor English, seconded by Councillor Daley, that the recommendation contained in the report of the Group Leaders or Nominated Representatives Working Group be approved.

Five Members of the Council requested that a named vote be taken. The voting was as follows:

For (26)

Councillors Chittenden, Cox, Daley, Ells, English, Fissenden, Mrs Grigg, Harper, Harwood, Mrs Joy, Long, McKay, Moriarty, B Mortimer, D Mortimer, Naghi, Paterson, Pickett, Powell, Mrs Robertson, Sams, Sargeant, B Watson, P Watson, Willis and Mrs Wilson

Against (24)

Councillors Ash, Black, Mrs Blackmore, Burton, Butler, Cuming, Garland, Mrs Gooch, Greer, Mrs Hinder, Hogg, McLoughlin, Munford, Paine, Parvin, Mrs Parvin, Mrs Ring, Ross, Round, Springett, Mrs Stockell, Thick, de Wiggondene and J.A.Wilson

Abstained (1)

Councillor Vizzard

**RESOLVED:**

1. That the Council's governance arrangements be changed from an executive to a committee system of governance pursuant to Section 9KC Local Government Act 2000, effective from the Annual Meeting of the Council in May 2015.
2. That the scheme of governance outlined as option 1 in Appendix A to the report of the Group Leaders or Nominated Representatives Working Group and in section 3.3.4 of the report and the terms of reference as detailed in Appendix B to the report be approved.
3. That the Head of Policy and Communications and the Monitoring Officer be authorised to publish the required notice describing the features of the new system and timescales for implementation; to work with Group Leaders to prepare a new Constitution for the Council to adopt; and to deal with any other matters arising from or in connection with the change of governance arrangements.

Note: Councillors English and Fissenden left the meeting during consideration of this issue, but returned shortly after, and continued to participate in the discussion and voting.

103. LONG MEETING

Prior to 10.30 p.m., during consideration of the report of the Group Leaders or Nominated Representatives Working Group, the Council considered whether to adjourn at 10.30 p.m. or to continue until 11.00 p.m. if necessary.

**RESOLVED:** That the meeting should continue until 11.00 p.m. if necessary.

104. ORAL REPORT OF THE STRATEGIC LEADERSHIP AND CORPORATE SERVICES OVERVIEW AND SCRUTINY COMMITTEE HELD ON 2 DECEMBER 2014

It was noted that there was no report arising from the meeting of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee held on 2 December 2014.

105. ORAL REPORT OF THE GENERAL PURPOSES GROUP HELD ON 8 DECEMBER 2014

It was noted that there was no report arising from the meeting of the General Purposes Group held on 8 December 2014.

106. ORAL REPORT OF THE COMMUNITY, ENVIRONMENT AND HOUSING OVERVIEW AND SCRUTINY COMMITTEE HELD ON 9 DECEMBER 2014

It was noted that there was no report arising from the meeting of the Community, Environment and Housing Overview and Scrutiny Committee held on 9 December 2014.

107. REPORT OF THE HEAD OF POLICY AND COMMUNICATIONS - COMMITTEE MEMBERSHIP

It was moved by the Mayor, seconded by Councillor English, that the recommendation contained in the report of the Head of Policy and Communications relating to the membership of Committees be approved.

**RESOLVED:** That the following changes be approved to reflect the wishes of the Leader of the Liberal Democrat Group:

Community, Environment and Housing Overview and Scrutiny Committee

Members

Delete Councillor B Watson. Insert Councillor Vizzard.

Substitute Members

Delete Councillor Vizzard. Insert Councillor B Watson.

Economic and Commercial Development Overview and Scrutiny Committee

Members

Delete Councillor Vizzard. Insert Councillor Mrs Wilson.

Substitute Members

Delete Councillor Mrs Wilson. Insert Councillor Vizzard.

108. REPORT OF THE HEAD OF POLICY AND COMMUNICATIONS - URGENT DECISION TAKEN BY THE EXECUTIVE

The Mayor announced that this report was for information only.

109. DURATION OF MEETING

6.30 p.m. to 10.40 p.m.



## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**25 FEBRUARY 2015**

#### **REPORT OF THE CABINET HELD ON 17 DECEMBER 2014**

##### **UPDATE ON MOTION REFERRED TO THE CABINET BY COUNCIL**

The Cabinet, at its meeting held on 17 December 2014, considered a motion referred to it by the Council. The motion related to the Waterside Park – 14/501895 (Junction 8) decision. The purpose of this report is to provide an update on the action taken by the Cabinet in respect of this motion.

##### **Recommendation Made:**

That the action taken by the Cabinet in respect of the motion referred to it by the Council relating to the Waterside Park at Junction 8 decision and the update by Officers be noted.

At the extraordinary meeting of the Council held on 10 November 2014, the following motion was moved by Councillor Harper, seconded by Councillor McKay:

The local economy has been underperforming since 2008 compared to large parts of Kent and the South East. More and more residents have to look for work outside of the Borough. Now it looks like the Borough of Maidstone is shut for business. The shocking and damaging statement sent out to the business community by Members of this Council who refused permission for the Waterside Park J8 site (planning ref: 14/501895) put forward by ADL and Scarab two major local businesses.

These firms have out grown their current sites and need to relocate, either within the Borough or to authorities only too happy to take jobs from Maidstone.

The fact is that Maidstone is in deep need of a range of sites for business and employment, including non-centre locations with good access to the rail, motorway and main road network for business zones. The entire town is ringed with green land, but it needs to go somewhere and this application was ascetically pleasing. To ensure our town and Borough have a future the Council must take responsibility for proactively identifying non-centre locations for business zones.

This Council resolves to:

1. Urgently identify alternative sites within the Borough of Maidstone.
2. Work closely with companies who wish to relocate within Maidstone or improve infrastructure to their current sites if that is an alternative.

3. Ensure that the Local Plan is pro jobs and that there are sufficient and appropriate sites identified for employment.
4. Adopt in the Local Plan policies to oppose the loss of employment land unless compensating space is locally available.
5. Support the principle of the development of an Enterprise Hub.
6. Report back to the next full Council meeting on all points above.

The Council resolved that the motion be referred to the Cabinet, as the decision making body, for consideration.

**Decision Made by the Cabinet:**

That it be noted that the draft Economic Development Strategy is out for consultation and that the results will not be available until late January 2015. These will then be considered by the relevant Scrutiny Committees which will make recommendations to Cabinet.

**Further Update by Officers:**

The original intention was to report the findings of the consultation process, together with any changes proposed to the draft EDS, to Cabinet on 11<sup>th</sup> February 2015. This reporting timetable was established in order to align with the Local Plan consultation process, particularly the work setting out the proposed changes to the allocation policies for employment (Policy EMP1) and mixed use (Policy RMX1) sites in response to the representations made to these policies during the Regulation 18 public consultation held between March and May 2014.

However, the combined factors of the extended Committee and Cabinet decision making process on the proposed Local Plan housing sites and the number and detail of the comments received to the draft EDS has meant that it was not possible to submit a report to the meeting of the Cabinet on 11 February 2015 and an alternative date is yet to be fixed. The extension has given the Economic Development Team more time to fully consider and respond to the wide range of submissions received.

## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**25 FEBRUARY 2015**

### **REPORT OF THE CABINET HELD ON 11 FEBRUARY 2015**

#### **DRAFT STRATEGIC PLAN 2015-2020**

##### **Issue for Decision**

The Council is asked to approve the draft Strategic Plan 2015-2020, and to give delegated authority to the Chief Executive, in consultation with the Leader, to make minor amendments to the document as required.

##### **Recommendation Made**

1. That the draft Strategic Plan 2015-2020 (attached as Appendix A) be approved.
2. That delegated authority be given to the Chief Executive, in consultation with the Leader, to make minor amendments to the document as required.

##### **Reasons for Recommendation**

The Cabinet considered the report of the Chief Executive and Leader regarding the draft Strategic Plan 2015/20.

The Draft Strategic Plan at **Appendix A** outlines a vision for the borough, supported by a clear mission for the Council to put people first and a set of clear priorities.

During the course of the plan's development we have consulted with staff at One Council briefing sessions, outlining the vision and priorities for the next five years and asking them to identify how we could achieve the priorities and what the barriers may be. This feedback has shaped the actions outlined in the priorities and will be used by heads of service and unit managers in their service planning. Work was also carried out with unit managers to look at how we measure achievement considering which indicators would give us the most useful information.

We have also held several budget roadshows with the public to discuss the priorities; asking residents to identify which are most important to them. Over 1,200 residents took part in the consultation.

As a result of the feedback, a clean and safe environment and transport improvements are proposed as top priorities for the Council. This has also been reflected in the medium term financial strategy.

Overview and Scrutiny considered the Draft Strategic Plan in January. They made a number of recommendations to improve the Plan's narrative and these changes have been incorporated into the Plan.

The Draft Plan has been developed giving careful consideration to performance data and other contextual information including the most recent residents' survey results, national research and other emerging strategies and plans.

The plan has been deliberately kept short and focused to ensure it translates into action easily and it is clear to residents and council employees and our partners what we want to achieve over the next five years.

There is synergy between the council's previous strategic plan and the new plan that has been developed. The mission to put people first continues the theme of Great People and underpins all of the council's priorities going forward. The previous Great People priority included outcomes for how we deliver our services and ensuring that people are not disadvantaged by where they live. Keeping Maidstone an attractive place for all and securing a successful economy continue our previous priorities of Great Place and Great Opportunity. There is a renewed emphasis in the plan on listening to our communities and working with our Parishes. The Draft Plan contains a balanced set of priorities that reflect all parts of the Borough both rural and urban.

The diagram at page 3 of the Draft Strategic Plan includes a section on the Council's values. These have been in place for a number of years having been set and reviewed with Council employees. For clarification the reference to internal and external teams in the Service value means that we should give excellent customer service to both our residents and others as well as from team to team within the council.

### **Alternatives Considered and Why Not Recommended**

The current Strategic Plan finishes in March 2015, the draft Strategic Plan sets the vision and corporate priorities for the next five years. Without a Plan to set our priorities and provide clear focus for employees and related plans and policies the effectiveness of the Council would be significantly reduced.

### **Background Documents**

None

# Draft Strategic Plan 2015-2020



## Foreword from the Leader, Councillor Annabelle Blackmore



The Strategic Plan is Maidstone Borough Council's most important document because it illustrates how we will create the conditions in making Maidstone Borough an attractive place to live, work and visit. The council faces tough challenges over the next five years however we must create the conditions which allow for managed economic growth, but also respects our natural environment and the heritage which the county town of Kent possesses.

Maidstone is the county town of Kent and we have attracted investment and growth to help secure our future. We have a unique mix of rural Kentish villages, urban areas and a vibrant town centre, which makes Maidstone a highly desirable place in which to live, work and visit. However I believe we must not be complacent. Following public consultation about our priorities it was clear residents value a clean and safe borough and improvement to our transport infrastructure to ease the traffic congestion across the Borough of Maidstone.

The delivery of improved road infrastructure must occur through close working with key partners. For example work on the improved Bridges Gyratory scheme will start later in 2015. Other schemes across the borough will be funded through a variety of measures and will seek to improve key pinch points.

Although our borough is a clean and safe place we must work with all partners to continue to improve all areas of the public realm for the benefit of all. Working together with our parish councils and other local community groups we will facilitate improvements across the borough.

Over the next five years the Council will face a difficult financial future, along with most public sector organisations, as our funding for the provision of local services is reduced. We are taking steps to manage our assets more effectively through a series of measures including our Festivals and Events programme.

This document puts people at the heart of our plans. I want Maidstone to have a bright future and I believe the Strategic Plan sets out what we want to achieve over the next five years and what we will deliver for our residents, our businesses and also our visitors.

# Our Vision, Mission and Values

## OUR VISION

That our residents live in decent homes, enjoy good health and a pleasant environment, with a successful economy that is supported by reliable transport networks.

## OUR MISSION

Putting People First.

### PRIORITY 1

Keeping Maidstone Borough an attractive place for all

Providing a clean and safe environment

Encouraging good health and wellbeing.

Respecting the character of our Borough

Ensuring there are good leisure and cultural attractions

Enhancing the appeal of the town centre for everyone

### PRIORITY 2

Securing a successful economy for Maidstone Borough

Securing improvements to the transport infrastructure of our Borough

Promoting a range of employment opportunities and skills required across our Borough

Planning for sufficient homes to meet our Borough's needs

## OUR VALUES

### Service

Everything we do impacts on our customers, both internal and external. We will listen to and understand their needs, then take action to provide the right service in a positive and professional manner.

### Teamwork

Working together to achieve our objectives and goals in a way that utilises the talents and creativity of everyone in our organisation.

### Responsibility

We work in an environment that encourages us to take ownership for our actions. Making the right choices and decisions that lead to a satisfactory outcome for all.

### Integrity

We have the courage to act on our convictions to build trust and honesty. We work with our partners and customers to create a feeling of openness and transparency in everything we do.

### Value

Taking care and weighing up our options, aiming to get the maximum effect for every penny of public money we spend.

### Equality

Valuing our differences and understanding how they can contribute to a better working environment and services that are fair and easy to access.

## Providing a Clean and Safe Environment

Over the past 5 years, Maidstone Borough Council has demonstrated its commitment to deliver cost effective and sustainable waste and recycling services as a result our recycling rate has improved significantly. Maidstone does not experience high levels of crime. We have with our Community Safety Partnership agreed that reducing anti-social behaviour, domestic abuse, reoffending and improving road safety are our priorities up until 2018.

### We mean:

- People feel safe in the Borough and they live in a clean environment of high quality

### We will:

- Work with our partners to improve all areas of the public realm
- Deliver the waste and recycling strategy
- Deliver an efficient and effective street cleansing service
- Deliver the Community Safety strategy
- Deliver the Air Quality Strategy working with partners

### Measured by:

- Resident satisfaction
- British crime survey
- Environmental quality indicators
- Recycling
- Reduction in residual waste
- Estimated levels of CO2 Emissions (per head of population)

## Encouraging Good Health and Wellbeing

Deprivation in the borough is lower than average, however 15% (4,300) of children (under 16 years old) in Maidstone live in poverty. There is a larger difference in life expectancy of men and women; 7 years lower for men and 4 years lower for women in the most deprived areas of Maidstone than in the least deprived.

### We mean:

- Addressing the social determinants of health through our role in services like Housing, Environmental Health and Community Development and our provider role in terms of leisure activities
- Improved health outcomes for residents, reduced health inequality

### We will:

- Deliver our housing strategy
- Deliver our health inequalities action plan
- Work with businesses to promote health and wellbeing

### Measured by:

- Health Indicators
- Number of private sector homes improved
- Disabled Facilities Grants
- Homelessness Prevention



## Respecting the Character of our Borough

Maidstone is the county town of Kent, in terms of its geography it is largely rural and the countryside offers high quality landscape and biodiversity. Approximately 50% of the borough population lives in a parished area. We are focused on achieving economic prosperity, whilst at the same time balancing protecting the environment and landscape that makes the borough of Maidstone a great place to live, work in and visit.

### We mean:

- Thriving and Resilient Urban and Rural Communities
- Listening to our communities
- Respecting our Heritage and Natural Environment
- Devolving services where we can and working with Kent County Council to do the same

### We will:

- Deliver and honour our parish charter
- Deliver the communication and engagement action plan
- Work with our Parishes and Communities on the design of their communities

### Measured by:

- Resident survey
- Parish survey

## Ensuring there are good Leisure and Cultural Attractions

There is always something to see or do in Maidstone with the river, two museums and a theatre in the town centre, four green flag parks, a well-used leisure centre, a castle, various markets and a variety of festivals and events held across the Borough and throughout the year.

### We mean:

- Maidstone has leisure and cultural offers which attract visitors and meet the needs of our residents

### We will:

- Adopt and deliver a Destination Management Plan with a shared statement of intent to manage, develop and promote our borough
- Deliver the festival and events strategy
- Maximise the benefits of our leisure and cultural assets through our commercialisation approach to maintain key services

### Measured by:

- Customer satisfaction with our leisure and cultural attractions
- Visitor economy indicators

## Enhancing the Appeal of the Town Centre for Everyone

Maidstone has had an historically thriving town centre however we need to ensure that we keep pace with the changing economic environment and continue to meet the demands of businesses and consumers. Investment in Maidstone town centre is needed if it is to continue to be a popular place for leisure, to live, shop and work.

### **We mean:**

- Ensuring we have a thriving and attractive town centre that is fit for the future

### **We will:**

- Be proactive in delivering a vision for the town centre through working with partners, businesses and regenerating areas ourselves.

### **Measured by:**

- % of vacant retail units
- Conversion of office space to residential,
- How Maidstone is rated as a retail destination
- Resident satisfaction

## Securing Improvements to the Transport Infrastructure for our Borough

Maidstone is strategically situated between London and the channel ports and is serviced by two motorway networks, the M20 and M2, with rail connections to central London. With regard to travelling in and around the Borough by car, congestion is an issue particularly at peak time in the town centre. The bus transport network serving Maidstone town is relatively strong whilst rural transport presents distinct challenges.

### **We mean:**

- A transport network that meets the needs of residents and businesses

### **We will:**

- Deliver an integrated transport strategy and work with our partners to seek improvements to the transport infrastructure

### **Measured by:**

- Measures from Integrated Transport Strategy
- Resident Survey

## Promoting a range of employment skills and opportunities across the borough

There were 68,300 people employed in the Maidstone economy in 2012 with a high proportion in the public sector, reflecting the town's status as Kent's County Town and administrative capital. There were 6,760 registered businesses in Maidstone in 2012, equivalent to 43 businesses per 1,000 population, compared to 39 for England and an above average rate of self-employment.

### We mean:

- Meeting the skills and employment needs of our residents, not becoming a dormitory borough and supporting and attracting businesses

### We will:

- Adopt a Economic Development Strategy and Deliver with Partners.
- Work with businesses and support them to grow and develop
- Support the principle of an enterprise hub
- Work with our partners to support those not in education, employment or training (NEET)

### Measured by:

- % of our residents that are NEET
- Net change in jobs
- % of Job Seekers Allowance claimants
- Business Start-ups versus failures

## Planning for Sufficient Homes to meet our Borough's Needs

Over the last five years, the supply of new affordable housing within the borough has been greater than in neighbouring authorities, although still less than historic levels. 189 new affordable homes were built in the borough in 2013/14. In total 630 new homes were delivered in 2012/13, of these new homes over 80% were built on land that had previously been developed.

### We mean:

- Having enough homes to meet our residents needs with sufficient homes across a range of tenures

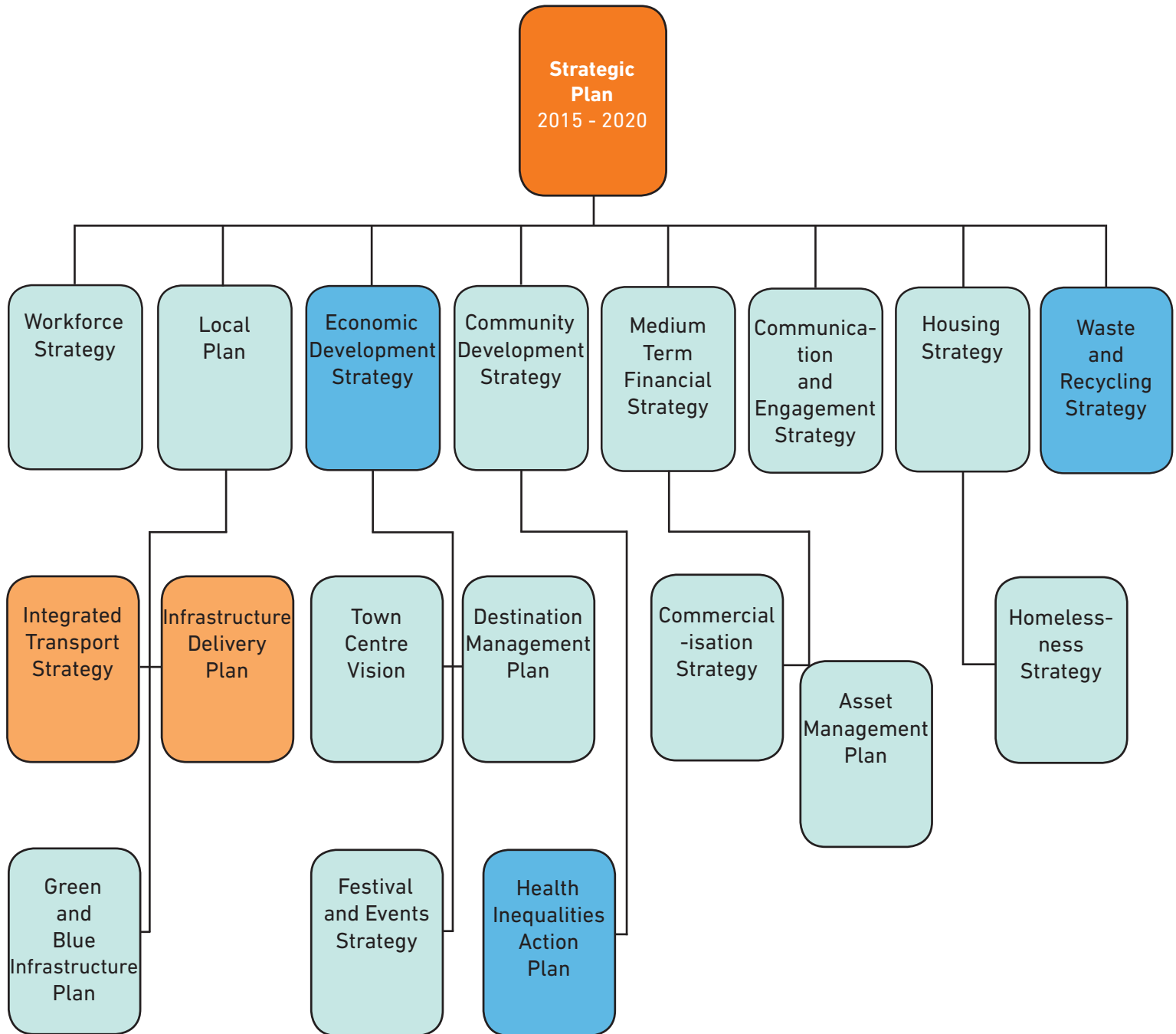
### We will:

- Adopt a local plan
- Deliver the Housing Strategy

### Measured by:

- Net Additional Homes
- % of additional homes that are affordable

# How it all fits together - Our Strategies and Plans



- Priority 1:** Keeping Maidstone an attractive place for all
- Priority 2:** Securing a successful economy
- Supports both priorities**

## MAIDSTONE BOROUGH COUNCIL

### REPORT OF THE CABINET HELD ON 11<sup>th</sup> FEBRUARY 2015

#### BUDGET STRATEGY 2015/16 ONWARDS

##### **Issue for Decision**

To consider the proposed Revenue and Capital Budgets for 2015/16, including service savings and growth, in accordance with the agreed budget strategy and in the context of the Medium Term Financial Strategy and the Medium Term Financial Projection.

To calculate and approve the Council Tax requirement for 2015/16.

##### **Recommendations Made**

1. That the future production of the budget book be linked to the Council's priorities detailed in the strategic plan and as set out in Appendix A (circulated separately).
2. That the revised revenue estimates for 2014/15 be agreed as set out in Appendix A.
3. That the minimum level of General Fund Balances be set at £2m for 2015/16.
4. That the proposed Council Tax of £235.71 at Band D for 2015/16 be agreed.
5. That the revenue estimates for 2015/16 incorporating the growth and savings items set out in Appendix A be agreed.
6. That the Statement of Earmarked Reserves and General Fund Balances as set out in Appendix A be agreed.
7. That the Capital Programme, as set out in Appendix A be agreed.
8. That the funding of the Capital Programme as set out in Appendix A be agreed.
9. That the Medium Term Financial Strategy as set out in Appendix A be agreed.
10. That the Strategic Revenue Projection, as set out in Appendix A as the basis for future financial planning be endorsed.
11. That it be noted that the Council's Council Tax base for the year 2015/16 has been calculated as 56974.3 in accordance with Regulation 3 of the

Local Authorities (Calculation of Council Tax Base) regulations 1992.

12. That it be noted that in accordance with Government guidance the yield from business rates has been calculated as £58,252,075.
13. That it be noted that the individual parish area tax bases set out in Appendix B are calculated in accordance with regulation 6 of the Regulations and are the amounts of the Council Tax Base for the year for dwellings in those parts of the Council's area to which a special item relates.
14. That the distribution of Local Council Tax Support funding to parish councils, as set out in Appendix C, be approved.
15. That the Council Tax requirement for the Council's own purposes for 2015/16 (excluding Parish precepts) is £13,429,412.
16. That the following amounts now be calculated by the Council for the year 2015/16 in accordance with Section 31A, 31B and 34-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
  - (a) £80,506,490 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £65,683,120 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £14,823,370 being the amount by which the aggregate at 16(a) above exceeds the aggregate at 16(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
  - (d) £260.18 being the amount at 16(c) above (Item R), all divided by the figure stated at 11 above (Item T in the formula in section 31A(4) of the Act), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including parish precepts).
  - (e) £1,393,958 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B).
  - (f) £235.71 being the amount at 16(d) above less the result

given by dividing the amount at 16(e) above by the tax base given in 11 above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

17. That it be noted that for the year 2015/16 Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

<b><u>Valuation Bands</u></b>	<b><u>KCC</u> <u>£</u></b>	<b><u>KPCC</u> <u>£</u></b>	<b><u>KMFRA</u> <u>£</u></b>
A	726.66	98.10	47.10
B	847.77	114.45	54.95
C	968.88	130.80	62.80
D	1,089.99	147.15	70.65
E	1,332.21	179.85	86.35
F	1,574.43	212.55	102.05
G	1,816.65	245.25	117.75
H	2,179.98	294.30	141.30

18. That, having calculated the aggregate in each case of the amounts at 16 (d), and 17 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets out in Appendix D, the amounts of Council Tax for the year 2015/16 for each of the categories of dwellings shown.

### **Reasons for Recommendation**

This report sets out the considerations of Cabinet in relation to the budget for 2015/16 and the formal recommendation of Cabinet to set the budget and the Council Tax level as required by the Local Government Finance Act 1992 and the Localism Act 2011.

The Medium Term Financial Strategy has been developed along with the new Strategic Plan. As part of the work to connect the two strategies the budget set out at Appendix A has been amended from its previous format in two ways. Firstly the details are categorised by priority rather than Cabinet Member's portfolio and secondly the details has been simplified to improve legibility and usability. Members should view the budget as a first attempt at redesign and will be improved during the development of the 2016/17 budget.

On two previous occasions this year the Cabinet has considered the developing medium term financial strategy for 2015/16 onwards. On the first occasion a strategic revenue projection and a council tax level was set for the purposes of planning and consultation with the public and overview and scrutiny committee.

In addition the Cabinet has considered two quarterly budget monitoring reports for the current financial year. These reports have reviewed revenue, capital and other balance sheet items and reported on any major variances or other issues. The reports identified areas where income is above budget and where expenditure levels are above budget. The Cabinet has made decisions in relation to those reports and resources have been reallocated to areas of budget pressure in line with those decisions.

### Current Year 2014/15

One major area where expenditure is in excess of budget, Housing Temporary Accommodation, has been reported for the last three years and a temporary resolution has been found each year. This year the purchase and use of Aylesbury House has resolved part of the pressure on this budget. At its December 2014 meeting the Cabinet agreed an allocation of £160,000 into this budget to permanently resolve the remaining budget pressure.

The third quarterly budget monitoring report to Cabinet in February 2015 shows a growing level of employee underspend after an allowance is made for temporary staff and consultants. In addition income from both parking and planning are above target. The expected outturn for 2014/15 is a positive variance or underspend of £587,682.

### The Strategic Plan and Other Strategies

During this year there has been a fundamental review of the strategic plan. The current plan is for the period to 31<sup>st</sup> March 2015. A new strategic plan has been developed for the period 2015/16 to 2019/20 and is reported elsewhere on this Council agenda for consideration. Alongside this work the medium term financial strategy for 2015/16 to 2019/20 has been developed to maximise the links between resources available and priorities of the council.

The medium term financial strategy also incorporates consideration of the following:

- a) The workforce strategy – provision is included in the budget for expected growth and savings in employee costs.
- b) The asset management strategy – provision has been made from both capital and revenue resources for the repair and maintenance of assets. In addition there are resources within the capital programme for the acquisition of additional commercial property.
- c) The ICT strategy – ICT is provided to the council by a shared service in partnership with Swale and Tunbridge Wells Borough Councils. The ICT strategy is therefore a three way strategy. The medium term



financial strategy incorporates contributions to improvements that enhance the partnership and resources for the needs of this council.

- d) The Local Plan, (especially the links to the infrastructure delivery plan) – delivery of sustainable growth requires resources to improve all forms of infrastructure. While the infrastructure delivery plan remains in draft the council has made decisions regarding the use of new homes bonus and the future development of a community infrastructure levy that will enable infrastructure work to commence where plans require. An estimate of future resources available is set out in the capital programme later in this report.
- e) Risk register – the funding needs of actions plans developed for mitigation of identified risks are, where appropriate, incorporated into the budget strategy.
- f) Treasury Management – the 2015/16 strategy is reported elsewhere on this agenda. Recent debate has set out the difficulty with improving investment income in the current market and the strategy continues to place security above return.
- g) Commercialisation Strategy – the financial plan set out in the strategy is reflected in the medium term financial strategy in terms of both revenue benefits and capital implementation costs.
- h) Housing Strategy & Homeless Strategy – in recognition of the pressure on the temporary accommodation budget the Cabinet has approved additional permanent resources from 2015/16.

## Consultations

### Consultation with the public

The consultation with the public was carried out between October 2014 and December 2014. The consultation was available on the Council's website over this period and social media was utilised to raise awareness. Under the successful banner of "My Council - What matters to me", which has been used for budget consultations over the last three years, Cabinet Members and officers met with local residents in both rural and town locations across the borough to discuss the budget and consider the priorities set out in the strategic plan.

The key feedback from those meetings is that residents place most importance on two of the eight priorities: "providing a clean and safe environment"; and "securing improvements to the transport infrastructure of our borough". Later in this report the budget will identify links to the strategic plan priorities. The two high priority issues for residents also retain the highest levels of funding reflecting their importance to the Council. A clean and safe environment receives the highest allocation of revenue funding and transport infrastructure will benefit from the capital funding being set aside for infrastructure to support the local plan.

## Consultation with Strategic Leadership & Corporate Services Overview and Scrutiny Committee

The Strategic Leadership and Corporate Services Overview and Scrutiny Committee followed the development of the medium term financial strategy and the budget for 2015/16 through its budget working group. This group met with officers and members on several occasions during the year and reported back to the committee on its views. This enabled detailed consideration of the factors used in the developing budget.

The working group has completed an in depth review of the provisional business plans and proposals that will be brought forward to achieve the objectives of the commercialisation strategy. This was completed so that the group could be confident that the assumptions built in to the proposed medium term financial strategy are achievable.

The group has also considered a number of other aspects of the medium term financial strategy:

- a) the proposed fees and charges increases;
- b) the link between budgetary provision and the priorities set out in the draft strategic plan; and
- c) the savings and efficiencies set out in this report;

The constitution requires the Cabinet to formally consult with Overview and Scrutiny and this was achieved by formal consultation at the meeting of the Strategic Leadership and Corporate Services Overview and Scrutiny Committee on 6th January 2015. The Cabinet Member for Corporate Services, the Head of Finance and Resources and the Chief Executive attended the meeting to answer questions on the budget strategy.

The committee made recommendations to Cabinet in relation to the medium term financial strategy and these are as follows:

- That the Committee be noted as in active support of Officers in finding options that mitigate the financial risk to the Council while achieving strategic objectives, and request an update from the Head of Housing and Community Services on this issue.
- That Officers be requested to develop member development sessions in strategic risk to be incorporated into new member inductions commencing from elections in May 2015, to be rolled out to all members, and refined as the constitution develops.

## Consultation with Audit Committee

The Audit Committee considered the budget strategy at its meeting on 26 January 2015. The committee's remit is with reference to risk management and it considered the operational risk assessment of the budget that is produced by the finance team as part of its service planning work each year. In the main, the view of the Committee was that the risk assessment identified the

appropriate risks and the general work of the Council in monitoring the budget and the specific mitigation measures proposed were satisfactory.

In one area the Committee agreed to pass a reference on to the Cabinet. This is in relation to the level of balances and the future planned activity of the Council. The Committee felt that the work completed on the medium term financial strategy did not suitably bring together all of the issues so that the maximum financial exposure identified for all activities could be seen in relation to the available resources that would be utilised if plans were to fail.

While it is true that the Cabinet has not reviewed the worst case outcomes since September 2014 the purpose of the strategic revenue projection is to bring together the consequences of all the Council's plans and objectives at a level that Cabinet considers appropriate. In September 2014 the Cabinet considered three options for the strategic revenue projection this included best outcome, a worst outcome and a most likely outcome option. The Cabinet selected a modified most likely outcome for planning purposes and again modified it in December 2014 in light of more accurate information.

Officers have reviewed the current strategic revenue projection and the third quarterly monitoring report for 2014/15 and identified the following projects as potentially significant exposure if the planning assumptions are incorrect:

- a) Commercial activity - £200,000 per annum income
- b) Temporary Accommodation – current overspend £354,664 should be resourced in 2015/16
- c) Introduction of Universal Credit – partial loss of Benefit Administration Grant £150,000
- d) Business Rates – Growth not achieved £1,167,467

These issues are mitigated in the current risk management plans as follows:

- a) Commercial activity will be supported by up to £164,000 of rental income from Phoenix Park for 2015/16. However the commercial activity must still provide the planned income of £1,000,000 within the five years of the strategy.
- b) Temporary Accommodation is now supported by Aylesbury House and two other premises providing a further eight units. In addition Cabinet has provided net additional budgets of £160,000 on a permanent basis from 2015/16.
- c) Universal credit will commence this year but the full implementation will take some years. The planned loss of grant is greater than grant losses in prior years and within the strategy period the full amount is lost.
- d) Business Rates growth is predicted to be significant but the value is well within the expected parameters. The proposal is for the resources to be held as a reserve until central government confirmation of the surplus during 2016/17 when proposals for its use can be confirmed.
- e) In addition to the direct mitigations of the risks the Council retains a specific balance of £500,000 as a resource set aside against the risk of commercial failure of one or more commercial projects.

Members should note that the intention of the risk management statement provided to Audit Committee is to ensure that a suitable level of cover exists for such risks and that actions will be taken to monitor and react to signs of such events occurring.

### The Strategic Revenue Projection

The Cabinet considered and agreed a strategic revenue projection at its meeting in September 2014 and has considered updates at its meeting in December 2014. The current strategic revenue projection is given within **Appendix A** and includes amendments that have arisen since the December report.

Set out below is the latest information about the key elements of the projection.

### Provisional Finance Settlement

The provisional finance settlement was announced on 18 December 2014 on the day after the Cabinet considered a report on the draft budget for consultation with overview and scrutiny. The Department for Communities and Local Government allow a period of consultation until 15 January 2015. In February each year the final settlement figures are then announced and at that time they provide an indicative value for the following year.

In February 2014 the government provided indicative figures for 2015/16 and on 4th February 2015 they provided final figures based on current data and the outcome of the autumn statement. There has been a reduction in the total value. The national data provided on the two occasions is as follows:

<b>2015/16 Settlement National Figures</b>	<b>As at February 2014</b>	<b>As at December 2014</b>	<b>£ Difference</b>	<b>% Difference</b>
Revenue Support Grant	£9,233,280,899	£9,435,365,359	£199,084,460	2.16
Business Rates Baseline	£11,417,533,227	£11,323,173,448	-£94,359,779	-0.83
	<b>£20,650,814,126</b>	<b>£20,758,538,807</b>	<b>£104,724,681</b>	<b>0.50</b>

Nationally a number of changes occurred between the indicative figures of February 2014 and the Provisional figures of December 2014. A large part of the growth in revenue support grant, £145,200,000, is the provision of council tax freeze grant to those authorities that did freeze their council tax. The reduction in business rates relates to the 2% cap placed on increases in the autumn statement. The indicative figures assumed an increase in RPI of 2.76% which is not now available.

The report considered by the Cabinet in December 2014 used the indicative finance settlement figures provided to Maidstone by the DCLG in January 2014. The provisional figures announced on 18th December 2014 are lower than the indicative figures by £8,629 as set out in the table below. This is not a significant figure but did require additional savings to be found.

<b>2015/16 Settlement Maidstone Figures</b>	<b>As at February 2014</b>	<b>As at December 2014</b>	<b>£ Difference</b>	<b>% Difference</b>
Revenue Support Grant	£2,250,663	£2,266,690	£16,027	0.71
Business Rates Baseline	£2,983,341	£2,958,685	-£24,656	-0.83
	<b>£5,234,004</b>	<b>£5,225,375</b>	<b>£-8,629</b>	<b>-0.16</b>

Maidstone has not claimed council tax freeze grant in 2014/15 and did not receive the grant. The Council did however benefit from some minor changes to rural funding and the New Homes Bonus top slice refund. In terms of the business rates baseline the Council has seen a reduction due to the use of a 2% cap rather than the RPI assumed in the indicative figures.

### Parish Funding

The Cabinet considered the amount and distribution of the local council tax support grant that the Council has agreed to passport to parish councils. The grant is distributed to parishes proportionate to the level of council tax lost due to council tax support grant.

Included in **Appendix A** is a table of values that the Cabinet agreed at its December 2014 meeting could be provisionally reported to parish councils to assist in their budget and precept setting.

The calculation of the overall amount of grant to distribute is based upon the change in the Council's resources from the finance settlement each year. When Cabinet considered the distribution of the grant to Parishes at its December 2014 meeting the finance settlement figures were not available and indicative figures supplied by the government in February 2014 were used. Based on this formula the overall grant was reduced from the 2014/15 value of £96,802 by 15.27% to £82,024.

The finance settlement announced the day after the December 2014 Cabinet meeting provided actual resources of £8,629 less than the indicative figures. This means that the overall reduction in funding from 2014/15 into 2015/16 is 15.4% not 15.27%.

A similar but larger change occurred in development of the 2014/15 budget strategy but in approving the budget for the current year it made a decision not to amend the allocation to parish councils and it would be appropriate to make a similar decision this year.

### Business Rates Pool and NNDR1 Estimate

The business rates estimate for 2015/16 is based on the recently calculated NNDR1 return provided to the Department for Communities & Local Government on 31st January 2015. The return predicts growth above the baseline business rates level set out in the finance settlement. The table below

sets out the distribution of the business rates calculated for the NNDR1 return and compares this to the assumed values from the government's finance settlement announced on 18th December 2014.

<b>Authority - Share</b>	<b>Provisional Finance Settlement</b>	<b>NNDR1 Return</b>	<b>Shares of Estimated Growth</b>
<b>Business Rates Total</b>	<b>56,124,896</b>	<b>58,525,075</b>	<b>2,400,179</b>
Central Government 50%	28,062,448	29,262,537	1,200,089
Kent County Council 9%	5,051,241	5,267,257	216,016
Kent & Medway Fire & Rescue 1%	561,249	585,251	24,002
<b>Maidstone Borough Council 40%</b>	<b>22,449,958</b>	<b>23,410,030</b>	<b>960,072</b>
Tariff due to Government	-19,491,273	-19,491,273	
Maidstone – baseline need	-2,958,685	-2,958,685	
<b>Maidstone - estimated growth</b>	<b>0</b>	<b>960,072</b>	

The significant difference occurs due to three factors:

- a) The provisional finance settlement figures are the product of inflationary increases in the original baseline figures set at the commencement of the system on 1 April 2013. The figures do not reflect growth or changes in exemptions and allowances.
- b) There are a number of allowances that have been introduced by central government such as retail relief and the extension of the 100% small business rates relief and the effect of these were unknown in 2013/14 and were built into the system at a value that allowed a high level of take up which has not materialised at this time.
- c) In the initial year of the system, 2013/14, the Council was required to set aside a significant provision against the cost of backdated and current appeals by businesses against their rateable value assessments. This provision will only require adjustment in 2014/15 and 2015/16.

The table above shows that the Council technically retains 40% of the funds but there is a tariff payable to central government. The tariff is set as part of the finance settlement in each year and the Council must pay a tariff of £19,491,273 from its share in 2015/16. The balance equates to the business rates baseline given in the finance settlement and any growth attributable to the Council.

The total growth is in line with the predictions made by the Council at the time that the Council joined the Kent Business Rates Pool for 2015/16. The current prediction for this Council's share of growth directly from business rates collected is £960,072 as set out in the table below.

In addition, some of the special exemptions granted by central government that are mentioned earlier are reimbursed to the Council through section 31 grant outside of the business rates system. These grants must be included in the calculation of growth and therefore the levy on growth. The current estimate of these grants, based on the NNDR1 data is a total of £860,380. Adding this to the £960,072 growth estimated in 1.10.4 above gives a growth for levy purposes of £1,820,452.

In normal circumstances this growth would be subject to a 50% levy which is payable to central government to support the payment of safety net grant to local authorities who saw business rates decline in their area. Due to the fact that the Council is a member of the Kent Business Rates Pool the levy will not be due in full. The levy on members of the pool is 1.25% rather than 50%.

The pool agreement enables the Council to retain some growth and distribute the balance as follows:

Action / Beneficiary	Formula	£
MBC retains the first 50% of the growth	$1,820,452 * 50\%$	910,226
Central government receive the levy	$1,820,452 * 1.25\%$	22,756
<b>the balance (887,470) is shared within the pool:</b>		
Retained by MBC	$887,470 * 30\%$	266,241
Growth Fund contribution MBC / KCC	$887,470 * 30\%$	266,241
Retained by KCC	$887,470 * 30\%$	266,241
Held as a provision against pool losses	$887,470 * 10\%$	88,747
<b>Total</b>		<b>887,470</b>

The sum retained by the Council is estimated to be £1,176,467 and comprises rows 2 and 5 of the table above. Cabinet has already considered the use of the growth identified in this estimate and in the budget at Appendix A it has been utilised in two ways. The initial 50% share retained by the Council creates an earmarked reserve and, following the year end audit, the resources that are actually confirmed would be utilised in 2016/17. The £266,241 funding retained from the pool must be utilised in accordance with the memorandum of understanding which suggests two purposes:

- To enhance financial resilience for each of the pool members; and

- To promote further economic growth within the district based pool area.

Cabinet have previously considered options to utilise the resources to achieve the second purpose by supporting the actions required in the economic development strategy with this resource.

In order to recognise the business rates growth within the budget for 2015/16 the estimated growth figure has been incorporated into the resources section of the strategic revenue projection at the value calculated from the NNDR1 return. The two objectives identified for the resources above have also been shown in the strategic revenue projection in Appendix A.

### New Homes Bonus

The Council has previously made the decision that New Homes Bonus should not be used as a temporary resource to provide a balanced revenue budget. With the exception of some small value revenue projects that were one-off in nature, resources gained from New Homes Bonus have been reserved for support to the capital programme. The Council's intention is to ensure that resources are available from New Homes Bonus and future Community Infrastructure Levy contributions to support the needs of the Infrastructure Delivery Plan. The funding is set out in the capital programme later in this report.

For the financial year 2015/16 the Council will receive a grant of £4,306,285 which is an increase of £565,874 over the 2014/15 payment. This represents payment for new homes in the period October 2013 to October 2014.

Payment of New Homes Bonus commenced in 2011/12 with the first payments representing housing growth in the year October 2009 to October 2010. Under the scheme the payment is compounded for six years and the current payment is an accumulation of the figures for the last five years as set out in the table below. Members should note that the financial values and property numbers do not directly match as an enhancement is paid for any units that are affordable housing and this varies year on year.

<b>Year</b>	<b>£</b>	<b>Property Growth</b>
2011/12	892,316	766
2012/13	903,336	720
2013/14	1,152,721	891
2014/15	792,038	606
2015/16	565,874	346
<b>Totals</b>	<b>4,306,285</b>	<b>3329</b>

The Government has commenced a review of the scheme and recently published a report on winners and losers from new homes bonus. As the major part of the funding has been top-sliced from business rates the government has calculated the business rates without top-slice and compared this with the results of the current system. The initial review concludes that Shire District



Councils are the greatest beneficiaries of the scheme. The negative impact falls in the main on County Councils and Metropolitan Borough Councils. By region, the South East has the greatest proportion of beneficiaries from the scheme. Across Kent, Maidstone is the greatest beneficiary but property growth in Maidstone is shown in the table above as in decline since 2013/14.

The review will not be complete until after the general election in May 2015 and it can be expected that the scheme will change to at least rectify some of the imbalance. Members should also note that the Labour Party has stated that they will cease the scheme if they form a government following the general election.

At this time it would be prudent to assume that funding will reduce but this is unlikely to happen through the deletion of the whole scheme in one year. The figures set out in the section of the report on the capital programme assume an annual reduction of 35% in the calculated value of New Homes Bonus each year from 2016/17 with no future years added after 2017/18.

### Fees & Charges

At the December 2014 meeting, Cabinet considered a report on fees and charges and approved the proposed increases which provide £76,300 additional income. At that time Cabinet requested further details on the proposed increase in income from parking and details of the current trend on fees in development management.

The third quarterly monitoring report considered by Cabinet identified both parking and development management as areas where fee income is in excess of the current target. The income above estimate at 31st December 2014 for parking was £42,821 and for development management £140,625.

The parking service proposed a £21,300 increased budget for parking income in 2015/16 which was approved by Cabinet in December 2014. The increase relates to greater use of King Street Car Park and not an overall increase in fees. This sum is approximately half of the increased income currently reported for 2014/15. The balance of the current year's increase relates to use of other car parks and due to the inconsistent nature of the demand for individual car parks the trend remains uncertain. The parking services manager has recommended a cautious approach at this time and a full review for the 2016/17 budget.

The Head of Planning and Development is working with the business improvement section to review the long term growth predictions and the expected levels of staffing required to ensure appropriate levels of service tied to the increased level of applications. Due to the changes to the Planning Administration Section and the work on the local plan it is essential that this issue is given full consideration and, as with the parking service, the options will be further considered in the development of the 2016/17 budget.

## Council Tax Levels

In 2013 the government announced arrangements for council tax freeze grant to be available for the two years 2014/15 and 2015/16. In both years the grant available is equivalent to 1% of the council tax. The grant conditions do allow for an enhancement that effectively disregards the local council tax support discount provided by the Council and therefore represent slightly more than 1% of net council tax receivable.

In 2014/15 the Council did not accept the grant and increased council tax by 1.99%. This was in line with the decisions of all major preceptors. In 2015/16 the major preceptors have all reported that their decision is to again increase council tax by 1.99%. The Cabinet's draft budget, which was used for all consultation, included the same level of increase for the Council.

The additional income that a 1.99% increase generates for Maidstone Borough Council alone is £262,081 and the 1% enhanced council tax freeze grant available is £144,169. The budget reported here is balanced against the level of resources available from a 1.99% increase and a decision to take the council tax freeze grant would require an immediate amendment to the budget of £117,912 to ensure it remains in balance.

The longer term impact of accepting the council tax freeze grant would be more severe. Resources would further reduce due to the decline of revenue support grant, future council tax increases, and future tax base increases. These are explained below:

- a) The council tax freeze grant, once awarded, is rolled up into the Council's finance settlement becoming an integral part of the revenue support grant. The Government has previously made clear that the revenue support grant has a finite life span. The Council's current strategy assumes revenue support grant will not be received by this Council after 2018/19. Any consideration of the benefit of the council tax freeze grant would have to incorporate the decline of the grant over that period of time.
- b) The Council's current strategy assumes compounded increases in council tax equivalent to 1.99% per annum for the five years of the strategy. If the council tax is not increased for one year this will mean a permanent reduction in the level of income receivable. This is because the council tax referendum limit is annual and any increase not taken cannot be added in a later year. It is permanently foregone.
- c) All growth in the tax base would only provide resources at the lower level of council tax charge.

The table below sets out the elements of council tax revenue that would be foregone. This represents the total amount of cash that the Council would not receive in the period of the strategy if it chose to accept the available council tax freeze grant in 2015/16. The columns relate to the three issues set out in paragraph 1.13.4 above:

<b>Paragraph:</b>	<b>a.</b>	<b>b.</b>	<b>c.</b>	
<b>Year</b>	<b>Grant Received</b>	<b>Income foregone on tax charge</b>	<b>Income foregone on tax base</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
2015/16	-144,169	196,559	65,523	117,913
2016/17	-93,039	202,700	65,846	175,507
2017/18	-58,634	208,898	66,170	216,434
2018/19	-26,710	215,733	66,493	255,516
2019/20	0	222,610	66,840	289,450
<b>Total after 5 Years</b>	<b>-322,552</b>	<b>1,046,500</b>	<b>330,872</b>	<b>1,054,820</b>

The table shows that income foregone will rise over the period of the MTFS and the net revenue foregone over the period would be £1,054,820. The total column of the table shows that an immediate budget reduction of £117,913 would be required, rising to £289,450 by the year 2019/20.

The Estimate 2015/16 set out in Appendix A assumes a 1.99% increase in the council tax change for 2015/16.

### Savings proposals

Based upon the considerations set out in this report the Council will need to identify £3,141,000 over the period of the medium term financial strategy. In 2015/16 the requirement for savings is £652,000.

Set out in **Appendix A** are the savings proposed by officers and Cabinet Members for 2015/16 and these total the required £652,000. The proposals therefore produce a balanced budget. These proposals have been reported to Cabinet previously and formed part of the consultation with Overview and Scrutiny.

In future years, 2016/17 to 2019/20, the medium term financial strategy requires an additional £2,489,000 in savings and efficiencies to be achieved to ensure a balanced budget and continued future resilience of the Council.

### Resulting Revenue Estimates

Contained in **Appendix A** is a summary of the revenue budget for 2015/16. The summary shows the Original Estimate 2014/15 as approved by Council in March 2014; the Revised Estimate 2014/15 calculated as part of the budget development work completed this year; and the Estimate for 2015/16 based

upon the details set out in the section on the strategic revenue projection.

### **Revised Estimate 2014/15**

The revised estimate 2014/15 shown in Appendix A totals £17,159,840. This figure is net of all income with the exception of the use of balances, the finance settlement and the council tax requirement. This figure, compared to the original estimate approved by Council in February 2014 shows an increase of £2,010,700. The main variance is the value of the carry forward budgets approved by Cabinet in May 2014.

### **Original Estimate 2015/16**

The estimate 2015/16 shown in Appendix A totals £14,727,710. This incorporates an allowance for slippage. The figure is net of all income with the exception of the use of balances, the finance settlement and the council tax requirement. This figure excludes the value of all precepts but includes the government grant passported to parishes to compensate for the local council tax support scheme.

### Capital Estimates

The Capital Programme was reported to Cabinet in December 2014 and considered by Overview and Scrutiny in January 2015. The programme covers the same period as the strategic revenue projection, 2015/16 to 2019/20 and is also set out in Appendix A.

The programme is presented, as is the revenue budget, by Council priority from the strategic plan. The programme is affordable for 2015/16 and is dependent upon levels of funding for future years.

### Balances/Earmarked Reserves

Included in **Appendix A** is a statement of general fund balances and details of the earmarked reserves that have been set up following the external auditors report on the Council's 2013/14 Audit.

The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years. In addition the earmarked reserve for the local plan contains the £480,000 set aside by Cabinet to replace the budget funding that has been transferred to the housing service.

Earlier in this report the estimated level of resources available from business rates growth is identified. The report recommends that this resource, at this time an early estimate for the coming year, should be identified in the budget but set aside as an earmarked reserve for use in 2016/17 once the actual value of the growth is confirmed by the government.

General fund balances are estimated to be £4,470,000 by 31 March 2016. In considering the level of reserves that should be maintained Cabinet made two decisions:

- a. The first is an absolute minimum below which the Cabinet cannot approve the use of balances without agreement by the Council. Since 2009 this has been held stable at £2,000,000 despite the net revenue expenditure level decreasing from £22,295,330 to £19,008,000. It is recommended that Council approve that the minimum level of balances be maintained at £2,000,000.
- b. The second is an operational minimum, set for daily use of balances by Cabinet, for Cabinet. In the past this has been set £300,000 above the Council set minimum. This would be £2,300,000 and Cabinet approved the principle that the daily use level of balances should be £300,000 above the Council set minimum.

### Medium Term Financial Strategy

The Council publishes two separate financial strategies. One for the revenue plan and one for the capital plan both are included in Appendix A.

The strategies are focused on the five year period of the Council's planning cycle. In some local authorities plans of ten years and plans of three years are often seen. It is considered that a three year plan is too short to meet the requirements of the Council's strategic planning environment and that ten years is too long a period for a reasonable level of assessment about the future to be made.

The financial projection that complements the Revenue Medium Term Financial Strategy is the strategic revenue projection given at Appendix B. The financial projection considers the targeted need for growth and savings over the period of the Revenue Medium Term Financial Strategy and incorporates a number of assumptions about inflation and changes in local and national initiatives.

The financial projection that compliments the Capital Medium Term Financial Strategy is the capital programme included in Appendix A.

Both strategies may require amendment following Cabinet's consideration of this report and following consideration by Council on 25 February 2015. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.

### Alternative Action and why not Recommended

The alternatives for each recommendation are included in the report for consideration with one exception that is detailed below.

Council could consider the setting of a council tax charge that is greater than that used as a planning assumption. The Department for Communities and Local Government announced the level of tax increase that would trigger a referendum at the same time as it announced the provisional finance settlement and the limit is 2%. Any increase above this limit would require the Council to hold a referendum which would incur significant additional costs for the referendum and, if the response was not in favour of the increase, the resetting of the budget and rebilling all tax payers.

### **Background Papers**

None

MAIDSTONE BOROUGH COUNCILCOUNCIL TAX 2015/2016Schedule of Council Tax Base and Additional Basic Amounts ofCouncil Tax in parts of the area with Parish Precepts

PARISH	TAX BASE	PRECEPT £	BAND 'D' TAX £
<b>Parish</b>	<b>Tax Base</b>	<b>Precept</b>	<b>Band 'D' Tax</b>
Barming	719.9	24,175	33.58
Bearsted	3,572.3	96,800	27.10
Boughton Malherbe	213.8	5,131	24.00
Boughton Monchelsea	1,241.6	51,600	41.56
Boxley	3,822.0	98,481	25.77
Bredhurst	173.2	8,808	50.85
Broomfield & Kingswood	697.0	55,500	79.63
Chart Sutton	409.3	20,500	50.09
Collier Street	346.2	13,163	38.02
Coxheath	1,480.0	60,350	40.78
Detling	367.0	20,603	56.14
Downswood	814.3	26,500	32.54
East Sutton	141.2	6,300	44.62
Farleigh East	646.5	31,514	48.75
Farleigh West	213.6	16,000	74.91
Harrietsham	925.3	50,892	55.00
Headcorn	1,471.5	119,028	80.89
Hollingbourne	431.9	22,600	52.33
Hunton	307.5	20,000	65.04
Langley	483.4	16,958	35.08
Leeds	318.4	28,851	90.61
Lenham	1,363.8	55,765	40.89
Linton	242.9	11,658	48.00
Loose	1,080.8	62,324	57.66
Marden	1,492.3	94,015	63.00
Nettlestead	299.8	13,769	45.93
Otham	213.4	9,180	43.02
Staplehurst	2,247.1	123,552	54.98
Stockbury	313.1	13,342	42.61
Sutton Valence	640.6	42,542	66.41
Teston	311.6	21,425	68.76
Thurnham	540.3	16,692	30.89
Tovil	1,209.0	64,000	52.94
Ulcombe	374.2	19,217	51.35
Yalding	904.1	52,723	58.32

## BUDGET 2015/16

## PARISH COUNCIL FUNDING FOR LOCAL COUNCIL TAX SUPPORT FUNDING

Name	LCTS in Tax		Loss of CT due to LCTS	Proposed Grant	Grant	
	Base	Band D			2014/15	Difference
Barming	27.4	32.94	903	724	902	- 178
Bearsted	155.3	27.12	4,212	3,376	4,463	- 1,087
Boughton Malherbe	12.8	23.56	302	242	305	- 63
Boughton Monchelsea	77.7	40.74	3,165	2,537	2,899	- 362
Boxley	125.6	24.34	3,057	2,450	3,425	- 975
Bredhurst	12.3	51.83	638	511	735	- 224
Broomfield & Kingswood	37.7	80.1	3,020	2,420	2,587	- 167
Chart Sutton	29	50.8	1,473	1,181	1,695	- 514
Collier Street	13.7	37.82	518	415	377	38
Coxheath	146.5	41.08	6,018	4,823	5,895	- 1,072
Detling	33.9	56.56	1,917	1,537	1,905	- 368
Downswood	55	30.04	1,652	1,324	1,629	- 305
East Sutton	3.5	43.86	154	123	101	22
Farleigh East	54.6	47.45	2,591	2,076	2,570	- 494
Farleigh West	18.8	65.35	1,229	985	1,032	- 47
Harrietsham	70.1	51.65	3,621	2,902	2,820	82
Headcorn	133.8	64.92	8,686	6,962	7,308	- 346
Hollingbourne	34.5	36.15	1,247	999	1,302	- 303
Hunton	18.4	57.1	1,051	842	1,061	- 219
Langley	54.8	35.08	1,922	1,541	2,085	- 544
Leeds	42.2	84.09	3,549	2,844	3,255	- 411
Lenham	118.2	40.89	4,833	3,873	5,148	- 1,275
Linton	20.6	44.12	909	728	736	- 8
Loose	66.8	55.02	3,675	2,945	3,328	- 383
Marden	162.3	52.74	8,560	6,860	8,854	- 1,994
Nettlestead	52.4	45.36	2,377	1,905	2,117	- 212
Otham	16.9	39.88	674	540	721	- 181
Staplehurst	156.3	54.93	8,586	6,880	6,846	34
Stockbury	32.6	39.5	1,288	1,032	1,260	- 228
Sutton Valence	47.1	47.45	2,235	1,791	1,960	- 169
Teston	19.6	67.41	1,321	1,059	1,223	- 164
Thurnham	9.4	30.08	283	227	337	- 110
Tovil	163.3	57.9	9,455	7,576	9,417	- 1,841
Ulcombe	24	47.5	1,140	914	901	13
Yalding	107.8	56.48	6,089	4,880	5,603	- 723
	<b>2154.9</b>	<b>£1,662</b>	<b>£102,350</b>	<b>£82,024</b>	<b>£96,802</b>	<b>-£14,778</b>



## MAIDSTONE BOROUGH COUNCIL

## COUNCIL TAX 2015/2016

## Schedule of Council Tax Levels for all Bands

and all Parts of the Area including District Spending and all Precepts.

	Band A Total £	Band B Total £	Band C Total £	Band D Total £	Band E Total £	Band F Total £	Band G Total £	Band H Total £
<b>Parish</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Barming	1,051.39	1,226.62	1,401.85	1,577.08	1,927.54	2,278.01	2,628.47	3,154.16
Bearsted	1,047.06	1,221.58	1,396.09	1,570.60	1,919.62	2,268.64	2,617.66	3,141.19
Boughton Malherbe	1,045.00	1,219.17	1,393.33	1,567.50	1,915.83	2,264.16	2,612.50	3,135.00
Boughton Monchelsea	1,056.71	1,232.82	1,408.94	1,585.06	1,937.29	2,289.53	2,641.77	3,170.12
Boxley	1,046.18	1,220.54	1,394.90	1,569.27	1,917.99	2,266.72	2,615.44	3,138.53
Bredhurst	1,062.90	1,240.05	1,417.20	1,594.35	1,948.65	2,302.96	2,657.26	3,188.71
Broomfield & Kingswood	1,082.08	1,262.43	1,442.78	1,623.13	1,983.82	2,344.52	2,705.21	3,246.25
Chart Sutton	1,062.39	1,239.46	1,416.52	1,593.59	1,947.72	2,301.85	2,655.98	3,187.17
Collier Street	1,054.35	1,230.07	1,405.80	1,581.52	1,932.97	2,284.42	2,635.87	3,163.04
Coxheath	1,056.18	1,232.22	1,408.25	1,584.28	1,936.34	2,288.40	2,640.46	3,168.55
Detling	1,066.43	1,244.16	1,421.90	1,599.64	1,955.11	2,310.59	2,666.06	3,199.28
Downswood	1,050.70	1,225.81	1,400.93	1,576.04	1,926.28	2,276.51	2,626.74	3,152.09
East Sutton	1,058.75	1,235.20	1,411.66	1,588.12	1,941.03	2,293.95	2,646.86	3,176.24
Farleigh East	1,061.50	1,238.41	1,415.33	1,592.25	1,946.08	2,299.91	2,653.74	3,184.49
Farleigh West	1,078.94	1,258.76	1,438.58	1,618.41	1,978.05	2,337.70	2,697.34	3,236.81
Harrietsham	1,065.67	1,243.28	1,420.89	1,598.50	1,953.72	2,308.95	2,664.17	3,197.00
Headcorn	1,082.93	1,263.41	1,443.90	1,624.39	1,985.36	2,346.34	2,707.31	3,248.78
Hollingbourne	1,063.88	1,241.20	1,418.51	1,595.83	1,950.46	2,305.08	2,659.71	3,191.65
Hunton	1,072.36	1,251.09	1,429.81	1,608.54	1,965.99	2,323.45	2,680.90	3,217.08
Langley	1,052.39	1,227.78	1,403.18	1,578.58	1,929.38	2,280.17	2,630.97	3,157.16
Leeds	1,089.41	1,270.98	1,452.54	1,634.11	1,997.25	2,360.38	2,723.52	3,268.22
Lenham	1,056.26	1,232.30	1,408.35	1,584.39	1,936.48	2,288.56	2,640.65	3,168.78
Linton	1,061.00	1,237.83	1,414.66	1,591.50	1,945.16	2,298.83	2,652.49	3,182.99
Loose	1,067.44	1,245.35	1,423.26	1,601.16	1,956.98	2,312.79	2,668.61	3,202.33
Marden	1,071.00	1,249.50	1,428.00	1,606.50	1,963.50	2,320.50	2,677.50	3,213.00
Nettlestead	1,059.62	1,236.22	1,412.82	1,589.43	1,942.63	2,295.84	2,649.05	3,178.86
Otham	1,057.68	1,233.96	1,410.24	1,586.52	1,939.08	2,291.64	2,644.20	3,173.04
Staplehurst	1,065.66	1,243.26	1,420.87	1,598.48	1,953.70	2,308.92	2,664.14	3,196.97
Stockbury	1,057.41	1,233.64	1,409.88	1,586.11	1,938.58	2,291.05	2,643.52	3,172.23
Sutton Valence	1,073.27	1,252.15	1,431.03	1,609.91	1,967.67	2,325.43	2,683.18	3,219.82
Teston	1,074.84	1,253.98	1,433.12	1,612.26	1,970.54	2,328.82	2,687.10	3,224.52
Thurnham	1,049.60	1,224.53	1,399.46	1,574.39	1,924.26	2,274.12	2,623.99	3,148.79
Tovil	1,064.29	1,241.67	1,419.05	1,596.44	1,951.20	2,305.96	2,660.73	3,192.87
Ulcombe	1,063.24	1,240.44	1,417.65	1,594.85	1,949.27	2,303.68	2,658.09	3,189.71
Yalding	1,067.88	1,245.86	1,423.84	1,601.82	1,957.77	2,313.73	2,669.69	3,203.63
Basic Level of Tax	1,029.00	1,200.50	1,372.00	1,543.50	1,886.50	2,229.50	2,572.50	3,087.00

# Agenda Item 16

## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**25 FEBRUARY 2015**

### **REPORT OF THE CABINET HELD ON 11 FEBRUARY 2015**

#### **TREASURY MANAGEMENT STRATEGY 2015/16**

##### **Issue for Decision**

In accordance with CIPFA's Code of Practice on Treasury Management, the Council is asked to consider the Draft Treasury Management Strategy for 2015/16 including the Treasury and Prudential Indicators.

##### **Recommendation Made**

That the Treasury Management Strategy 2015/16 and related appendices be adopted.

##### **Reasons for Recommendation**

The Council has adopted CIPFA's Code of Practice on Treasury Management (the Code) which requires an annual report on the strategy and plan to be pursued in the coming year to be made to full Council. This report considers the proposed strategy for 2015/16 onwards along with current guidance from CIPFA and the DCLG as set out in **Appendix A**.

The primary requirements of the Code are as follows:

- a) Receipt by full Council of an annual Treasury Management Strategy that includes the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead.
- b) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- c) Delegation by the Council of the role of scrutiny of the treasury management strategy and policies, a Mid Year Review Report and an Annual Report covering activities during the previous year to an appropriate committee. These functions have previously been delegated to the Audit Committee by the Council.

The agreed process previously approved by Council is:

- a) Audit Committee will consider, as part of their monitoring role, the initial draft and make recommendations to Cabinet.
- b) Cabinet will consider the draft and any recommendations from Audit Committee and recommend to Council.
- c) Council will approve the strategy by March of each year for the forthcoming financial year.

### The 2014/15 Strategy

The Strategy for 2014/15 was approved by Council in March 2014 and set the following objectives:-

- a) Increasing the maximum duration limits with some part-nationalised groups to 2 years from 1 year;
- b) Investing up to £5m of core cash for over 1 year if rates were to improve. Maybe using property funds;
- c) Considering the use of core cash during 2014/15 for internal borrowing if not used for longer term investments.

### Current Cashflow Performance

At the November 2014 meeting of the Audit Committee the mid-year performance report included details for 2014/15 of the position as at 30 September 2014. An update on that position is provided below.

£3m has been invested with Lloyds Bank (part nationalised bank) for 2 years at a rate of 1.3%. £2m has been set aside for investment with Royal Bank of Scotland for two years duration, although this deal is yet to be finalised. This represents the £5m core cash as agreed within the strategy, to use for investments with a duration of over 1 year.

All other investments have been short term (less than 1 year).

During 2014/15, the Council had to borrow for one week due to cash flow shortage in June 2014.

Due to capital slippage and revenue underspends, there have been some difficulties in finding highly rated institutions in which to invest Council funds.

Details of the Council's investments and performance to date are as follows:

	£m	%
Investments as at 1 <sup>st</sup> April 2014	19.186	
Investment Balance as at 31st Dec 2014	32.1	
Investment Income as at 31st Dec 2014	0.156	
Ave Balance/Rate of Investments to 31st Dec 2014	30.6	0.69
Est. Investments as at 31 <sup>st</sup> March 2015	22.4	

### Developing the Strategy

In formulating and executing the strategy for 2015/16, the Council will continue to have regard for the DCLG's guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes.

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

The Council will also achieve optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to on lend and make a return is unlawful and the Council will not engage in such activity.

The Council, in conjunction with its treasury management advisor, Capita Asset Services, will use Fitch, Moodys and Standard and Poors ratings in combination to derive its credit criteria. All credit ratings will be monitored daily. The Council is alerted to changes in ratings of all agencies through its use of Capita's creditworthiness service.

The Council has previously only used UK institutions to invest funds, with the exception of Svenska Handelsbanken. However it is proposed that overseas institutions are used where the country's sovereign rating is the same as or better than the UK's AA+ rating and the institution itself is of a high credit quality. All the relevant counterparties with associated durational bands based on the above credit criteria are detailed within **Appendix B**.

If a downgrade means the counterparty or investment scheme no longer meets the Council's minimum criteria, its use for further investment will be withdrawn immediately. If funds are already invested with the downgraded institution, a decision will be made by the Head of Finance & Resources whether to withdraw the funds and potentially incur a penalty.

If a body is placed under negative rating watch (i.e. there is a probability of a rating change in the short term and the likelihood of that change being

negative) and it is currently at the minimum acceptable rating for placing investments, no further investments will be made with that body.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

The strategy will permit the use of leading building societies for investment purposes. This will be limited to the top 5 ranked on a combination of management expenses of the group, as shown within the Income and Expenditure Account, as well as the asset size.

Other market intelligence will also be used to determine institutions' credit worthiness, such as financial press, financial broker advice and treasury management meetings with other authorities, e.g. Kent Treasury Management Forum. If this information shows a negative outcome, no further investments will be made with that body.

The Head of Finance & Resources has previously been given delegated authority to use alternative forms of investment, should the appropriate opportunity arise to use them, and should it be prudent and of advantage to the Council to do so. This delegated authority is subject to prior consultation with the Cabinet Member for Corporate Services on any possible use of these instruments. This delegation has not been exercised to date.

#### A Forward Look

Capita Asset Services has revised its Interest Rate Forecast. Previously, it was thought that rates would increase in June 2015, however it looks like this will now be either late 2015 or early 2016. This has reduced investment rates. Current investment rates are as follows:

- Instant Access      0.40%
- 3 months              0.50%
- 6 months              0.65%
- 1 year                  0.95%
- 2 years                  1.25%
- 5 years                  1.85%

The Council's advisors, Capita Asset Services, have provided the following interest rate forecast.

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

The previous change in bank rate was expected to be June 2015, however partly due to the UK economy growth not being as high as previously predicted, the rate change has now moved to the end of 2015.

Short Term PWLB rates have also reduced to reflect the current abnormally low level in rates.

The following table shows the balance of investments which will mature during 2015/16 and the total of this balance which will be needed to fund the revenue/capital expenditure.

Investment	2015/16 £m
Short Term Investments at start of Year	17.4
Use of Balances/Capital receipts	13.6
Total Core Cash	3.8

These maturities will therefore cover the anticipated use of cash balances for the period and leave a minimum of £3.8m available for investment, along with day to day cash flow management funds. It is suggested that £3m of these funds may be set aside to be used for longer term rates if they become more appealing.

The use of property funds has been considered as an alternative source of investment income. At this stage the expected returns from such investments are not sufficient to justify the additional risks to security of capital and liquidity associated with this type of investment, although this will continue to be monitored during the course of the year.

A number of authorities have been investing in certificates of deposits (CDs) which allow authorities to invest with highly secure counterparties such as HSBC and Standard Chartered which would not normally be accessed by the Council through other means. Certificates of deposits are purchased via a custodian who takes a small fee from the purchase. CDs are highly liquid as they do not need to be held to maturity and can be sold in the secondary bond market. However, the downside risk to this is that these may be sold at a loss.

### Capital Programme and Prudential Borrowing

As part of the development of the prudential indicators attached as **Appendix C**, which form part of the treasury management strategy, the Council must consider the affordability of its capital programme.

In the past the programme has been financed by the use of capital resources such as receipts from asset sales and grants. More recently the Council has also used receipts from the New Homes Bonus initiative. The affordability of the programme is therefore calculated by the lost revenue income from the possible investment of the resources.

The authority to borrow up to £6m for the financing of capital expenditure is included in the current capital programme and the current prudential indicators. This report includes the continuation of that authority within the calculation of the indicators. If the Council is to borrow then the affordability of the capital programme must include an assessment of the cost of borrowing along with the loss of investment income from the use of capital resources held in cash.

At this time the strategy proposes the use of additional core cash of up to £3m to be held for longer term investment of over one year, if the rates are appealing.

The current long term borrowing rate from the Public Works Loan Board is 3.4% for 25 years. Were the Council to temporarily borrow the necessary resources from its own cash balances rather than complete a further one year investment it would save the equivalent of 2.7% of the amount borrowed. The affordability of the capital programme has been calculated based upon the assumption that internal borrowing would occur initially.

Should rates move quicker than the forecast predicts, the current and proposed strategies do allow the Head of Finance and Customer Services to take advantage of external borrowing.

### Cashflow Projection to 2017/18

A cash flow projection up to March 2018 has been created reflecting the spending proposals in the Budget Strategy 2015/16 onwards. The cash flow projection shows that anticipated investment income will be £0.27m 2015/16, £0.3m 2016/17 and £0.3m in 2017/18. The Council may need to accept a

higher level of risk in order to achieve these targets, whilst maintaining due regard for security of capital and liquidity.

With reference to the proposal to use internal borrowing to finance the capital programme, as set out in the Capital Programme and Prudential Borrowing section above, the investment income suggested by the cash flow projection may be provided in part from internal charges or through the surplus generated by commercialisation projects.

### Minimum Revenue Provision

Where spend is financed through the creation of debt, the Council is required to pay off an element of the accumulated capital spend each year. The total debt is identified as the capital financing reserve and ensures that the Council includes external and internal borrowing along with other forms of financing considered to be equivalent to borrowing.

The payment is made through a revenue charge (the minimum revenue provision - MRP) made against the Council's expenditure, although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Although the Council has maintained a capital financing reserve based upon the prudential borrowing limit previously set, the MRP was based upon the actual payments made under the Serco Paisa arrangements for the capital works completed by Serco at Maidstone Leisure Centre. Debt repayment is made by annual installments over the 15 year life of the contract and is suitably equivalent to a MRP value.

With the real potential for the use of prudential borrowing it is felt appropriate that a policy statement is approved by Council in line with the requirements of the Code. The Code states that there is a choice between two options, or a mix of both:

- a. **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction;
- b. **Depreciation method** – MRP will follow standard depreciation accounting procedures.

Due to the requirement to split assets into component parts and depreciate different components at different rates, the asset life method of calculating MRP would provide a more stable and transparent method for the Council to use.



### Summary of Changes Proposed

The following changes are proposed to the existing strategy:

Invest additional core cash of up to £3m for over 1 year if rates were to improve, potentially using this amount to invest in property funds;

Include overseas institutions within the council's counterparty list who are listed on Capita's credit quality listing and where the country's sovereignty rating is equal or above the UK rating AA+.

The Head of Finance & Resources be given delegated authority to invest within the certificate of deposit market to access highly secure counterparties.

### Draft Strategy for 2015/16

The council will maintain a counterparty list to identify institutions suitable for investment. The counterparty list will be maintained using the following principles:

- a) Use of the Council's Treasury Management Consultant's scheme for rating of institutions, for creditworthiness which uses a sophisticated modelling approach with credit rating agencies, Moodys, Fitch and Standard & Poors, along with Sovereign ratings, CDS spreads and credit watches.
- b) Group limits will be placed on institutions within the same group and not separate for each institution. The group limit will be the highest individual credit criteria for the group.
- c) An institution will never have a higher credit rating than the sovereign country it operates within. If the sovereign is downgraded below the rating of an institution, the institution is downgraded to the same level.
- d) Duration limits with part nationalised will be 2 years.
- e) Use of the top 5 Building Societies will be ranked using the management expenses and asset size ranking.
- f) The Head of Finance & Resources will have delegated responsibility to add or withdraw institutions from the counterparty list when ratings change, either as advised by Capita Assets Services (the Council's advisors) or from another reliable market source.

The DCLG provides criteria for specified investments with all other investments being non-specified. The following principles are applied to their use:

- a) Only the top five building societies (with the exception of Nationwide Building Society) and investments over a 1 year duration with a credit worthy institution will be non-specified.
- b) Funds will be invested short term (up to one year) so that funds are available to invest when rates increase.
- c) The use of an additional £3m core cash deposits for greater than one year (bringing maximum total long term investments to £8m) if rates are at a premium over predicted base rates and funds are available for the term. These may be used to invest within property funds.
- d) The use of enhanced cash funds and Money Market Funds which are AAA rated funds. These funds spread the risk over many counterparties and funds may be withdrawn by giving a short notice period.
- e) The use of overseas banks to be included which are on Capita Asset Services counterparty list and whose country sovereignty rating is the same or higher than the UK.

#### Minimum Revenue Provision 2015/16

- a) The assumption is to borrow up to a maximum of £6m through the most economically advantageous method, as decided by the Head of Finance & Resources, from: internal borrowing of core cash balances; PWLB loans; or other reputable sources of lending.
- b) The Council will use the asset life method for the calculation of the Minimum Revenue Provision on all future unsupported borrowing;
- c) The Minimum Revenue Provision relating to the arrangement with Serco Paisa for leisure centre improvements will be based on principal repaid during the year.

#### Prudential and Treasury Management Indicators

The Prudential and Treasury Management Indicators that have been developed based upon the proposed strategy set out in the section above.

#### Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A treasury management training session was delivered by Capita, the Council's treasury management advisors in December 2014 and was open for all members to attend. It is expected that all members responsible for scrutiny

will attend future training sessions.

### **Alternatives Considered and Why Not Recommended**

The Council is required to endorse a Treasury Management Strategy and monitor and update the Strategy and Prudential Indicators as necessary. The Council could endorse a simple Strategy for Treasury Management. However this would be contrary to best advice from the Council's advisors and likely to produce a reduced income stream from investments.

Within the Strategy proposed the Council could chose to retain a maximum investment with any institution of £5m or even reduce this level. Given the difficulty in identifying opportunities to lend at suitable rates within the counterparty list it is necessary to increase the level of investment possible with the most secure organisations.

Also within the Strategy proposed the Council could chose to utilise additional counterparties with the investments from the non-specified investments group. Due to the fact that this increases the risk to capital it is appropriate that the Council continues to only use such investments with the top five building societies and other local authorities.

As an additional action the Council could consider alternative investment options such as Certificates of Deposit or corporate bonds with banks and building societies. At this time the yields on these arrangements are not significantly higher and often these come with a management fee or requiring a high level of initial capital investment. As the Strategy identifies other appropriate methods of investment for the Council these options are not recommended as they do not offer benefits commensurate with the cost. They will continue to be reviewed and proposed if suitable in future Strategies.

The Council could utilise the resources invested in expenditure on key priority outcomes. However the core cash held by the Council is either set aside for future expenditure, such as the capital programme, or held as a form of risk mitigation, such as the minimum level of revenue balances. To utilise these resources for alternative projects would put the Council at future risk should an unforeseen event occur.

External Fund Managers – by appointing external managers local authorities may possibly benefit from security of investments, diversification of investment instruments, liquidity management and the potential of enhanced returns. Managers do operate within the parameters set by local authorities but this involves varying degrees of risk. This option has been discounted on the basis of the risk to capital receipts which would make it difficult to ascertain a suitable sum to assign to an external manager.

### **Background Papers**

None

**Treasury Management Strategy Statement**  
Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy

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Maidstone Borough Council  
2015/16

**INDEX**

<b>1</b>	<b>INTRODUCTION.....</b>	<b>3</b>
1.1	Background.....	3
1.2	Reporting requirements.....	3
1.3	Treasury Management Strategy for 2015/16.....	4
1.4	Treasury management consultants.....	4
1.5	Training.....	4
<b>2</b>	<b>THE CAPITAL PRUDENTIAL INDICATORS.....</b>	<b>5</b>
2.1	Capital expenditure.....	5
2.2	The Council's borrowing need (the Capital Financing Requirement).....	5
2.3	Affordability prudential indicators.....	5
2.4	Incremental impact of capital investment decisions on council tax.....	6
<b>3</b>	<b>BORROWING.....</b>	<b>7</b>
3.1	Treasury Indicators: limits to borrowing activity.....	7
3.2	Prospects for interest rates.....	8
3.3	Borrowing strategy.....	8
3.4	Policy on borrowing in advance of need.....	9
<b>4</b>	<b>ANNUAL INVESTMENT STRATEGY.....</b>	<b>10</b>
4.1	Investment policy.....	10
4.2	Creditworthiness policy.....	15
4.3	Country limits.....	18
4.4	Investment strategy.....	18

## 1 INTRODUCTION

### 1.1 Background

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

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

CIPFA defines treasury management as:

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

### 1.2 Reporting requirements

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

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

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

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

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

**Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. This role has previously been undertaken by the Audit Committee.

A quarterly update on the Council's treasury management position is also provided through budget monitoring reports presented to Cabinet.

### **1.3 Treasury Management Strategy for 2015/16**

The strategy for 2015/16 covers two main areas:

#### **Capital issues**

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

#### **Treasury management issues**

- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- the investment strategy; and
- creditworthiness policy.

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

### **1.4 Treasury management consultants**

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

Responsibility for treasury management decisions ultimately remains within the organisation and officers will not place undue reliance on the advice of external service providers.

The terms of appointment and value gained through use of treasury management consultants will be subject to regular review.

### **1.5 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. A treasury management training session was delivered by Capita, the Council's treasury management advisors in December 2014 and was open for all members to attend. Further training will be arranged as required.

The training needs of treasury management officers are also periodically reviewed.

## 2 THE CAPITAL PRUDENTIAL INDICATORS

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

### 2.1 Capital expenditure

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

2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
11,673	5,170	5,528	5,310	5,086

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

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

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

The CFR includes the liability for the arrangement with Serco Paisa for leisure centre improvements. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

CFR projections are shown in the table below:

2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
-65	-2,033	-2,033	-2,033	-2,033

### 2.3 Affordability prudential indicators

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

#### Ratio of financing costs to net revenue stream

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



<b>2014/15</b> <b>%</b>	<b>2015/16</b> <b>%</b>	<b>2016/17</b> <b>%</b>	<b>2017/18</b> <b>%</b>	<b>2018/19</b> <b>%</b>	<b>2019/20</b> <b>%</b>
-1.1	0.0	0.0	-0.3	-1.1	-1.1

The estimates of financing costs include current commitments and the proposals in the 2015/16 budget report.

## **2.4 Incremental impact of capital investment decisions on council tax**

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the 2015/16 budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

### **Incremental impact of capital investment decisions on the band D council tax**

	<b>2014/15</b> <b>£</b>	<b>2015/16</b> <b>£</b>	<b>2016/17</b> <b>£</b>	<b>2017/18</b> <b>£</b>	<b>2018/19</b> <b>£</b>
<b>Council tax - band D</b>	1.20	4.4	4.42	4.34	4.21

### 3 BORROWING

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

#### 3.1 Treasury Indicators: limits to borrowing activity

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

<b>Operational boundary</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Debt	6,000	6,000	6,000	6,000
Other long term liabilities (Serco Pasia*)	5,426	4,971	4,514	4,033
<b>Total</b>	<b>11,426</b>	<b>10,971</b>	<b>10,514</b>	<b>10,033</b>

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

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

<b>Authorised limit</b>	<b>2014/15 £000</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
Debt	10,000	10,000	10,000	10,000
Other long term liabilities (Serco Pasia*)	5,426	4,971	4,514	4,033
<b>Total</b>	<b>15,426</b>	<b>14,971</b>	<b>14,514</b>	<b>14,033</b>

\* Other Long Term Liabilities is the same for Operational Boundary and Authorised Limit due to no additional liabilities being incurred during 2015/16.

### 3.2 Prospects for interest rates

The Council's advisors, Capita Asset Services, have provided the following interest rate forecast:

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

Previously the bank rate was anticipated to rise in June 2015. However, partly due to the UK economic growth not being as high as previously predicted, the forecast has now been revised to the end of 2015. Investment returns are therefore expected to remain relatively low during 2015/16 and beyond.

These rates are also reflected in the corresponding reduction in short term PWLB lending rates.

### 3.3 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has been funded using cash supporting the Council's reserves, balances and cash flow as a temporary measure, rather than through loan debt. This strategy is prudent as currently investment returns are low and counterparty risk is relatively high.

The authority to borrow up to £6m for the financing of capital expenditure is included in the current capital programme and the current prudential indicators. The 2015/16 strategy includes the continuation of that authority within the calculation of the indicators. If the Council is to borrow then the affordability of the capital programme must include an assessment of the cost of borrowing along with the loss of investment income from the use of capital resources held in cash.

Should rates move more quickly than the forecast predicts, the current and proposed strategies do allow the Head of Finance and Resources to take advantage of external borrowing. The Council's

policy on borrowing in advance of need is set out at section 3.4 of this strategy.

The current long term borrowing rate from the Public Works Loan Board is 3.4% for 25 years. Were the Council to temporarily borrow the necessary resources from its own cash balances rather than complete a further one year investment it would save the equivalent of 2.7% of the amount borrowed. The affordability of the capital programme has been calculated based upon the assumption that internal borrowing would occur initially.

### **3.4 Policy on borrowing in advance of need**

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

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

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy

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

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

The council will maintain a counterparty list to identify institutions suitable for investment. The counterparty list will be maintained using the following principles:

- a) Use of the Council's Treasury Management Consultant's scheme for rating of institutions for creditworthiness which uses a sophisticated modeling approach with credit rating agencies, Moodys, Fitch and Standard & Poors, along with Sovereign ratings, CDS spreads and credit watches.
- b) Group limits placed on institutions within the same group and not separate for each institution. The group limit will be the highest individual credit criteria for the group.
- c) An institution will never have a higher credit rating than the sovereign country it operates within. If the sovereign is downgraded below the rating of an institution, the institution is downgraded to the same level.
- d) Duration limits with part nationalised is 2 years.
- e) Use of the top 5 Building Societies is ranked using the management expenses and asset size ranking.
- f) The Head of Finance & Resources will have been given delegated responsibility to add or withdraw institutions from the counterparty list when ratings change, either as advised by Capita Assets Services (the Council's advisors) or from another reliable market source.

The DCLG provides criteria for specified investments with all other investments being non-specified. The following principles are applied to their use:

- a) Only the top five building societies (with the exception of Nationwide Building Society) and investments over a 1 year duration with a credit worthy institution will be non-specified.
- b) Funds will be invested short term (up to one year) so that funds are available to invest when rates increase.

- c) The use of an additional £3m core cash deposits for greater than one year (bringing maximum total long term investments to £8m) if rates are at a premium over predicted base rates and funds are available for the term, with the potential to invest within property funds.
- d) The use of enhanced cash funds and Money Market Funds which are AAA rated funds. These funds spread the risk over many counterparties and funds may be withdrawn by giving a short notice period.
- e) The use of overseas banks to be included which are on Capita Asset Services counterparty list and whose country sovereignty rating is the same or higher than the UK.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

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

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria.

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

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

	<b>* Minimum credit criteria / colour band</b>	<b>** Max % of total investments/ £ limit per institution</b>	<b>Max. maturity period</b>
Debt Management Account Deposit Facility (DMDAF) – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating		2 years
UK Government Treasury bills	UK sovereign rating		2 years
Bonds issued by multilateral development banks	UK sovereign rating		6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid

Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	2 years
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 2 years Up to 2 years Up to 2 years Up to 1 year Up to 6 Months Up to 100 days Top 5 Building societies only
CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 2 years Up to 2 years Up to 2 years Up to 1 year Up to 6 Months Up to 100 days Top 5 Building
Corporate bond funds			
Gilt funds	UK sovereign rating		
Property funds			

**SPECIFIED INVESTMENTS:**

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	<b>* Minimum 'High' Credit Criteria</b>	<b>Use</b>
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Capita Green Rating	In-house

**Term deposits with nationalised banks and banks and building societies**

	<b>* Minimum Credit Criteria</b>	<b>Use</b>
UK part nationalised banks	Capita Blue Rating	In-house
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating AA+	In-house

Collateralised deposit (see note 2)	UK sovereign rating	In-house
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Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house
UK Government Gilts	UK sovereign rating	In-house buy and hold
Bonds issued by multilateral development banks	AAA	In-house buy and hold
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	In-house buy and hold
Sovereign bond issues (other than the UK govt)	AAA	In-house buy and hold
Treasury Bills	UK sovereign rating	In house

**Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -**

1. Government Liquidity Funds	Capita Yellow Rating	In-house
2. Money Market Funds	Capita Yellow Rating	In-house
3. Enhanced Money Market Funds with a credit score of 1.25	Capita Dark Pink Rating	In-house
4. Enhanced Money Market Funds with a credit score of 1.5	Capita Light Pink Rating	In-house
5. Bond Funds	AAA	In-house
6. Gilt Funds	AAA	In-house



**NON-SPECIFIED INVESTMENTS** A maximum of 25% will be held in aggregate in non-specified investment

### 1. Maturities of ANY period

	* Minimum Credit Criteria	Use
<b>Fixed term deposits with variable rate and variable maturities:</b> -Structured deposits	Capita Green Rating	In-house
Term deposits with unrated counterparties : any maturity	Top five Building Societies based on a combination of Asset size and Man Exp	In-house
Commercial paper issuance covered by a specific UK Government (explicit) guarantee	UK sovereign rating	In-house
Commercial paper other		In-house
Corporate bonds	* Short-term __, Long-term __, Viability __, Support __	In-house
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	UK sovereign rating	In-house
Property fund: <b><i>the use of these investments would constitute capital expenditure</i></b>	--	In house

### 2. Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits – local authorities	--	In-house	2 yrs
Term deposits – banks and building societies	Capita Blue Rating	In-house	2 yrs
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house	2yrs
Certificates of deposit issued by banks and building societies	Capita Blue Rating	In-house	2 yrs
UK Government Gilts	UK sovereign rating	In-house	2 yrs

Bonds issued by multilateral development banks	AAA	In-house	2 yrs
Sovereign bond issues (other than the UK govt)	AAA	In-house	2 yrs
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>			
1. Bond funds	AAA	In-house	2 yrs
2. Gilt funds	AAA	In-house	2 yrs

### **Accounting treatment of investments.**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions will be reviewed before they are undertaken.

### **4.2 Creditworthiness policy**

This Council employs the creditworthiness service provided by Capita Asset Services. This service uses a modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are used in conjunction with the following information:

- credit watches and credit outlooks from credit rating agencies;
- credit default swap, an insurance policy to cover the lender for the risk of a borrower defaulting on a loan, is monitored to reflect the risk within a counterparty's rating;
- sovereign ratings to select counterparties from only the most creditworthy countries (AA+ or above).

The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments, with the following exceptions:

1. The suggested maximum duration for semi nationalised UK Banks is 1 year. This council's treasury management strategy enables investments with these institutions for up to 2 years, as previously agreed as part of the 2014/15 strategy.
2. The council's treasury management strategy allows the use of the top 5 Building Societies (some falling into the 'no-colour' category based on the Capita bandings). Ranking will be based on the management expenses and asset size ranking.

The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 2 years (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used (except for the top 5 Building Societies ranked using the management expenses and asset size)

Based on these criteria, the current counterparty list is as follows:

	<b>Maximum Deposit</b>	<b>Suggested Term</b>
<b>UK Institutions</b>		
Bank of Scotland Plc	£8m	24 mths
Lloyds Bank Plc	£8m	24 mths
National Westminster Bank Plc	£8m	24 mths
The Royal Bank of Scotland Plc	£8m	24 mths
Coventry BS	£2m	Building Society - 6 mths
Leeds BS	£2m	Building Society - 6 mths
Skipton BS	£2m	Building Society - 6 mths
Yorkshire BS	£2m	Building Society - 6 mths
Close Brothers Ltd	£3m	100 days
MBNA Europe Bank	£3m	100 days
Bank of New York Mellon (International) Ltd	£5m	12 mths
HSBC Bank plc	£5m	12 mths
Standard Chartered Bank	£5m	12 mths
Nationwide BS	£3m	6 mths
Abbey National Treasury Services plc	£3m	6 mths
Barclays Bank plc	£3m	6 mths
Cater Allen	£3m	6 mths
Merrill Lynch International	£3m	6 mths
Santander UK plc	£3m	6 mths
Collateralised LA Deposit*	£5m	60 mths
Debt Management Office	£5m	60 mths
Supranationals	£5m	60 mths
UK Gilts	£5m	60 mths
<b>Overseas Institutions</b>		
Norddeutsche Landesbank Girozentrale	£3m	100 days
Silicon Valley Bank	£3m	100 days
Australia and New Zealand Banking Group Ltd	£5m	12 mths
Commonwealth Bank of Australia	£5m	12 mths
National Australia Bank Ltd	£5m	12 mths
Westpac Banking Corporation	£5m	12 mths
Bank of Montreal	£5m	12 mths
Bank of Nova Scotia	£5m	12 mths
Canadian Imperial Bank of Commerce	£5m	12 mths
Royal Bank of Canada	£5m	12 mths

Toronto Dominion Bank	£5m	12 mths
Nordea Bank Finland plc ~	£5m	12 mths
Pohjola Bank	£5m	12 mths
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	£5m	12 mths
The Hong Kong and Shanghai Banking Corporation Ltd	£5m	12 mths
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)	£5m	12 mths
Qatar National Bank	£5m	12 mths
Samba Financial Group	£5m	12 mths
DBS Bank Ltd	£5m	12 mths
Oversea Chinese Banking Corporation Ltd	£5m	12 mths
United Overseas Bank Ltd	£5m	12 mths
Nordea Bank AB	£5m	12 mths
Svenska Handelsbanken AB	£5m	12 mths
Bank of New York Mellon, The	£5m	12 mths
HSBC Bank USA, N.A.	£5m	12 mths
JPMorgan Chase Bank NA	£5m	12 mths
Northern Trust Company	£5m	12 mths
State Street Bank and Trust Company	£5m	12 mths
U.S. Bancorp	£5m	12 mths
Wells Fargo Bank NA	£5m	12 mths
Landwirtschaftliche Rentenbank	£5m	24 mths
NRW.BANK	£5m	24 mths
Banque et Caisse d'Epargne de l'Etat	£5m	24 mths
Clearstream Banking	£5m	24 mths
Bank Nederlandse Gemeenten	£5m	24 mths
Nederlandse Waterschapsbank N.V	£5m	24 mths
Macquarie Bank Limited	£3m	6 mths
BNP Paribas Fortis	£3m	6 mths
KBC Bank NV	£3m	6 mths
National Bank of Canada	£3m	6 mths
Danske Bank	£3m	6 mths
BNP Paribas	£3m	6 mths
Credit Agricole Corporate and Investment Bank	£3m	6 mths
Credit Industriel et Commercial	£3m	6 mths
Credit Agricole SA	£3m	6 mths
Societe Generale	£3m	6 mths
BayernLB	£3m	6 mths
Deutsche Bank AG	£3m	6 mths
Landesbank Baden Wuerttemberg	£3m	6 mths
Landesbank Berlin AG	£3m	6 mths
Landesbank Hessen-Thueringen Girozentrale (Helaba)	£3m	6 mths
ING Bank NV	£3m	6 mths
DnB Bank	£3m	6 mths
Arab National Bank	£3m	6 mths
Riyad Bank	£3m	6 mths
Skandinaviska Enskilda Banken AB	£3m	6 mths
Swedbank AB	£3m	6 mths
Credit Suisse AG	£3m	6 mths

UBS AG	£3m	6 mths
Citibank International Plc ~	£3m	6 mths
Credit Suisse International ~	£3m	6 mths
Goldman Sachs International ~	£3m	6 mths
Goldman Sachs International Bank ~	£3m	6 mths
Morgan Stanley & Co. International plc ~	£3m	6 mths
Sumitomo Mitsui Banking Corporation Europe Ltd ~	£3m	6 mths
UBS Ltd ~	£3m	6 mths
Bank of America, N.A.~	£3m	6 mths
BOKF, NA	£3m	6 mths
Citibank, N.A. ~	£3m	6 mths
Money market Funds AAA Rated	£8m	60 mths
Cash Enhanced Funds AAA Rated	£8m	60 mths

**As well as limits on the amount of funds that can be placed with individual counterparties, Capita would suggest imposing group limits. The group limit should be equal to the individual limit of one counterparty within the same group.**

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

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. A credit default swap is an insurance policy to cover the lender for the risk of a borrower defaulting on a loan. Monitoring this market, the credit risk of any particular counterparty can be assessed and appropriate action can be taken to reflect this risk within a counterparty's rating. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

### 4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown above at 4.2. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 4.4 Investment strategy

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

Capita Asset Services has revised its Interest Rate Forecast. Previously, it was thought that rates would increase in June 2015, however it looks like this will now be either late 2015 or early 2016. This has reduced investment rates. Current investment rates are as follows:

- Instant Access 0.40%
- 3 months 0.50%
- 6 months 0.65%
- 1 year 0.95%
- 2 years 1.25%
- 5 years 1.85%

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

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

<b>Maximum principal sums invested &gt; 364 days</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Principal sums invested > 364 days	8,000	8,000	8,000

## **Maidstone Borough Council Proposed Counterparty List 2015/16**

	<b>Maximum Deposit</b>	<b>Suggested Term</b>
<b>UK Institutions</b>		
Bank of Scotland Plc	£8m	24 mths
Lloyds Bank Plc	£8m	24 mths
National Westminster Bank Plc	£8m	24 mths
The Royal Bank of Scotland Plc	£8m	24 mths
Coventry BS	£2m	Building Society - 6 mths
Leeds BS	£2m	Building Society - 6 mths
Skipton BS	£2m	Building Society - 6 mths
Yorkshire BS	£2m	Building Society - 6 mths
Close Brothers Ltd	£3m	100 days
MBNA Europe Bank	£3m	100 days
Bank of New York Mellon (International) Ltd	£5m	12 mths
HSBC Bank plc	£5m	12 mths
Standard Chartered Bank	£5m	12 mths
Nationwide BS	£3m	6 mths
Abbey National Treasury Services plc	£3m	6 mths
Barclays Bank plc	£3m	6 mths
Cater Allen	£3m	6 mths
Merrill Lynch International	£3m	6 mths
Santander UK plc	£3m	6 mths
Collateralised LA Deposit*	£5m	60 mths
Debt Management Office	£5m	60 mths
Supranationals	£5m	60 mths
UK Gilts	£5m	60 mths
<b>Overseas Institutions</b>		
Norddeutsche Landesbank Girozentrale	£3m	100 days
Silicon Valley Bank	£3m	100 days
Australia and New Zealand Banking Group Ltd	£5m	12 mths
Commonwealth Bank of Australia	£5m	12 mths
National Australia Bank Ltd	£5m	12 mths
Westpac Banking Corporation	£5m	12 mths
Bank of Montreal	£5m	12 mths
Bank of Nova Scotia	£5m	12 mths
Canadian Imperial Bank of Commerce	£5m	12 mths
Royal Bank of Canada	£5m	12 mths
Toronto Dominion Bank	£5m	12 mths
Nordea Bank Finland plc ~	£5m	12 mths
Pohjola Bank	£5m	12 mths
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	£5m	12 mths
The Hong Kong and Shanghai Banking Corporation Ltd	£5m	12 mths
Coöperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank)	£5m	12 mths
Qatar National Bank	£5m	12 mths
Samba Financial Group	£5m	12 mths
DBS Bank Ltd	£5m	12 mths
Oversea Chinese Banking Corporation Ltd	£5m	12 mths
United Overseas Bank Ltd	£5m	12 mths
Nordea Bank AB	£5m	12 mths
Svenska Handelsbanken AB	£5m	12 mths
Bank of New York Mellon, The	£5m	12 mths
HSBC Bank USA, N.A.	£5m	12 mths
JPMorgan Chase Bank NA	£5m	12 mths
Northern Trust Company	£5m	12 mths
State Street Bank and Trust Company	£5m	12 mths
U.S. Bancorp	£5m	12 mths
Wells Fargo Bank NA	£5m	12 mths
Landwirtschaftliche Rentenbank	£5m	24 mths
NRW.BANK	£5m	24 mths
Banque et Caisse d'Epargne de l'Etat	£5m	24 mths
Clearstream Banking	£5m	24 mths
Bank Nederlandse Gemeenten	£5m	24 mths
Nederlandse Waterschapsbank N.V	£5m	24 mths
Macquarie Bank Limited	£3m	6 mths

	<b>Maximum Deposit</b>	<b>Suggested Term</b>
BNP Paribas Fortis	£3m	6 mths
KBC Bank NV	£3m	6 mths
National Bank of Canada	£3m	6 mths
Danske Bank	£3m	6 mths
BNP Paribas	£3m	6 mths
Credit Agricole Corporate and Investment Bank	£3m	6 mths
Credit Industriel et Commercial	£3m	6 mths
Credit Agricole SA	£3m	6 mths
Societe Generale	£3m	6 mths
BayernLB	£3m	6 mths
Deutsche Bank AG	£3m	6 mths
Landesbank Baden Wuerttemberg	£3m	6 mths
Landesbank Berlin AG	£3m	6 mths
Landesbank Hessen-Thueringen Girozentrale (Helaba)	£3m	6 mths
ING Bank NV	£3m	6 mths
DnB Bank	£3m	6 mths
Arab National Bank	£3m	6 mths
Riyad Bank	£3m	6 mths
Skandinaviska Enskilda Banken AB	£3m	6 mths
Swedbank AB	£3m	6 mths
Credit Suisse AG	£3m	6 mths
UBS AG	£3m	6 mths
Citibank International Plc ~	£3m	6 mths
Credit Suisse International ~	£3m	6 mths
Goldman Sachs International ~	£3m	6 mths
Goldman Sachs International Bank ~	£3m	6 mths
Morgan Stanley & Co. International plc ~	£3m	6 mths
Sumitomo Mitsui Banking Corporation Europe Ltd ~	£3m	6 mths
UBS Ltd ~	£3m	6 mths
Bank of America, N.A.~	£3m	6 mths
BOKF, NA	£3m	6 mths
Citibank, N.A. ~	£3m	6 mths
Money market Funds AAA Rated	£8m	60 mths
Cash Enhanced Funds AAA Rated	£8m	60 mths

**As well as limits on the amount of funds that can be placed with individual counterparties, Capita would suggest imposing group limits. The group limit should be equal to the individual limit of one counterparty within the same group.**



PRUDENTIAL INDICATORS**PRUDENTIAL INDICATORS****Ratio of Financing Costs to Net Revenue Stream**

2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %
-1.1	0.0	0.0	-0.3	-1.1	-1.1

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. As estimated investment income is higher than interest costs, this results in a negative total.

**Incremental Impact of Capital Investment Decisions on the Council Tax**

	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
i) Forecast of total budgetary requirement no changes to capital programme	1,970	450	450	450	450	450
ii) Forecast of total budgetary requirement after changes to capital programme	11,673	5,170	5,528	5,310	5,086	5,086
iii) Additional Council Tax Required	1.20	4.40	4.42	4.34	4.26	4.21

Demonstrates the affordability of the capital programme. It demonstrates the impact of the proposed capital programme upon the Council Tax.

**Current Financial Plan**

2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
11,673	5,170	5,528	5,310	5,086	5,086

This is the estimate of capital expenditure taken from the Corporate Budget Strategy 2014/15 Onwards .

**Capital Financing Requirement**

2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
-65	-2,033	-2,033	-2,033	-2,033	-2,033

This is a measure of the capital expenditure incurred historically by the council that has yet to be financed. The negative figures show that the Council's Capital Programme is fully funded

## PRUDENTIAL INDICATORS

**TREASURY MANAGEMENT INDICATORS****Authorised Limit for External Debt**

	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
Borrowing	10,000	10,000	10,000	10,000	10,000	10,000
Other Long Term Liabilities	5,426	4,971	4,514	4,033	3,526	3,005
Total	15,426	14,971	14,514	14,033	13,526	13,005

This limit is the main limit set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003.

**Operational Boundary**

	2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
Borrowing	6,000	6,000	6,000	6,000	6,000	6,000
Other Long Term Liabilities	5,426	4,971	4,514	4,033	3,526	3,005
Total	11,426	10,971	10,514	10,033	9,526	9,005

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day basis.

**Upper Limit for Fixed Interest Rate Exposure**

2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %
100	100	100	100	100	100

This is the maximum amount of net borrowing and investment that can be at a fixed rate. Variable rate call accounts may be cleared during periods of high payments eg Precept so fixed rate can peak during these periods.

**Upper Limit for Variable Interest Rate Exposure**

2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2019/20 %
80	80	80	80	80	80

This is the maximum amount of net borrowing and investment that can be at a variable rate. The limit set reflects the fact that during the year there can be excess surplus funds available for short term investment. These arise from timing differences between receipts received and payments made.

**Maturity Structure of New Fixed Rate Borrowing during 2014/15**

	Upper Limit %	Lower Limit %
Under 12 months	100	0
12 months to under 24 months	100	0
24 months to under 5 years	100	0
5 years to under 10 years	100	0
10 years and over	100	0

It may be necessary to borrow at fixed term rates during 2013/14. This will be monitored as the year progresses and a decision will then be made.

**Principal Invested for more than 364 Days**

2014/15 £,000	2015/16 £,000	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000
5,000	8,000	8,000	8,000	8,000	8,000

## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**25 FEBRUARY 2015**

### **REPORT OF THE MEMBER AND EMPLOYMENT AND DEVELOPMENT PANEL**

#### **1. PAY POLICY STATEMENT**

##### **1.1 Issue for Decision**

1.1.1 To approve the Pay Policy Statement (attached at Appendix B) for publication.

##### **1.2 Recommendation Made**

1.2.1 That Council be recommended to agree the proposed Pay Policy Statement, as attached at Appendix B, for publication on the Council's website after 31 March 2015.

1.2.2 That the Chief Executive be given delegated authority to update the Pay Policy Statement with the pay figures at the end of the financial year, prior to publication.

##### **1.3 Reasons for Recommendation**

1.3.1 On 21 January 2015, the Member and Employment and Development Panel considered the report of the Chief Executive (copy attached at Appendix A) regarding the pay policy statement for 2015 and agreed to recommend the Pay Policy Statement to Council, as amended by the Head of HR Shared Service.

1.3.3 The Head of HR Shared Service responded to questions raised by Members with regard to, inter alia, living wage, market supplements, retention of staff and equality of pay across the MKIP Authorities.

##### **1.4 Appendices**

1.4.1 App A – Report of the Chief Executive to MEDP on 21 January 2015  
App B - Amended Pay Policy Statement

**MAIDSTONE BOROUGH COUNCIL**

**MEMBER AND EMPLOYMENT AND DEVELOPMENT PANEL**

**WEDNESDAY 21 JANUARY 2015**

**REPORT OF CHIEF EXECUTIVE**

**Report prepared by Dena Smart, Head of HR Shared Service**

**1. PAY POLICY STATEMENT**

**1.1 Issue for Decision**

1.1.1 A Pay Policy Statement must be agreed by full Council for publication by 31<sup>st</sup> March 2015. The Pay Policy Statement should set out the main aspects of the remuneration strategy of the council.

1.1.2 The Council met the target to publish a Pay Policy Statement by 31<sup>st</sup> March 2014 and the attached document has been updated to reflect changes during the year.

**1.2 Recommendation of Head of Human Resources**

1.2.1 That the Council be recommended to agree the proposed Pay Policy Statement set out at Appendix 1 to this report prior to publication on the council's web site.

**1.3 Reasons for Recommendations**

1.3.1 Section 38 (1) of the Localism Act 2011 came into force on 15 January 2012 and required English and Welsh local authorities to produce a pay policy statement for 2012/13 and for each financial year after that. The government recently produced a revised code and the draft pay policy statement reflects the requirements of the revised code.

1.3.2 The matters that must be included in the statutory pay policy statement and the revised code of practice are as follows:

- a local authority's policy on the level and elements of remuneration for each chief officer;
- a local authority's policy on the remuneration of its lowest-paid employees (together with its definition of "lowest-paid employees" and its reasons for adopting that definition);

- a local authority's policy on the relationship between the remuneration of its chief officers and other officers and in particular the pay multiple between the two;
- a local authority's policy on other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency;
- an organisation chart or description of the number and grades of staff in the top three layers of the organisation, with information on the grades of all those with salaries in excess of £50,000;
- details of trade union facility time including the number of trade union representatives for each of the recognised trade unions and the amount of time spent on trade union duties.

The reference to 'chief officer' refers to the statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer plus any Deputy Chief Officers, which in our organisation includes anyone at Head of Service or above.

1.3.3 With regard to the process for approval, the pay policy statement:

- Must be approved formally by the council meeting
- Must be approved by the end of March each year
- Can be amended in year
- Must be published on the authority's website
- Must be complied with when the authority sets the terms and conditions for a chief officer

1.3.4 The Act specifically mentions that the pay policy statement may set out the authority's policies relating to other terms and conditions for chief officers and in the interest of open government there are recommendations that the pay policy statement sets out as much information relating to employee terms and conditions as is practical.

1.3.5 Terms and conditions of employment for employees is a non-executive function and the Member and Employment and Development Panel has delegated responsibility for this within the constitution.

1.3.6 The general approach of the Member and Employment and Development Panel has been to take the same approach to senior members of staff as that taken with all other employees in relation to the benefits available and the review processes followed. The council has a thorough approach that applies best practice in the areas of remuneration and equal pay.

#### 1.4 Alternative Action and why not Recommended

1.4.1 The Council could choose to publicise a reduced version of the Pay Policy Statement that meets the minimum requirements of the Act but

this is not recommended as it does not satisfy the need for transparency and means that the data is not seen in the context of the good work already undertaken by the council.

1.5 Impact on Corporate Objectives

1.5.1 This supports the Workforce Strategy and the corporate objective Corporate and Customer Excellence.

1.6 Risk Management

1.6.1 The purpose of the report is not to change existing policy but to set out clearly the council’s current position on pay, on this basis there are no risks associated with agreeing the Pay Policy Statement. There are risks associated with not publishing a Pay Polciy Statement as the council would be in breach of the Localism Act 2011.

1.7 Other Implications

1.7.1

1.	Financial	
1.	Staffing	X
2.	Legal	X
3.	Equality Impact Needs Assessment	
4.	Environmental/Sustainable Development	
5.	Community Safety	
6.	Human Rights Act	
7.	Procurement	
8.	Asset Management	

The implications are set out in the report.

1.8 Relevant Documents

1.8.1 Appendices

Appendix I – Pay Policy Statement

1.8.2 Background Documents

None

**IS THIS A KEY DECISION REPORT?**

**THIS BOX MUST BE COMPLETED**

Yes

No

If yes, this is a Key Decision because: .....

.....

Wards/Parishes affected: .....

.....

Maidstone Borough Council

Pay Policy Statement 2015

1. Introduction

The local government workforce strategy has five key themes, which are mirrored by our own local strategy:

- Organisational development
- Leadership development
- Skills development
- Recruitment and retention
- Pay and rewards

These strategic themes recognise the importance of pay and rewards as fundamental to our role as an employer. Our work on pay and rewards began in 2006 with an equal pay audit resulting in significant changes to the council's terms and conditions. The work continued through the implementation of the Work Force Strategy and the development of a Total Rewards approach to remuneration for council staff.

Maidstone Borough Council has its own terms and conditions and undertakes local pay bargaining with trade unions.

2. Terms and Conditions – Decision Making

Terms and conditions for employees are a non-executive function and the responsibility for decisions on these matters is delegated to the Member and Employment and Development Panel by full council. The terms of reference for this group are set out in the constitution as follows:

- a) To consider the applications received for the posts of Chief Executive and Directors and to compile a short list for interview and subsequently to interview and make appointments.
- b) To review annually the performance of the Chief Executive and Directors, to agree targets for the coming financial year, and agree any corrective action which may be required relating to the previous financial year.
- c) To consider all other matters concerning the terms and conditions of service of the post of Chief Executive, and to recommend accordingly to the Council.
- d) Power to determine terms and conditions on which staff hold office (including procedures for their dismissal).
- e) To hear and determine appeals under the disciplinary procedures for staff on the JNC Conditions of Service for Chief Officers of Local Authorities.
- f) To hear and determine appeals against decisions taken by the Chief Executive under the Disciplinary or Capability Procedures or to hear grievances raised against the Chief Executive under the Grievance Procedure.



g) To act as an investigatory committee in disciplinary matters for staff on JNC Conditions of Service for Chief Officers of Local Authorities.

h) To advise the Cabinet Member for Corporate Services and the Head of Human Resources Shared Service on Member development priorities where appropriate.

i) A consultative forum for views to be expressed between both parties on the Committee regarding the following issues relating to the employment of staff by the Council but excluding individual cases:

- Health and Safety Issues at Works
- Changes in Staff Structures
- Terms of Conditions of Employment

Such views are referred to the appropriate Council Decision Making Body

Where the decision of the Member and Employment and Development Panel has a budgetary implication beyond the agreed in year budget this will also require agreement from Cabinet.

### 3. Reward Strategy

The Reward Strategy was developed in full consultation with trade unions, staff and Members and was agreed by the Employment and Development Panel on 5<sup>th</sup> April 2006. This was a very thorough piece of work that ensured the Council managed the terms of employees at all levels in the same way and applied the principles of equal pay and performance management to the scheme that was developed. The strategy has been refined over time but the principles have remained in place.

The principles for the reward strategy are to:

1. Support a **performance** orientated organisation;
2. Provide an **attractive** employment package at all levels;
3. Be relevant to a **modern** local government authority;
4. Have a pay structure that is **transparent** and straightforward;
5. Reward people **fairly** and consistently;
6. Move toward a **Total Reward** approach; and
7. To be **affordable** within the Medium Term Financial Strategy.

The reward strategy takes a 'Total Reward' approach to the benefits package received by employees at the council to ensure that maximum benefit is gained from all aspects of what is on offer to employees. The key elements of this package are set out below.

#### 3.1 Pay Scale and Pay Progression

Our policy for grades within the organisation is to apply an objective assessment of the relative 'size and value' of all our roles using a formal job evaluation process. Posts are graded through the HAY Job Evaluation Scheme and this process measures the requirements of the role against the key criteria of Know How, Problem Solving and Accountability when all the duties are being performed and the employee is fully effective in the role. Job

evaluators are drawn from different parts of the organisation and trained to use the HAY scheme; every panel has one trade union representative as part of the panel. The **Lowest Paid** employees are defined as those whose posts have HAY points of 43 to 66 which place them into grade 2 of the pay scale, the same process is applied to Chief Officers whose roles are evaluated at the highest level of points. It is the policy of the organisation to refer to the HAY salary data for Local Government and to reflect the median salary for grades below Head of Service and upper quartile at Head of Service and above. Since 2011 the council has 'bottom loaded' the annual pay award so that the percentage increase for the lowest paid was greater than those on higher salaries; in 2013 the council moved the lowest pay band in line with the London Living Wage giving a significant increase to the low paid, the council has continued to match the Living wage since this point.

The pay scale has up to seven increments which recognise that with development in a role over time an employee's skills are of more value to the organisation and therefore warrant a higher salary. There are fewer incremental points in the lower grades and more in the more complex roles. New appointments to post will normally be at the first point of the grade unless there is evidence of a skill shortage in line with the criteria set out in the Market Supplement Policy. The pay scale is at Appendix I(A).

Incremental progression is assessed against the agreed Competency Profile for the role and evidence of the necessary Performance Standards and agreed objectives. Assessment will be on an annual basis but will be linked to the clear and continuous performance at the level required at each incremental step. Standard progression for fully effective performance is not beyond scale point four; in grades 13 – 16 there are an additional three high performance increments which may be awarded for performance which is over that usually required in the post. The rules for pay progression are set out in Appendix I(B).

Incremental progression is assessed by an employee's line manager in consultation with the Head of Service and Director who has to approve the recommendations within their Directorate; this is monitored by Corporate Leadership Team. The process and timetable for appraisals and incremental progression for the Chief Executive and Directors is set out at Appendix I(C).

### 3.2 Market Supplements

Currently there are two employees in receipt of Market Supplements within the council. The policy that has been applied in times of recruitment difficulty is at Appendix I(D). There have been recruitment difficulties with senior planning staff during the year and it is anticipated that this will continue in several of the professional roles during 2015.

### 3.3 Pension

The council offers access to the Local Government Pension Scheme (LGPS) which is a significant benefit to employees and is one of the aspects of the

Total Rewards package. The LGPS is a defined benefits scheme which requires contribution rates from employees of between 5.5% and 12.5% depending on earnings in accordance with the following table.

Pensionable Pay is:			Contribution rate:
£0	to	£13,500	5.5%
£13,501	to	£21,000	5.8%
£21,001	to	£34,000	6.5%
£34,001	to	£43,000	6.8%
£43,001	to	£60,000	8.5%
£60,001	to	£85,000	9.9%
£85,001	to	£100,000	10.5%
£100,001	to	£150,000	11.4%
£150,001 and above			12.5%

The employer contribution rate is around 13.4 % although this does vary from year to year, this is the future service rate excluding past service deficit.

The pension scheme is standard between all local government employers and in broad terms offers a pension benefit equivalent to 1/49<sup>th</sup> of pensionable salary per year of service, where pensionable salary is calculated on a career average with benefits paid at state retirement age.

Although most of the rules associated with the scheme are set centrally there are a few areas where local employers must define their own policy; the discretionary policy is attached at Appendix I(E). In broad terms it is not the policy of the council to increase pension benefits to employees through any form of enhancement.

Kent County Council is the administering authority for the Maidstone Borough Council scheme.

### 3.4 Pay Protection and Redundancy Payments

The council has a Redundancy Policy which sets out the approach that must be followed if posts are going to be affected because of organisational change. The procedure sets out the approval process and the consultation timetable, it also sets out the terms for redundancy and the pay protection policy, the pay protection policy is set out at Appendix I(F).

Any payments paid to an employee in relation to redundancy shall be in accordance with the statutory redundancy payments scheme and any other regulations applicable except that the Council will calculate a week's pay on actual earnings where this is in excess of the statutory maximum figure. *(Local Govt. (Early Termination of Employment)(Discretionary Compensation) (England and Wales) Regulations 2000).*

The policy of the organisation regarding re-employment following redundancy is that if a redundant employee commences local government employment within one month of the redundancy then the redundancy payment must be

returned. Any other re-employment will only be considered where all other council rules on recruitment or procurement have been followed.

### 3.5 Other payments.

#### Honoraria

The council has a policy to recognise situations where an employee takes on more responsibility on a temporary basis; this is often as a cost saving measure when there is a vacancy, maternity leave etc. In 2014/15 there were seventeen people in receipt of Honoraria during the year and by the end of December this had reduced to twelve.

#### Cash and Non-cash Awards

As part of the Total Rewards package the council has mechanisms for recognising exceptional contributions both from individuals and teams. In 2014/15 these were received by nine employees and there was a total of £5280 paid in cash awards.

#### Stand-By payments

These are paid to a small number of employees (twenty six in 2014/15) who are on an out of hours on-call rota for specialist duties such as collecting stray dogs or attending noise complaints. The level of remuneration is up to £147 for each week of being on-call.

#### Car Allowances

In 2010 the council removed the facility for lease cars but retained a lease car allowance; in 2012 it was agreed that there would be no further allocation of the Lease Car Allowance in the future and that the current allowance would be frozen. During the period since 2010 cars have been removed as the lease expired and the affected employees have moved onto the allowance. This has meant a reduction from over forty employees with lease cars in 2010 to three current employees. In 2010 there were in excess of ninety employees receiving either a lease car or cash alternative and this figure has reduced to forty seven by December 2015. Mileage rates for those receiving this allowance are currently up to 28 pence per mile.

A car allowance of up to £1239 is given to those employees that are required to have a vehicle for their role and in 2014/15 this was given to sixty three members of staff. The majority of those staff in receipt of this payment are within the statutory services which require external visits e.g. planning, environmental health and housing. Mileage rates for those receiving this allowance are at the HMRC level (in 2014/15 this was 45 pence per mile)

#### Bonuses

The council does not make use of bonuses as part of its own remuneration package. However there are currently nine employees in receipt of regular bonuses as part of their TUPE (Transfer of Undertakings(Protection of Employment) Regulations 2006) transfer terms and conditions from a previous employer; this is ten fewer than in 2011/12. These employees are all employed in the grounds maintenance teams and the productivity bonus tops

up a lower basic wage. The TUPE regulations give protection to employees when their employment transfers which may only be changed through consultation.

### 3.6 Special fees and arrangements

Special fees may be paid for certain additional duties. In general these are connected to election duties and the funding for the allowance will not come from the council's own budget. An additional fee is paid for the role of Returning Officer for the District elections, this statutory role may be allocated to the Chief Executive or other officer within the council. Additional fees may be paid when an employee undertakes the role of Returning Officer, Counting Officer or other similar role, on behalf of another authority or organisation.

The council has adopted the Kent schedule of fees which is attached at Appendix I(G).

### 3.7 Other employee benefits

The council provides access to an Employee Assistance Programme which gives both telephone and face-to-face counselling on a range of issues. The council has access to an Occupational Health Service which helps to ensure that employees are properly supported to avoid taking sick leave and to return to work as soon as possible.

The council supports employees in their role with a development plan and training opportunities to ensure they are fully qualified to give excellent service. The council has been recognised for its development-focussed culture through the achievement of the Investors in People Silver award.

On an annual basis the council has an Awards Ceremony which recognises the best achievements during the preceding year. The council also recognises long service and during 2014 this scheme was changed to recognise service over a longer period with shopping vouchers – the first level of recognition is at ten years and every five years thereafter up to forty years.

Salary sacrifice schemes – the council offers a salary sacrifice scheme to employees for the purchase of bicycles and childcare vouchers.

Buying annual leave – subject to agreement with their manager, employees are allowed to sacrifice some of their salary to buy more annual leave. In 2014/15 there were thirteen members of staff that used this benefit.

## 4. Monitoring

Salary budgets are monitored through the normal budget management processes by line managers. Members and senior officers regularly consider the Medium Term Financial Strategy and in particular to consider ways to reduce costs to the council.

As required by the Equality Act 2010 the council undertakes an equal pay audit of salaries annually which is published on the council's web site. This helps to identify whether there are significant differences in any employees that have the protected characteristics.

The Code of Recommended Practice for Local Authorities on Data Transparency 2011 required that salary data was published on the highest earning staff within the council; this was actioned by March 2011 as required by the code. There has now been further qualification of the salary threshold for publication which has been set at £50,000 and above. This information is at Appendix 1(H).

The Code of Recommended Practice for Local Authorities on Data Transparency September 2011 (updated 2014) also requires that there is a process established to monitor the rate of growth of senior earnings compared to all other employees in the organisation. The formula required is to calculate the pay multiple of the Chief Executive compared to the median earnings of all other employees and where there is any significant change year on year this should be explained. It is the council's policy to use this pay multiple to monitor the relationship between remuneration of chief officers and other employees.

The recommendation in the 'Hutton Review of Fair Pay' 2011 has been followed:

'the pay multiple should be calculated on the basis of all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits in kind'

	<b>Chief Executive earnings</b>	<b>Median</b>	<b>Pay Multiple</b>
<b>2011/12</b>	123,657	19,158	6.45
<b>2012/13</b>	122,720	18,028	6.81
<b>% change from previous year</b>	-0.76 %	-5.90%	5.58%
<b>2013/14</b>	128,321	20,390	6.29
<b>% change from previous year</b>	4.56%	13.10%	-7.64%
<b>2014/15</b>	114,913	20,454	5.62
<b>% change from previous year</b>	-10.45%	0.31%	-10.65%

The median earnings have only risen slightly in the last twelve months. Although there was an average 1% pay award in 2014/15 the earnings last

year were inflated due to the additional payments to staff to cover the extended emergency period during the flooding in December and January 2014. The impact of these payments was to increase the median earnings for 2013/14 and consequently the increase in 2014/15 is less than would otherwise be expected.

The Chief Executives earnings have fallen this year compared to last. During the flooding in 2013/14 the Chief Executive worked continuously in the Emergency Centre and like all others that worked during this period she was paid for the additional hours worked; the impact was that there was a higher pay level than usual in 2013/14. One other influence is in the approach to remuneration for election duties and the role of Returning Officer, this fee was reduced significantly to the level in previous years.

It is important to emphasise that the pay policy of the council is to pay at the market median and this is only reached at the top of the incremental pay points for each grade. This ensures that people are paid at a lower level than the council policy until they have fully matured into the role and, although these are contractual payments, they are withheld if performance is not satisfactory at the expected level.

As there has been a fall in the Chief Executive's earnings compared to a small rise of the median earnings for all other employees the pay multiple has fallen for a second consecutive year.

#### 5. Trade Union Facility time

The Council recognises three trade unions, UNISON; UNITE and the GMB. However there are only representatives for UNISON and UNITE.

The council has a history of co-operative employee relations and with a range of fair employment policies there is a low level of trade union activity. None of the trade union representatives spend more than 50% of their working time on trade union duties; the council allows reasonable time for trade union duties (attending management meetings, pay negotiation, etc.) but no time is given for trade union activities (canvassing for additional membership etc.). With this low level of required time the council has not previously required that the trade unions monitor time spent and the reported figure is therefore an estimate for 2014/15, monitoring will take place in the future for comparison purposes.

The number of trade union representatives is:

	Headcount	Full Time Equivalent (FTE)
UNISON	7	7
UNITE	1	1
GMB	0	0

Estimated trade union spend as a percentage of the pay-bill is 0.0088%

(calculated as the number of full time equivalent days ( $120/7.4 \text{ hours} = 16.22$  days) spent on trade union duties multiplied by the average salary (£21,937 per annum /260 days = £84.37 per day) divided by the total pay bill £15,600,000).

6. Contact for further information

If you require any further information regarding the salary policy of the council you should contact Dena Smart, Head of HR Shared Services on 01622 602712 or by email on [denasmart@maidstone.gov.uk](mailto:denasmart@maidstone.gov.uk)



Appendix I(A)

**Pay Scale 2014 - 15**

Grade	Spine point 1	Spine point 2	Spine point 3	Spine point 4	Spine point 5	Spine point 6	Spine point 7
1	<b>GRADE ONE IS NO LONGER IN USE</b>						
2	£14,760	£14,982					
3	£15,391	£15,770	£16,158				
4	£16,476	£16,882	£17,297				
5	£17,625	£18,059	£18,505	£18,961			
6	£19,519	£20,001	£20,494	£21,000			
7	£21,498	£22,030	£22,574	£23,133			
8	£23,498	£24,196	£24,914	£25,655			
9	£26,662	£27,454	£28,270	£29,111			
10	£29,665	£30,548	£31,457	£32,393			
11	£32,689	£33,663	£34,665	£35,697			
12	£36,404	£37,850	£39,354	£40,919			
13	£42,698	£44,541	£46,382	£48,181	£50,357	£52,533	£54,708
14	£58,602	£61,249	£63,897	£66,545	£69,689	£72,926	£75,082
15	£77,684	£81,080	£84,478	£87,875	£91,272	£94,669	£98,446
16	£103,086	£106,016	£108,948	£111,878	£114,810	£117,740	£122,440

## Appendix I(B) **Pay Progression**

### 1. Annual Inflation Award

Annual pay consultation will consider the cost of living, the position of MBC pay in comparison to the market but affordability will be the foremost consideration. Consultation will commence annually in September with the aim to reach agreement within the budget cycle so that payment can be made in April salaries.

The Chief Executive and Head of HR are responsible for undertaking pay negotiation with trade unions but the Cabinet takes ultimate responsibility for agreeing the budget.

### 2. Pay progression within grade

The pay scale has up to four standard increments which recognise that with development in a role over time an employee is of more value to the organisation and therefore warrants a higher salary. There are fewer incremental points in the lower grades and more in the more complex roles. New appointments to post will normally be at the first point of the grade unless there is evidence of a skill shortage in line with the criteria set out in the Market Supplement Policy.

Progress through the grade will be assessed annually. This will not be an automatic progression but will require an assessment against the agreed Competency Profile and Performance Standards for the position. Where the employee has progressed towards the full competency profile they will be awarded an increment. Assessment for incremental progression will take place by October each year. This will therefore not be linked to the annual appraisal but will take place mid year. Increased increments will be paid with effect from 1<sup>st</sup> October.

Employees must have six months service in their role by the 1<sup>st</sup> October to be eligible for assessment, if they are more recently appointed they will receive a review after six months in the position, thereafter they will be reviewed annually for the October increment.

Individuals will need to consistently demonstrate the behaviours required by the Competency Profile and Performance Standards for their role in order to maintain their incremental position. One off performance will not be sufficient to merit or maintain an increment.

Where individuals do not sustain the level of performance or where they have been assimilated to the top of the grade but are assessed as not having the full range of competencies they will be given time to improve but their pay will be frozen until they drop to the pay level that matches their performance, this includes any rise in annual pay as a result of pay inflation. This is outside the normal Pay Protection policy as it does not represent an organisational

change. Where the individual is assessed as not meeting the requirements of the grade their performance will be treated as a capability issue.

### 3. High Performance Increments (HPI) – Grades 13-16

In addition to the standard incremental progression which is linked to fully acceptable performance there are an additional three incremental points in grades 13 to 16. These incremental points will be linked to sustained high performance and should not be awarded for one off projects for which either an ex-gratia payment or cash award may be more appropriate. These HPI's recognise the impact of senior managers on the high performance of the organisation and they should only be used where it is possible to demonstrate that the individual has added significant value over and above what might be seen by other fully effective performers in the same role.

High Performance Increments will be considered in line with the mid year review for effect in October. The HPI may be awarded on either a consolidated or non-consolidated basis. Recommendation for an HPI must be made by a Director to the Corporate Leadership Team for grades 13 and 14, by the Chief Executive to the Member and Employment and Development Panel (MEDP) appraisal sub-committee for Directors (grade 15) and by the Leader to the MEDP appraisal sub-committee for the Chief Executive.

Consideration of some or all of the following factors is appropriate when an award of an HPI is recommended:

- Flexibility to manage new services following structure changes
- Innovative ways of working to improve performance and reduce costs
- Management of services outside the council e.g. shared services
- Continued performance at a level above the current grade but where there are no suitable opportunities for promotion
- Increased income to the council from selling services

It is important to emphasise that the HPI will not be the norm for pay progression and movement onto these increments will be carefully monitored to ensure that there are no equal pay implications.

### 4. Career Grades and Incremental Progression

A Career Grade offers the opportunity of a long path of progression to a particular professional position. As such the nature of the role and the requisite competencies are likely to vary considerably between the entry point and final destination. This means that through Job Evaluation the Career Grade is likely to span several grades and have many steps. To enable this clear stepped progression there may be some need to have interim points between the normal incremental points e.g. in recognition of the achievement of some particular milestone. These half incremental steps will be allowed providing that there is prior agreement with the Head of HR and that they are applied equally to all those who meet the criteria and are set out as part of the agreed career grade structure. Progress through the career grade will need to be evidence based and the Head of HR will need to agree to the progression if it is between grades.

## Appendix I(C)

### Chief Executive and Director Appraisal Process

The appraisal panel for the Chief Executive will comprise of a sub-committee of the Member and Employment and Development Panel..

This panel will also take a 'grandparent' role to review and comment on the full annual appraisal and objectives for the Directors as set by the Chief Executive.

An indicative timetable and process for the Chief Executive is set out below:

Process	Dates	Papers Required
Chief Executive Appraisal and Director review with MEDP	March	
Mid Year Review – CEO with Chair of MEDP and Leader;	By mid September	Appraisal documents with agreed objectives and development plan – to be reviewed and up-dated
Mid Year Review - Directors with CEO	September	Appraisal documents with agreed objectives and development plan – to be reviewed and up-dated
Chief Executive preparation Documents complete for circulation to Sub Committee of MEDP	January	Previous years appraisal & Mid Year Review Knowledge, Skills and Performance Standards Strategic Direction Competency Framework Appraisal Preparation document Briefing note on appraisal preparation
Chief Executives appraisal with Sub Committee of MEDP	February	Appraisal produced from the meeting
Directors appraisals with CEO	February	Directors appraisals then CEO to write up and agreed by Directors
MEDP Sub Committee review of Directors appraisals	March	Previous years appraisal & Mid Year Review Knowledge, Skills and Performance Standards Strategic Direction Competency Framework Appraisal completed by Chief Executive & Director

## **MARKET SUPPLEMENTS FOR PAY**

### **Introduction**

The Council will utilise a Market Supplement to ensure that competitive salaries will attract and retain key workers in skill shortage areas without distorting the pay structures for all other employees. A Market Supplement for recruitment or retention purposes will only be used where there are clear business reasons that cannot be better addressed through the total benefits package, the work environment or department skill mix. It is recognised that pay is only one factor contributing to our attractiveness as an employer and other aspects of employment, particularly those relating to development, should be applied rather than using just a Market Supplement.

All jobs are graded using the HAY Job Evaluation system and the defined pay policy of the Council is to pay at Market Median where the market used is the HAY Local Government salary data. This is also checked against local Kent salary surveys to ensure that it is robust for the geographical region. This approach ensures that the employees of Maidstone Borough Council are paid at a fair level in comparison to other workers in similar employment groups.

However there is recognition that in certain professions there are either national or regional skill shortages and Maidstone needs to be responsive to the competition for these skills. In the longer term our aim will be to train employees to move into these specialist areas and to ensure that the specialists' skills are used properly within the organisation. In the short term Market Supplements may be used.

### **Identification of the Skill Shortage**

#### Recruitment Campaigns

Where there is no anticipated shortage there will need to be a minimum of two appropriate external recruitment campaigns within a 12 month period to establish that it is not possible to fill a position before it is agreed there is a requirement for a market supplement.

#### Salary Survey

The salary survey is conducted on an annual basis and gives details of the comparative salaries for defined positions in the south east. This clearly identifies the median salaries and is particularly relevant for local government roles. This will enable the identification of positions which may be vulnerable and where there is more than a 10% salary difference from the median there should be consideration of the need for a market supplement. The existence of this difference alone is unlikely to be sufficient justification and further analysis will be required to identify whether this has had an adverse impact on the Council's ability to recruit and retain.

#### National Information

Within local government there are certain identified skill shortage areas. These are identified through data collection from the Employers Organisation. In 2014 these skills were listed as:

1. Children's social workers
2. Planning officers \*
3. Building control officers \*
4. Environmental health officers \*
5. Educational psychologists
6. School crossing patrol
7. Adult social workers
8. Trading standards officers
9. Solicitors and lawyers \*
10. Mental Health Social Workers

\* category of worker employed by MBC

This national picture is the first indicator of a shortage. Where there is an identified shortage nationally the manager will still be required to demonstrate that this applies to the local area. This proof can be gained through the outcome of a relevant recruitment campaign during the previous 12 month period or through information from agencies about the availability of particular skill sets.

### **Market Supplement for Recruitment Purposes**

The level of supplement will be agreed between the Director and the Head of HR in consultation with the Head of Finance. It will be paid as part of monthly salary and will be pensionable. The supplement will not be subject to the cost of living award and will not be taken into account for any salary related enhancements eg overtime which will be paid at the normal salary rate.

The Market Supplement will be given for a minimum two year period initially. This will be annually reviewed to confirm that the supplement is still necessary and at the appropriate level. Where a reduction in level is the outcome of the review this will not take effect until the minimum two years has expired. Reductions will follow the process set out in section 5.

The payment of a Market Supplement must be within the Director's agreed budget. Approval must be given by the relevant Director and the Head of Human Resources who will ensure that all alternative options have been explored.

### **Market Supplement for Retention Purposes**

Whilst the Market Supplement is principally to enable the Council to be able to compete in a highly competitive market to attract new employees, there may be exceptional cases where a supplement should be considered for existing employees. This may occur in situations where a new recruit is offered a supplement which would then cause equally mobile colleagues to leave and seek a similar salary elsewhere. There may also be occasions where an

employee with a specialist skill needs to be retained to ensure business continuity.

The level of supplement will be agreed between the Director and the Head of HR in consultation with the Head of Finance. It will be paid as part of monthly salary and will be pensionable. The supplement will not be subject to the cost of living award and will not be taken into account for any salary related enhancements eg overtime which will be paid at the normal salary rate. The Market Supplement will be given for a minimum two year period initially. This will be annually reviewed to confirm that the supplement is still necessary and at the appropriate level. Where a reduction in level is the outcome of the review this will not take effect until the minimum two years has expired. Reductions will follow the process set out in section 5.

Agreement to the Market Supplement (or appointment above the bottom of the grade) will require the completion of the form at Appendix 1.

Payment of a Retention Supplement must only be considered in exceptional circumstances and particular attention must be paid to the Equal Pay issues.

### **Removal of the Supplement**

The availability of skills varies over time. As professions are identified as skill shortage areas and salaries rise they can attract an increased number of trainees. Where this is the case the Council would not wish to incur unnecessary costs, i.e. paying more for a skill than the median rate if this would be sufficient to attract high quality applicants.

Management Team will review the posts attracting a supplement annually in January. When it is clear that a particular profession or skill area no longer necessitates a market supplement this will be withdrawn over a phased period of 2 years – with the withdrawal of 25% of the supplement every six months until the employee returns to the normal rate for the job. The assessment of the on-going need will relate to the national skills assessment combined with local salary reviews and the response to recruitment campaigns. When a market supplement is to be withdrawn the employee will be notified by the end of January and the phased withdrawal will commence in April of that year. In this way the annual pay award should help to offset any reduction.

## **Appendix I(E)**

### **Maidstone Borough Council Policy and Procedural Issues Local Government Scheme Regulations Employer Discretions**

This paper confirms the pension policy of Maidstone Borough Council as it relates to the exercise of discretions contained in the Local Government Pension Scheme Regulations 2013 and the LGPS (Transitional Provisions, Savings and amendments) Regulations 2014. Last updated June 2014.

The policy statement applies to all members of staff who are eligible to be members of the LGPS, as defined in the regulations i.e. employees with a contract of employment of over 3 month's duration and who are under 75 years of age and are contractually enrolled at the start of employment. Those with contracts of less than 3 months, including casuals, can join but need to elect to do so.

Employees who are members of the pension scheme are only entitled to receive pension benefits if they have 2 years or more service. Under LGPS 2014 Regulation 18, if an employee leaves within 2 years of the start of their employment their contributions can be repaid or transferred to another scheme, unless there is some fraudulent offence or misconduct in connection with the employment

#### **Principles**

The Authority will treat any individual retirement case and decisions on its merits.

Decisions relating to retirement will be made taking into account the business case and business implications, the financial implications, employment law consideration, the regulations and the legality of each case. It may also take into account long term savings, affordability, skills and skills retention and impact on service delivery.

The definition of business efficiency shall include, but not be limited to financial savings and/or quality improvements judged on a case by case basis.

Each decision will be made free from discrimination on the grounds of any protected characterising – age, disability, gender reassignment, marriage or civil partnership, pregnancy & maternity, race, religion and belief, sex, sexual orientation or any other personal criteria.

The Authority's decisions relating to retirement and the release of pension benefits will be in line with the current pension regulations. These regulations may be updated from time to time and the Authority will default to the regulations if the policy is not explicit on any current or future regulation.

Decisions relating to the release of deferred benefits to former employees will refer to the relevant pension policies applicable at the time of their employment. In such cases, the decision as to the release of deferred benefits will be on a case by case basis and will take into account the criteria detailed in these principles. Guidance may be sought from the pension administrators as required.

#### **Regulation 9 (1) & (3) - Contributions**

Maidstone Borough Council will apply the nationally determined employee contribution rates and bands. These are subject to change and may be varied.



Maidstone Borough Council will pay the rate of contributions determined in the regulations for employees whose pay is reduced through ill health or during authorised unpaid leave, including child related leave.

The calculation of pensionable pay will include basic annual salary plus any other pensionable salary items including – Market Supplement/ Premium, Overtime, Bonus, Honorarium, Salary Supplements. The pensionable pay will be reviewed monthly and based on earnings for that month to identify the appropriate band and contribution percentage

Maidstone Borough Council will notify employees of their individual contribution rates in their payslips or by letter at least annually.

#### **Regulation 16 (2)e and 16 (4)d – Shared Cost Additional Pension Contributions (SCAPC)**

It is not Maidstone Borough Council's general policy to operate a SCAPC where a scheme member wishes to purchase extra annual pension (up to the limit defined in the regulations).

Where a scheme member has a period of child related leave or authorised unpaid leave and elects, within 30 days of return to work, to pay a SCAPC to cover the amount of pension 'lost' during the period of absence, in these circumstances Maidstone Borough Council is required to contribute 2/3rds of the cost. If an election is made after the 30 day time limit the full costs will be met by the scheme member.

Employees who have the option to pay contributions in respect of a period of unpaid absence must elect to do so within 30 days of the date of the notice issued to them by the Human Resources Section stating the amount of contributions to be paid. This time limit may be extended by the Head of Human Resources if the employee can demonstrate exceptional circumstances so as to justify an extension of time.

#### **TP Regulations 1(1)(c) of Schedule 2 – whether to allow the rule of 85 to be 'switched on' for members age 55-59.**

It is not Maidstone Borough Council's general policy to make use of the discretion to 'switch back on' the 85 year rule protections unless there are clear financial or operational advantages to the council. Each case will be considered on its merits by Head of Human Resources, the Head of Finance and the relevant Director.

#### **Regulation 17 (1) – Shared Cost Additional Voluntary Contributions (SCAVC)**

It is not the current policy of the Borough Council to operate a shared cost Additional Voluntary Contribution Scheme for employees. However, this policy will be reviewed from time to time by the Head of Human Resources in conjunction with the Chief Finance Officer, subject to Member's approval.

#### **Regulation 21 (5) – In determining Assumed Pensionable Pay whether a lump sum payment made in the previous 12 months is a 'regular lump sum'.**

Maidstone Borough Council will maintain a list which details what Maidstone Borough Council considers being a regular lump sum payment made to our employees to be used in the calculation of the Assumed Pensionable Pay

#### **Regulation 22 (7)(b) & 22 (8)(b) - Aggregation of Benefits**

Employees who have previous LGPS pension benefits in England and Wales will automatically have these aggregated with their new LGPS employment unless they

elect within 12 months of commencing membership of the LGPS in the new employment to retain separate benefits. Maidstone Borough Council has the discretion to extend this period beyond 12 months and each case will be considered on its own merits by the Head of Human Resources, the Head of Finance and the relevant Director.

### **Regulation 30(6) – Flexible Retirement**

It is Maidstone Borough Council's policy to only provide consent for flexible retirement and the immediate payment of benefits where there are clear financial or operational benefits to the council. Any such consent requires the agreement of the Director of Human Resources and the relevant Director and each case would be considered on its merits.

If consent has been given under Regulation 30 (6) it is not Maidstone Borough Council's general policy to waive any actuarial reduction unless there are exceptional circumstances.

### **Regulation 30(8) Waiving of Actuarial Reductions**

It is not the policy of the Borough Council to give consent to the immediate payment of benefits to employees under this regulation unless there is a demonstrable benefit to the organisation which would take full account of any extra costs to be borne by the Authority. In circumstances where a request is made for an early payment of a deferred benefit this is unlikely to be granted except in the most extreme cases of hardship; circumstances must be exceptional and would not reasonably be expected to prevail i.e. the occurrence of a disaster or accident etc. Financial hardship alone would not normally be deemed sufficient. Any such consent shall be agreed by the Head of Human Resources, Head of Finance and the relevant Director taking account of all the details involved in the case.

Where a scheme member has previously been awarded a preserved benefit, it is not generally the policy of Maidstone Borough Council to give consent under this regulation to the early payment of benefits, however each request will be considered and full account taken of any costs to be borne by the authority. Any consent shall be agreed by the Head of Human Resources, Head of Finance and the relevant Director taking account of all the details involved in the case. It is not the council's general policy to waive any actuarial reduction in these circumstances.

### **Regulation 31 – Award of Additional Pension**

Maidstone Borough Council has the discretion to award additional pension (up to the additional pension limit defined in the regulations) to an active member or within 6 months of leaving the scheme to a scheme member who was dismissed on grounds of redundancy or business efficiency.

Maidstone Borough Council will only exercise this discretion in exceptional circumstances and where there is a proven total benefit to the organisation which includes any costs that might be borne by the authority. Any consent shall be agreed by the Head of Human Resources, Head of Finance and the relevant Director taking account of all the details involved in the case.

### **Regulation 100 (6) – Aggregation of Benefits**

If a scheme member wishes to transfer any pension benefits they have built up in other schemes to the Local Government Pension Scheme, it is the policy of Maidstone Borough Council that the election must be made within 12 months of the

Pension Section being notified that the employee has become an active member of the Kent Scheme.

If the 12 month period has elapsed then the member may make a case for any exceptional circumstances to be considered by the Head of Human Resources, the Head of Finance and the relevant Director within Maidstone Borough Council and by the Pension Scheme Administrator, both organisations must agree to the late transfer.

## **Appendix I(F)**

### **Pay Protection Policy Introduction**

The Council believes that an integral feature of any successful organisation is its ability to identify the need for change and to manage that change, taking into account management's aspirations as well as the aspirations and well being of its employees.

Whilst the Council is committed to providing security of employment and to minimising the personal impact of organisational change there will be occasions when it will be necessary to reorganise services and the way in which they are delivered. In these circumstances the provisions of this policy will apply.

### **Scope**

This policy applies to any employee who, as a consequence of organisational change, is required by management to move to a new post or suffers a reduction in basic hours worked within the standard working week. The provisions of this policy do not apply where an employee moves to another position as a result of:

action taken in accordance with the Council's disciplinary or capability procedures

the need for re-deployment on health grounds

unacceptable standards of work performance

a request from the individual or by mutual agreement between the individual and the Council

a voluntary application to another position within the Council.

### **Protection Period**

Protection of earnings will be given for a period of 36 months. The first twelve months will be protected at the full earnings of the role held by the employee prior to the change. The 13-24 month period will be with a 33% reduction of the difference between the new earnings and the earnings of the role held prior to the change. The 25-36 month period will be with a 66% reduction and after a period of 36 months the employee will move to the salary and earnings of the new post. The employee will be moved to the salary point of the pay scale for the grade of the new post that is closest to the salary of the previous post. In most cases this is likely to be the highest incremental point of the relevant grade.

In exceptional circumstances, and where there may be a cost advantage to the organisation (eg where redundancy costs would be very high) there may

be agreement with the Chief Executive, the Head of Finance and Head of Human Resources to extend this period to a maximum of five years.

### **Calculation of Protection**

Earnings protection will be calculated as an average of the earnings in the four months preceding the organisational change. This will include basic salary, essential car user allowance, lease car cash allowance, stand-by payments and an average of overtime and out of hours payments.

Earnings in the new post will be off-set against protected earnings and if for any particular pay period the earnings in the new post exceed the protected earnings then the higher earnings will be paid for that pay period.

Where the period of protection spans the annual pay award the protected earnings shall remain as they were prior to any pay uplift (ie on a mark-time basis) but the calculation of the new earnings will be at the increased rate.

### **Conditions of Protection**

Protection of earnings is conditional upon the employee undertaking any shift work or other duties which may be required in the new post up to the level at which the earnings in the new post equal the protected earnings.

Protection of earnings is also conditional upon the employee accepting any subsequent offer of a suitable alternative post which attracts a salary in excess of that of the new post.

Overtime will be paid at the new rate (ie the real rate attached to the post) not at the protected rate.

### **Terms and Conditions other than Pay**

Annual Leave entitlements and length of notice period required from the employee will not be protected and those applicable to the new post will be effective from the date of transfer.

## Appendix I(G)

# KENT ASSOCIATION OF ELECTORAL REGISTRATION OFFICERS AND STAFF

September 2014

## NOTES TO PROPOSED SCALE OF ELECTION FEES FOR 2015

1. Since 1998 the Kent scale of election fees mirrored the latest national scale, with local variations (for example, payment to the District/Borough for the use of Council staff). The Local Returning Officers' Charges Order 2009 for the European Parliamentary election of that year introduced a new approach by Government. The Order provided for an overall maximum of expenditure, based on various assumptions, and allowed flexibility across different heads of expenditure; this approach has continued at all national elections since. However, after full discussion of various options at the September 2010 meeting of the Association, it was unanimously agreed to retain the present structure for District/Borough elections in Kent.
2. The scale of fees is revised each year in accordance with the annual National Joint Council APT & C pay award; the current fees will be increased in line with the NJC local government pay award for 2014/15 which has yet to be determined (as at 11 September 2014).
3. Commencing September 2013 the following applied to item 11 (delivery of poll cards by hand). Historically, the fee has been set at Royal Mail's second class postage rate which at 11 September 2014 is £0.53, however the scale will say "second class post" as the rate is variable.
4. In the absence of the NJC APT&C pay award, it is proposed to agree to increase the scale of fees and charges in line with any pay award granted for 2014/15 with effect from 1 April 2015.

### **IMPORTANT NOTE**

Kent AERO's approved the proposal to agree to the scale subject to adding the pay award once known. The National Pay Award has now been agreed at 2.2%. The increase has been applied to the attached scale of Fees and Charges.

**KENT ASSOCIATION OF ELECTORAL REGISTRATION  
OFFICERS AND STAFF**  
**Proposed scale of fees for District/Borough and  
Parish Council elections held on or after 1st April 2015**

ITEM	Current 2014 £	Proposed 2015 £	% increase
1. For each Presiding Officer at a Polling Station – single election	199.22	203.60	2.2%
2. For each Presiding Officer at a Polling Station – combined election or difficult station due to local circumstances (at the discretion of the Returning Officer)	244.74	250.12	2.2%
3. For a Presiding Officer who acts as a supervisor at a Polling Place where there is more than one Polling Station	(additional) 9.66	(additional) 9.87	2.2%
4. Presiding Officer travel (see note 4 below)	13.66	13.96	2.2%
5. For each Poll Clerk at a Polling Station – single election	119.53	122.16	2.2%
6. For each Poll Clerk at a Polling Station – combined election (at the discretion of the Returning Officer)	147.99	151.25	2.2%
7. Poll Clerk travel (see note 4 below)	7.94	8.11	2.2%
8. Supervising Officer – for every 10 polling stations overseen	199.22	203.60	2.2%
9. For each Presiding Officer, Poll Clerk and Supervising Officer attending training	44.22	45.19	2.2%
10. For each training session provided by the Returning Officer to Presiding Officers and Poll Clerks	170.78	174.54	2.2%
11. For the delivery of official Poll Cards by hand	Second class post	Second class post	
12. For the employment of persons in connection with the counting of votes, clerical and other assistance required by the Returning Officer – for each 500 electors (or part) in a contested election	69.70	71.23	2.2%
13. For the employment of persons in connection with the preparation, issue and opening of postal ballot papers – for every 100 (or part) postal ballot papers issued. (Further resources may be needed to meet the effects of the Electoral Administration Act 2006)	68.31	69.81	2.2%

ITEM	Current 2014 £	Proposed 2015 £	% increase
14. For each recount of the votes – for each 500 electors (or part) (see note 3 below)	4.01	4.10	2.2%
15. Travel of staff in connection with the counting of votes (at the discretion of the Returning Officer – see note 4 below)	7.94	8.11	2.2%
16. For clerical and other assistance required by the Returning Officer at an uncontested election – for each 500 electors (or part)	18.96	19.38	2.2%
17. Payment to the District/Borough for the use of Council staff to support the Returning Officer in the conduct of elections as follows:			
(a) contested election – (i.e. <b>without</b> District/Borough) for each 500 electors (or part)	53.98	55.17	2.2%
(b) contested joint election (i.e. <b>with</b> District/Borough) – for each 500 electors (or part)	26.99	27.58	2.2%
18. Payment to the District/Borough for the use of Council staff at an uncontested election – per uncontested election (see note 5 below)	14.89	15.22	2.2%
19. Returning Officer's fee for the conduct of elections as follows:			
(a) contested District/Borough OR Parish election – for each 500 electors (or part)	30.17		
(b) contested joint District/Borough AND Parish election – for each 500 electors (or part)	41.67	30.83	2.2%
(c) uncontested District/Borough election – single fee	51.66	42.57	2.2%
(d) uncontested Parish election – single fee	17.70	52.80	2.2%
		18.09	2.2%

#### Notes

1. The fees are calculated on the number of local government electors on the register of electors and entitled to vote at the last day for publication of the notice of election.
2. At parish polls the fees relating to polling staff may be pro rata.
3. **Item 14** – in special circumstances, the Returning Officer may recover actual costs.
4. **Items 4, 7 and 15** – variable mileage rates may be applied where fixed travel is considered inappropriate.
5. **Item 18** - the payment referred to applies (in the case of a parish election) to each ward of a parish.



## Appendix I(H)

### Details of remuneration and job title of certain senior employees whose earnings are between £50,000 and £150,000.

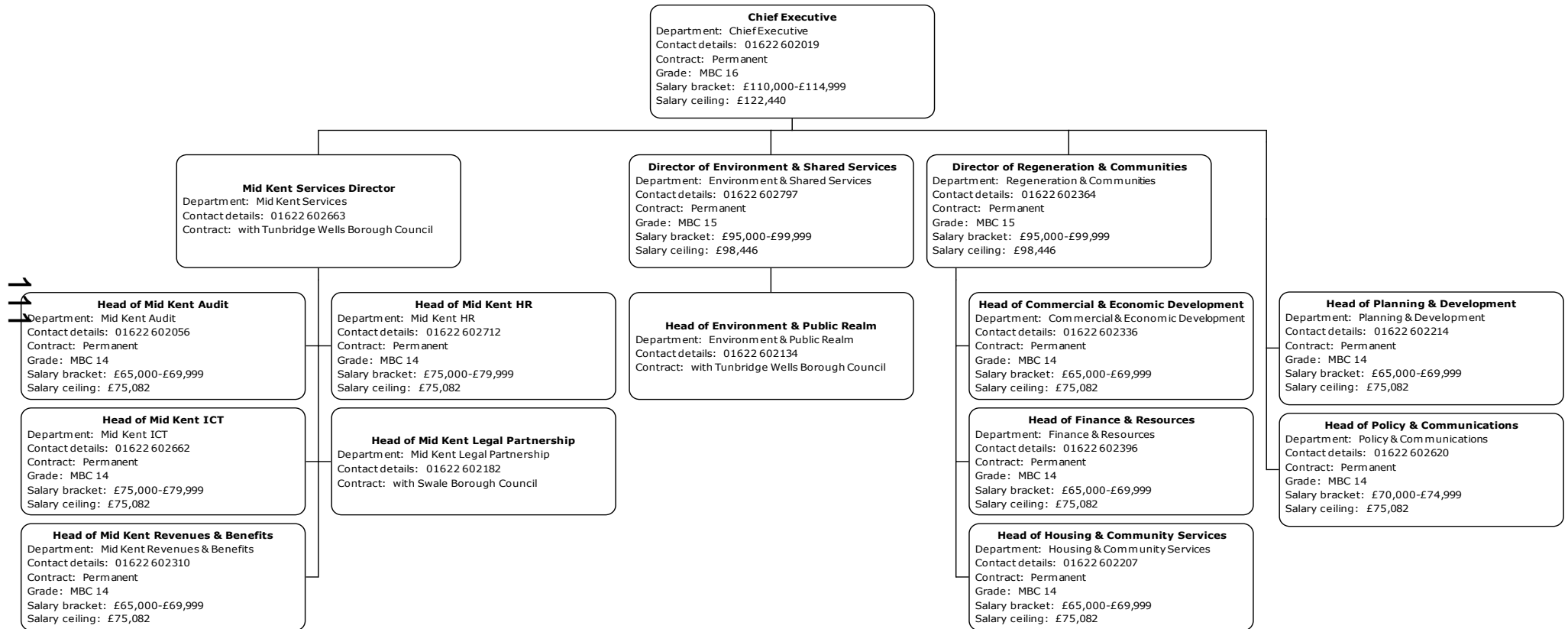
Position	Department	Remuneration	No of staff under management responsibility	Budget responsibility	Other services/responsibilities
Chief Executive	Chief Executive	£110,000 - £114,999	554	£55,193,805	Returning Officer responsible for all elections & Head of Paid Service
Director of Environment & Shared Services	Environment & Shared Services	£100,000 - £104,999	128	£17,888,430	
Director of Regeneration and Communities	Regeneration and Communities	£100,000 - £104,999	179	£28,822,195	Section 151 Officer
Head of Mid Kent HR	Mid Kent HR	£75,000 - £79,999	16	£837,830	Head of shared service with Swale Borough Council
Head of Mid Kent ICT	Mid Kent ICT	£75,000 - £79,999	36	£2,401,860	Head of shared service with Swale and Tunbridge Wells Borough Councils
Head of Policy & Communications	Policy & Communications	£75,000 - £79,999	64	£2,255,860	
Head of Finance & Resources	Finance & Resources	£70,000 - £74,999	62	£17,936,760	
Head of Planning & Development	Planning & Development	£70,000 - £74,999	72	£3,639,950	
Head of Housing & Community Services	Housing & Community Services	£70,000 - £74,999	62	£6,185,890	
Head of Mid Kent Revenues & Benefits	Mid Kent Revenues & Benefits	£65,000 - £69,999	41	£1,675,850	Head of shared service with Tunbridge Wells Borough Council
Head of Commercial & Economic Development	Commercial & Economic Development	£65,000 - £69,999	52	£4,323,045	
Head of Mid Kent Audit	Mid Kent Audit	£65,000 - £69,999	9	£552,760	Head of shared service with Ashford, Swale and Tunbridge Wells Borough Councils.
Chief Technology Officer	Mid Kent ICT	£60,000 - £64,999	18	£0	Manager within shared service with Swale and Tunbridge Wells Borough Councils.
Chief Information Officer	Mid Kent ICT	£60,000 - £64,999	15	£0	Manager within shared service with Swale and Tunbridge Wells Borough Councils. Remuneration also includes Emergency Planning supplement.
Property & Procurement Manager	Property, Procurement & Facilities Management	£55,000 - £59,999	39	£6,811,455	
Communications Manager	Communications	£55,000 - £59,999	5	£239,890	
Business Improvement Manager	Business Improvement	£55,000 - £59,999	4	£256,910	
Economic Development & Regeneration Manager	Economic Development & Regeneration	£50,000 - £54,999	3	£1,501,785	
HR Shared Service Manager	Mid Kent HR	£50,000 - £54,999	4	£440,540	Manager within shared service with Swale Borough Council
Building Surveying Manager	Building Surveying	£50,000 - £54,999	8	£772,240	Remuneration includes Emergency Planning Officer supplement
Community Partnerships Manager	Community Partnerships	£50,000 - £54,999	29	£1,184,480	

**Number of employees whose remuneration in 2013/14 is at least £50,000 in brackets of £5,000**

<b>Remuneration band</b>	<b>Number of employees in band</b>
£50,000 - £54,999	4
£55,000 - £59,999	3
£60,000 - £64,999	2
£65,000 - £69,999	3
£70,000 - £74,999	3
£75,000 - £79,999	3
£80,000 - £84,999	0
£85,000 - £89,999	0
£90,000 - £94,999	0
£95,000 - £99,999	0
£100,000 - £104,999	2
£105,000 - £109,999	0
£110,000 - £114,999	1
Total	21

This information is published in accordance with the guidance associated with The Code of Recommended Practice for Local Authorities on Data Transparency (2014) which requires the publication of senior salaries within a £5000 range.

# Data transparency: Maidstone Borough Council organisation chart



# Agenda Item 20

## MAIDSTONE BOROUGH COUNCIL

### COUNCIL

25 FEBRUARY 2015

#### REPORT OF THE HEAD OF FINANCE & RESOURCES

Report prepared by Caroline Matthews

#### 1. MEMBERS' ALLOWANCES

- 1.1 In accordance with the requirements set out in the Local Government Act 2000 and subsequent Regulations, the Council is obliged to give consideration to the recommendations of the Joint Independent Remuneration Panel ("JIRP").
- 1.2 Attached at Appendix A is the report of the Head of Policy and Communications considered by the JIRP in January 2015. Appendix B sets out the response from the Chairman of the Panel, having taken into account the views of the other Panel Members.

#### 1.3 Issues Discussed

##### Group Leaders Allowance

- 1.3.1 It is proposed that the Group Leaders' Allowance be changed to reflect a more robust way of proportioning the allowance and that it would be divided up based on the number of Members in each party. Therefore taking into account the political make up at the time of the review, this would be:-

Liberal Democrat Group Leader = 20 Members x £376.23 = £7,525

Independent Group Leader = 5 Members x £376.23 = £1,881

UKIP Group Leader = 4 Members x £376.23 = £1,505

Labour Group Leader = 2 Members x £376.23 = £753

These figures could, of course, change throughout the year, dependent on any bi-elections or defections.

The Leader's Allowance would remain unchanged as long as they had the majority in their party. The number of Members within their party would be immaterial.

##### Members' Allowance – Pay Rise

- 1.3.2 It is proposed that Members be eligible to receive the same percentage increase in their allowances as the Council's members of staff receive each year.

### Special Allowance for Vice-Chairmen of Committees

1.3.3 It is proposed that the consideration of a Special Responsibility Allowance for Vice-Chairmen across the Council's Committees be considered more fully when the JIRP undertake their full review in March 2015.

#### 2. **RECOMMENDED:**

- 2.1 That the Group Leaders' Allowance be determined based upon how many Members there are in their respective parties as set out in paragraph 1.3.1 of this report.
- 2.2 That Members be eligible to receive the same percentage increase in their allowances as the Council's members of staff receive each year and that this should include Dependant Carer's Allowance and Non-Councillors Allowances.
- 2.3 That the issue relating to a Special Responsibility Allowance for Vice-Chairmen be deferred for further consideration by the JIRP at the full review in March 2015.

**MAIDSTONE BOROUGH COUNCIL**

**JOINT INDEPENDENT REMUNERATION PANEL**

**15 JANUARY 2015**

**REPORT OF THE HEAD OF POLICY & COMMUNICATIONS**

Report prepared by Caroline Matthews

**1. Introduction and Background**

The meeting of the Joint Independent Remuneration Panel for Maidstone and Swale Borough Councils has been called for 15 January 2015 following an annual request from Democratic Services Officers to Members of the Council and Parish Councils which asks if they have any issues relating to Members' Allowances that they would like the Panel to consider.

Swale Borough Council have indicated that they do not have any issues themselves and will not be participating at this time.

Therefore the Panel for Maidstone consists of the following members:

Mark Palmer, South East Employers Representative and Chairman  
Athos Loucas, Loucas Chartered Accountants, Representative from  
Chamber of Commerce  
Steve Golding, Maidstone Independent Representative

The Panel will be supported by:

Sandra Marchant, Democratic Services Manager  
Caroline Matthews, Democratic Services Officer

**2. Borough Council Issues Raised for 2015**

There are two issues that the Council would like the Panel to consider:-

Group Leaders Allowance

A Councillor has requested that the Panel consider reverting back to the 2012 Scheme whereby Political Group Leaders of two or more Members would receive an allowance as a proportion of the total number of Councillors (i.e. 55 Councillors). Attached at Appendix 1 is the Scheme as at 1.4.12).

In 2013 the Scheme was changed to:-

Leader of the Opposition (min of 10 Councillors) (receiving 25% of the Leader's Allowance) which equates to £5,831 per annum.

## Appendix A

Group Leaders (min of 5 councillors) (receiving 10% of the Leader's Allowance) which equates to £2,331 per annum.

Attached at Appendix 2 is the Scheme adopted in January 2013.

At the meeting of the Panel in January 2013 it was noted that there was no formal recognition of the role of the Leader of the Opposition and having noted the Job Description, a copy of which is attached at Appendix 3, detailing the role and responsibilities of the Leader of the Opposition, the Panel endorsed the recommendation as set out above.

Immediately prior to May 2014 there were only three main political groups, namely Conservatives, Liberal Democrats and Independents as the Labour Party only had one Member, so that was not constituted as a Group.

Since May 2014 there has been a change to the Political structure of the Council and there are now 5 Political Parties, the composition of which is as follows:-

Conservatives – 24  
Liberal Democrats – 20  
Independent – 5  
UKIP – 4  
Labour – 2

If the Council reverted to the Scheme set out in 2012, there was a stipulation that a Political Group was set at a minimum of 2 members, rather than a minimum of 5 Members as it stands now.

It is proposed that the change would be cost neutral. (Although whilst the Group Leader of the Independent Party is Chair of an Overview & Scrutiny Committee she will not be claiming her special allowance for Group Leader which would be a saving on the budget).

The Councillor has also proposed that whatever percentage the Council staff get in terms of a wage rise, should also be linked into the Members' allowances.

**RECOMMENDED:** That the Panel consider the following options and make a recommendation to Council:-

- a) to agree to revert back to the Scheme as set out in 2012 **(Appendix 1)** whereby Group Leaders (other than the Leader) receive a proportion of the agreed budget based upon how many they have in their party;
- b) to agree a rise on Members Allowances linked to any staff rise in salary on an annual basis;
- c) make no change to the revised Scheme as amended in 2013 **(Appendix 2)** to the Leader of the Opposition and Group Leaders

allowances; or

- d) defer a decision on this until the full review has been carried out by the Panel in April 2015 to take into account the new governance arrangements.

Special Allowance for Vice-Chairmen of Committees

The Licensing Committee and Licensing Act 2003 Committee have recently amalgamated and at their inaugural meeting in September 2014 they asked that the Panel consider a special allowance for Vice-Chairmen of all Committees.

Historically the Council has not given such an allowance to Vice-Chairmen but to assist with your consideration of this proposal, set out below is a brief analysis of what allowances some other Councils in Kent give for Vice-Chairmen, if any:-

**Ashford**

Vice Chairman for Overview & Scrutiny = £1,928.61 (the Chair gets £5,785.82)

Vice Chairman for Audit Committee = £1,607.17 (the Chair gets £4,821.51)

Vice Chairman for Planning = £1,928.61 (the Chair gets £5,785.82)

Vice Chairman of Joint Transportation Board = £1,446.45 (the Chair gets the same)

**Swale**

No special allowances for Vice-Chairmen

**Tunbridge Wells**

Vice Chairman for Planning = £1,320 (the Chair gets £5,500)

**Tonbridge & Malling**

Vice-Chair of Area Planning Committee = £1,269 (the Chair gets £5,076)

Vice-Chair of Overview & Scrutiny Committee = £1,269 (the Chair gets £5,076)

Vice-Chair of Audit Committee = £635 (the Chair gets £2,538)

Vice-Chair of Licensing & Appeals = £635 (the Chair gets £2,538)

Vice-Chair of Standards & Training = £635 (the Chair gets £2,538)

Vice-Chair of General Purposes Committee = £317 (the Chair gets £1,269)

Vice-Chair of programmed Advisory Board = £317 (the Chair gets £1,269)

Vice-Chair of non-programmed Advisory Board = £127 (the Chair gets £508)

**RECOMMENDED:** That the Panel consider the following options and make a recommendation to Council:-



- a) that the provision of a special allowance for Vice-Chairmen should be made in principle but that the actual costings should be deferred until April 2015 when the Panel meet again to carry out a full review to take account the new governance arrangements and available budget; or
- b) that a special allowance for Vice-Chairmen should not be considered.

**3. Parish Council Issues Raised for 2015**

**Boxley Parish Council**

Boxley Parish Council have requested that you endorse an automatic 1% rise in the Parish Councillor and Chairman's allowances (currently £500 and £610 respectively) to be built into the draft budget for next year which they can opt out of as individuals if they so wish.

**RECOMMENDED:** That the Panel consider this issue and decide if they wish to endorse the proposal.

**SCHEDULE 1**

1. The following are specified as the special responsibilities in respect of which special responsibility allowances are payable, and the amounts of those allowances:-

<u>POST</u>	<u>SPECIAL RESPONSIBILITY ALLOWANCE</u> (w.e.f. 1.4.12)
Leader	£ 23,326
Cabinet Member (50% of Leader's Allowance)	£ 11,663
Chairman of Overview and Scrutiny (25% of Leader's Allowance)	£ 5,831
Chairman of Planning Committee (25% of Leader's Allowance)	£ 5,831
Chairman of Licensing Committee (10% of Leader's Allowance)	£ 2,332
Chairman of Licensing Act 2003 Committee (10% of Leader's Allowance)	£ 2,332
Chairman of Standards Committee (5% of Leader's Allowance)	£ 1,166
Chairman of Audit Committee (5% of Leader's Allowance)	£1,166
Chairman of Local Development Document Advisory Committee (5% of Leader's Allowance) (New: wef December 2009)	£1,166
Group Leaders Allowance:	£ 11,663*
(* This sum to be shared on the basis of the number of Councillors in each political group as a proportion of the total number of Councillors on the Council)	
Co-opted Members of Standards Committee	£ 331
Chair of Licensing Panel Hearing	£77 daily session rate
Licensing Panel Hearing Members	£58 daily session rate

**SCHEDULE 1**

1. The following are specified as the special responsibilities in respect of which special responsibility allowances are payable, and the amounts of those allowances:-

<u>POST</u>	<u>SPECIAL RESPONSIBILITY ALLOWANCE</u> (w.e.f. 1.4.12)
Leader	£23,326
Cabinet Member (50% of Leader's Allowance)	£11,663
Chairman of Overview and Scrutiny (20% of Leader's Allowance)	£4,665
Chairman of Planning Committee (25% of Leader's Allowance)	£5,831
Chairman of Licensing Committee (10% of Leader's Allowance)	£2,332
Chairman of Licensing Act 2003 Committee (10% of Leader's Allowance)	£2,332
Chairman of Standards Committee (5% of Leader's Allowance)	£1,166
Chairman of Audit Committee (5% of Leader's Allowance)	£1,166
Chairman of Local Development Document Advisory Committee (5% of Leader's Allowance) (New: wef December 2009)	£1,166
Leader of the Opposition (minimum of 10 Councillors) (25% of Leader's Allowance)	£5,831
Group Leader (minimum of 5 Councillors) (10% of Leader's Allowance)	£2,331
Co-opted Members of Standards Committee	£331
Independent Person	£700
Chair of Licensing Panel Hearing	£77 daily session rate
Licensing Panel Hearing Members	£58 daily session rate

**MEETING OF THE JOINT INDEPENDENT REMUNERATION PANEL**

**HELD ON 15 JANUARY 2015**

**Foreword**

This report has been produced for Maidstone Borough Council as part of the Council's requirement to receive independent advice from its statutory advisory panel on members' allowances. The Panel was established to review members' allowances for both Maidstone Borough Council and Swale Borough Council. The membership of the Panel on this occasion was Chair Mark Palmer (Development Director, South East Employers), Athos Loucas (Invicta Chamber of Commerce) and Steve Golding (Independent Member and local resident).

Swale Borough Council did not take part on this occasion as they had no business to discuss.

Both Members and Parishes are written to on an annual basis to ascertain if they have any issues they want the Panel to consider relating to Members Allowances.

**Summary of Recommendations**

This summary sets out the main recommendations. The considerations that have led to these recommendations are set out in the main report.

Before the Panel arrived at its recommendations it paid careful consideration to the previous reviews. In addition, the Panel took account of the statutory guidance which falls within the remit of the Department of Communities and Local Government (DCLG).

**Group Leaders Allowance**

Although the Leader’s Special Responsibility Allowance (SRA) is included in the table below, this was not considered as part of the review, but included merely for completeness.

<b>Allowance</b>	<b>No. of Cllrs</b>	<b>Current Amount</b>	<b>Recommended Amount</b>
Leader	24	£23,326 p.a.	£23,326 p.a.
Leader of the Opposition	20	£5,831 p.a. (being 25% of Leader’s Allowance)	£7,525 p.a. (based on 20 Cllrs in Party)
Leader of the Independent Party	5	£2,331 p.a. (being 10% of Leader’s Allowance) min 5 Cllrs	£1,881 p.a. (based on 5 Cllrs in Party)
Leader of the UKIP Party	4	Nil (as Party has less than 5 Cllrs)	£1,505 p.a. (based on 4 Cllrs in Party)
Leader of the Labour Party	2	Nil (as Party has less than 5 Cllrs)	£753 p.a. (based on 2 Cllrs in Party)

**Introduction of Pay Rise for Members**

The Panel supported an annual pay rise for Members. This would include the Dependant Carer’s Allowance and Non-Councillors Allowances, which should be in line with the indexation rise for staff salaries but not linked to performance pay.

**Introduction of SRA for Vice-Chairmen**

The Panel, whilst supporting the principle of a SRA for Vice-Chairmen, felt that this should be considered when they undertake the full review in March 2015.

## **Main Report**

### **Group Leaders Allowance**

The Panel considered the proposal put forward by a Member in which they requested that the calculation for the Group Leaders' allowance should revert back to the 2012 Scheme whereby a Group was defined by there being a minimum of two Members in a particular Party.

In 2013 the SRA was changed to reflect the significant role of the Leader of the Opposition and as a consequence a change was made to the SRAs as follows:-

Leader of the Opposition (25% of the Leader's allowance) and having a minimum of 10 Councillors = £5,831

Group Leader (10% of Leader's allowance) and having a minimum of 5 Councillors = £2,331

The Member felt that the previous scheme was fairer and would better reflect the composition of the Council. However, the Member suggested that the total sum of £11,663 should be shared on the basis of the number of Councillors in each political group as a proportion of the total number of Councillors on the Council.

The Panel, although supportive of the change, have suggested that a more robust way of proportion would be to split it based on the number of Members in each party, therefore the calculation would be as follows:-

£11,663 (being the total budget) shared between the remainder of the Members within other parties, (i.e. 31 Members) which equates to £376.23 per Member.

Liberal Democrat = 20 Members x £376.23 = £7,525

Independent = £1,881

UKIP = £1,505

Labour = £753

These figures could change throughout the year, dependent on bi-elections or defections.

The Leader's Allowance would remain unchanged and as long as they had the majority in their party, the amount of Members within their party would be immaterial.

### **Introduction of Pay Rise for Members**

The Panel noted that Members pay was not subject to indexation and supported an annual pay rise for Members. They felt that this should include the Dependant Carer's Allowance and Non-Councillors Allowances, which should be in line with the indexation rise for staff salaries but not linked to any performance pay.

**Introduction of SRA for Vice-Chairmen**

The Panel considered the recommendation of the Licensing Committee who asked that the Panel consider the introduction of a SRA allowance for Vice-Chairmen across the Council. Whilst they supported the principle, they felt that this should be considered fully when all budgetary information was to hand when the Panel undertakes the full review in March 2015.

# Agenda Item 21

## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**WEDNESDAY 25 FEBRUARY 2015**

### **REPORT OF HEAD OF FINANCE & RESOURCES**

**Report prepared by Paul Riley**

#### **1. HARRIETSHAM PARISH COUNCIL - INCREASE IN NUMBER OF COUNCILLORS**

##### **1.1 Issue for Decision**

- 1.1.1 On 10 December 2014 the Council confirmed a request to consider an increase in the number of Parish Councillors on Harrietsham Parish Council. This confirmation commenced a community governance review including public consultation.

In undertaking any Review, the Council will be guided by the following legislation:

- Part 4 of the Local Government and Public Involvement in Health Act 2007;
- Local Government (Parishes and Parish Councils) (England) Regulations 2008 (SI2008/625);
- Local Government Finance (New Parishes) Regulations 2008 (SI2008/626)
- Relevant parts of the Local Government Act 1972

- 1.1.2 This report provides Council with the results of the Consultation and the final opportunity to approve the requested increase in Councillors.

##### **1.2 Recommendation of Head of Finance & Resources**

- 1.2.1 That the Council resolves to make an Order to increase the number of parish councillors on Harrietsham Parish Council from nine (9) to eleven (11).

- 1.2.2 That this final decision is published appropriately.

##### **1.3 Reasons for Recommendation**

- 1.3.1 The LGPIH Act 2007 provides the Council with the power to take decisions in relation to the electoral arrangements of Parishes. Since February 2008 the Council has had responsibility for undertaking community governance reviews and considering the electoral arrangements of an existing or proposed Parish.



Consideration of the electoral arrangements includes:

- a) The ordinary year of election;
- b) The number of Councillors to be elected; and
- c) The need to divide a Parish into wards.

1.3.2 Harrietsham Parish Council has requested that the Council consider increasing the number of Councillors on its Council from nine to eleven on the basis of the number of Electors in the Parish.

1.3.3 The Council considered the request on 10 December 2014 and agreed to commence a community governance review, details of the review are given at **Appendix A**. As the Council has an adopted scale for the number of Councillors based on electorate size, the review only required public consultation.

1.3.4 The scale adopted by the Council is given in the table below and Harrietsham Parish Council electors totalled 1,608 at the time of the decision to commence the review in December 2014.

<b>Number of Electors</b>	<b>Number of Councillors</b>
Up to 250 electors	5 Councillors
251-700 electors	7 Councillors
701-1350 electors	9 Councillors
1351-2200 electors	11 Councillors
2201-3250 electors	13 Councillors
3251-4500 electors	15 Councillors
Over 4500 electors	At the discretion of the Council

1.3.5 The Council has now completed the necessary consultation and the results are as follows:

In favour of the proposal	=	6
Against the proposal	=	5
No response	=	1597

1.3.6 As the results of the consultation are marginal and not significant given the size of the electorate, it is proposed that the Council approve the request based upon the adopted scale and instruct officers to make the necessary order and publish the details.

#### 1.4 Alternative Action and why not Recommended

1.4.1 The Council could decide not to approve the increase however it is clear that the size of the Parish already suggests an increase in line with the adopted scale and current levels of development suggest this will increase in the near future.

1.5 Relevant Documents

1.5.1 Appendix A – Harrietsham – Terms of Reference

## **REVIEWS OF PARISHES AND RELATED MATTERS**

### **LOCAL GOVERNMENT AND PUBLIC INVOLVEMENT IN HEALTH ACT 2007**

#### **TERMS OF REFERENCE HARRIETSHAM PARISH COUNCIL – INCREASE IN PARISH COUNCILLORS**

#### **INTRODUCTION**

##### **What is a Community Governance Review?**

It is a review of the whole or part of the district / parish area to consider one or more of the following:

- Creating, merging, altering or abolishing parishes;
- The naming of parishes and the style of new parishes;
- The grouping of parishes under a common parish council.
- The electoral arrangements for parishes (the ordinary year of election; council size; the number of councillors to be elected to the council, and parish warding), and

In undertaking any Review, the Council will be guided by the following legislation:

- Part 4 of the Local Government and Public Involvement in Health Act 2007;
- Local Government (Parishes and Parish Councils) (England) Regulations 2008 (SI2008/625);
- Local Government Finance (New Parishes) Regulations 2008 (SI2008/626)
- Relevant parts of the Local Government Act 1972

The Council is required to have regard to the Guidance on Community Governance Reviews issued by the Secretary of State for Communities and Local Government (published in April 2008), together with the Guidance on Community Governance Reviews issued by the Department of Communities and Local Government and the Local Government Boundary Commission (CLCBE) for England in March 2010. The Terms of Reference of any Review will be published on the Council's website ([www.maidstone.gov.uk](http://www.maidstone.gov.uk)) and will also be available to view at our reception area at the Council's main offices in The Gateway, King Street, Maidstone, Kent ME15 6JZ.

##### **Parish governance in the Borough of Maidstone**

The Council believes that parish councils play an important role in terms of community empowerment at a local level, and wants to ensure that parish governance in our Borough continues to be enabled to meet the challenges that lie before it. Furthermore, it wants to ensure that there is clarity and transparency to the areas that parish councils represent and that the electoral arrangements of parishes (the warding arrangements and the allocations of councillors) are appropriate, equitable and readily understood by their electorate.

Ultimately, the recommendations made in any community governance review should aim to bring about improved community engagement, better local democracy and result in a more effective and convenient delivery of local services.

**Why is the Council undertaking this Review?**

Reviews are normally undertaken because of one or more of the following reasons:

- Changes in population
- Shifts in “natural settlements” caused by new development
- In reaction to specific or local issues which have now been raised
- In receipt of a valid petition
- In advance of a full review of the district or parish electoral arrangements
- At a request from the parish council or other interested party

In this particular review, Maidstone Borough Council has resolved to undertake a Community Governance Review of Harrietsham Parish Council with a view to increasing the number of parish councillors from 9 to 11 as a result of a formal request from the Parish Council.

**Who undertakes the Review?**

The organisation of the consultations and all subsequent correspondence is undertaken by the Electoral Services team at the Borough Council. The General Purposes Committee of the Council is delegated to deal with all electoral matters and will make recommendation to full council for the final decision after the consultations have been concluded.

**Consultation**

The Council is now publishing this Terms of Reference document. It sets out the aims of the review, the legislation which guides it and some of the policies which the Council considers important in the review. The Council will need to take into consideration the views of the local people, together with the views of any other interested party. Local people and any other stake-holders should be aware of the outcome of decisions made and the reasons behind them. The district councils will also ask for the views of the County Council and any neighbouring parish councils.

**Electoral statistics and arrangements**

The parish council comprises one parish boundary and is coterminous with the borough ward boundaries and no change is requested to these.

The Council has used the Register of Electors as at 1 Sept 2014 to provide the electoral statistics. These are as follows;

Polling District	Area	Electorate as at 1 September 2014	Current no. of parish councillors
L	Harrietsham	1608	9

**Timetable**

The review must be completed within twelve months of the publication of this document.

Stage	What happens	Date/Timescales
Commencement of review	Publication of terms of reference	12 December 2014
Stage 1	Consultation period. Submissions are invited.	6 weeks (ends - 30 January 2015)
Stage 2	Consideration of submissions. Draft recommendations prepared and published.	2 weeks (ends - 13 February 2015)
Stage 3	Principal Council agrees and publishes final recommendations	20 February 2015
Stage 4	Council resolves to make an Order to increase the number of parish councillors	
Order effective	Number of parish councillors increases effective from next termly parish elections	7 May 2015

# Agenda Item 22

## **MAIDSTONE BOROUGH COUNCIL**

### **COUNCIL**

**25 FEBRUARY 2015**

#### **REPORT OF THE HEAD OF FINANCE AND RESOURCES**

Report prepared by Debbie Snook

#### **1. COMMITTEE MEMBERSHIP**

- 1.1** Notification has been received of proposed changes to the membership of Committees.

#### **2. RECOMMENDED:**

- 2.1** That the following changes be approved to reflect the wishes of the Leader of the Independent Group:

#### **Community, Environment and Housing Overview and Scrutiny Committee**

##### Members

Delete Councillor Munford. Insert Councillor Newton.

##### Substitute Members

Delete Councillor Newton. Insert Councillor Munford.

#### **Planning, Transport and Development Overview and Scrutiny Committee**

##### Members

Delete Councillor Munford. Insert Councillor Mrs Gooch.

##### Substitute Members

Delete Councillor Mrs Gooch. Insert Councillor Munford.

##### Background Documents

Email from the Leader of the Independent Group – Democratic Services Section