



Meeting	Audit and Governance Committee
Date and Time	Thursday, 9th January, 2020 at 6.30 pm.
Venue	Wykeham Suite, Mercure Winchester Wessex Hotel, Paternoster Row, Winchester, SO23 9LQ

AGENDA

PROCEDURAL ITEMS

1. **Apologies and Deputy Members**
To note the names of apologies given and Deputy Members who are attending the meeting in place of appointed Members.
2. **Disclosure of Interests**
To receive any disclosure of interests from Members and Officers in matters to be discussed.

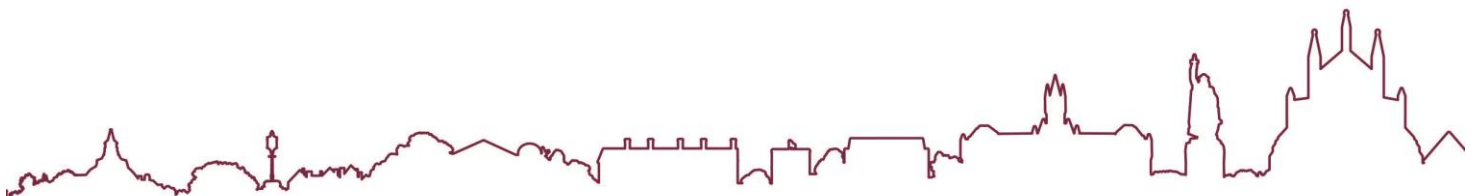
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, and non disclosable pecuniary interests in accordance with legislation and the Council's Code of Conduct.

If you require advice, please contact the appropriate Democratic Services Officer, prior to the meeting.

3. **Chairperson's Announcements**
4. **To note the Audit and Governance Work Programme 2019 2020 (Pages 5 - 8)**
5. **Minutes of the Previous Meeting of the Audit and Governance Committee held on 25 July 2019 (Pages 9 - 14)**

BUSINESS ITEMS

6. **Public Participation**
To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee.



7. **Governance Quarter 2 Update 2019/20 AG016 (Pages 15 - 44)**
8. **Treasury Management mid-year Review AG017 (Pages 45 - 56)**
9. **Pay Policy AG018 (Pages 57 - 74)**

L Kirkman
Strategic Director: Resources and Monitoring Officer

Members of the public are able to easily access all of the papers for this meeting by opening the QR Code reader on your phone or tablet. Hold your device over the QR Code below so that it's clearly visible within your screen and you will be redirected to the agenda pack.



20 December 2019

Agenda Contact: Dave Shaw, Senior Democratic Services Officer
Tel: 01962 848221 email: dshaw@winchester.gov.uk

MEMBERSHIP

Chairperson:

Power (Liberal Democrats)

Vice-Chairperson:

Bronk (Liberal Democrats)

Conservatives

Gemmell

Godfrey

Mather

Miller

Liberal Democrats

Achwal

Becker

Bentote

Gottlieb

Laming

Deputy Members

Clementson

Williams

Quorum = 4 members

TERMS OF REFERENCE

Audit and Governance Committee – Included within the Council's Constitution (Part 2, Article 9)

PUBLIC PARTICIPATION

A public question and comment session is available at 6.30pm for a 15 minute period. There are few limitations on the questions you can ask. These relate to current applications, personal cases and confidential matters. Please contact Democratic Services on 01962 848 264 in advance of the meeting for further details. If there are no members of the public present at 6.30pm who wish to ask questions or make statements, then the meeting will commence.

FILMING AND BROADCAST NOTIFICATION

This meeting may be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the [Council's website](#).

DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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THE AUDIT AND GOVERNANCE COMMITTEE - WORK PROGRAMME 2019/20

25 JULY 2019					
	BUSINESS	LEAD OFFICER	COMMITTEE DATE		STATUS/COMMENT
			Original	Revised	
	Audit Results Report for the year ended 31 March 2019	Kevin Suter – Associate Partner, Ernst and Young	25 July 2019		
	Annual Financial Report 2018/19 (for approval)	Joseph Holmes	25 July 2019		
	Annual Governance Statement	Joseph Holmes	25 July 2019		
	Risk Management Policy 2019	Joseph Holmes	25 July 2019	28 November 2019	Now to be included as an item under Risk Training for the Committee
	Treasury Management Outturn 2018/19	Joseph Holmes	25 July 2019		
	Governance Quarterly Update – Q1 2019/20	Joseph Holmes	25 July 2019		
28 NOVEMBER 2019 – Rescheduled to 9 JANUARY 2020 due to General Election Purdah period					
	BUSINESS	LEAD OFFICER	COMMITTEE DATE		STATUS/COMMENT
			Original	Revised	
	Annual Audit Letter 2018/19	Kevin Suter – Associate Partner, Ernst and Young	28 November 2019	9 January 2020	Now for consideration on 5 March 2020
	Governance Quarterly Update Q2 2019/20	Strategic Director - Resources and Monitoring Officer	28 November 2019	9 January 2020	

	Managing project risks – including reputational and financial risks	Strategic Director - Resources and Monitoring Officer	28 November 2019	9 January 2020	Now to be included as an item under Risk Training for the Committee
	Treasury Management mid-year monitoring report 2019/20	Strategic Director - Resources and Monitoring Officer	28 November 2019	9 January 2020	
	Pay Policy	Strategic Director - Resources and Monitoring Officer	28 November 2019	9 January 2020	
5 MARCH 2020					
	BUSINESS	LEAD OFFICER	COMMITTEE DATE		STATUS/COMMENT
	Internal Audit Plan 2020/21	Antony Harvey – Chief Internal Audit Southern Internal Audit Partnership	5 March 2020		
	Internal Audit Charter 2020/21	Antony Harvey – Chief Internal Audit Southern Internal Audit Partnership	5 March 2020		
	Certification of Claims and Returns Annual Report 2018/19	Strategic Director - Resources and Monitoring Officer	5 March 2020		
	Governance Quarterly update Q3 2019/20	Strategic Director - Resources and Monitoring Officer	5 March 2020		
	Housing Revenue Account (HRA) – risks and financial viability	Richard Botham	5 March 2020		
	Local Code of Governance 2020	Strategic Director - Resources and Monitoring Officer	5 March 2020		

	Planning for and the audit of the accounts 2019/20	Strategic Director - Resources and Monitoring Officer	5 March 2020		
	Complaints update	Strategic Director Resources and Monitoring Officer	5 March 2020		
	Annual Audit Letter 2018/19	Kevin Suter – Associate Partner, Ernst and Young	5 March 2020	9 January 2020	

Items for 2020/21

June

Code of conduct end of year review
Draft Annual Financial Report 19/20

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AUDIT AND GOVERNANCE COMMITTEE

25 July 2019

Attendance:

Councillors

Power (Chair)

Achwal	Godfrey
Becker	Mather
Bentote	Miller
Bronk	Weston
Gottlieb	
Laming	

Others in attendance who addressed the meeting:

Councillor Cutler (Deputy Leader and Cabinet Member for Finance and Risk)

1. **MINUTES**

RESOLVED:

That the minutes of the previous meeting held on 13 June 2019 be approved and adopted.

2. **DECLARATION OF INTERESTS**

Councillor Godfrey declared a personal (but not prejudicial) interest in all items that might present a conflict of interest arising from his former position as a Portfolio Holder serving on Cabinet. No such conflict arose in the meeting and he spoke and voted on all items.

Councillor Miller declared a personal (but not prejudicial) interest in all items that might present a conflict of interest arising from his former position as a Portfolio Holder serving on Cabinet. No such conflict arose in the meeting and he spoke and voted on all items.

3. **AUDIT AND GOVERNANCE WORK PROGRAMME**

Following debate, it was agreed that the following topics be added to the work programme:

- Reports on complaints received and their resolution.
- How the new Constitution has operated since it was last reviewed and the further changes that will be required (item for the November meeting).

At the invitation of the Chairperson, Councillor Cutler suggested that the item on the operation of the new Constitution might include consideration of the new arrangements for Human Resources items that were previously reported to the former Personnel Committee, for example on staff turnover and sickness. These items were now reported to The Scrutiny Committee and the Cabinet in a summarised form on a quarterly basis and consideration should be given as to whether these new arrangements were effective. This approach was supported by the Committee.

RESOLVED:

That subject to the further inclusion of reports on complaints received and their resolution and also how the new Constitution has operated since it was last reviewed and the further changes required (item for the November 2019 meeting), the Audit and Governance Work Programme for 2019/20 be noted.

3. **GOVERNANCE QUARTERLY UPDATE - QUARTER 1 2019/20**

(Report AG008 refers)

Councillor Gottlieb declared that he might be the District Councillor referred to in appendix 1 of the Report – Code of Conduct complaints.

Members raised questions or commented regarding the following:

- Whether information should be reported on the value of recorded gifts and hospitality.
- Whether consideration should be given to reducing the length of the gap between the July and November meetings of the Committee to allow the reporting of Internal Audit actions during this period.
- That the appendix on Code of Conduct Complaints should be a regular update with an annual review reported to this Committee.

Councillor Gottlieb abstained from voting on this item.

RESOLVED:

That the content of the Report and the progress against the Internal Audit management actions be noted.

4. **AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2019**

(Report AG010 refers)

Councillor Godfrey declared a personal (but not prejudicial) interest as he was an employee of Hampshire County Council and was a contributor to the Local Government Pension Scheme and he spoke and voted on this item.

Mr Suter, Associate Partner from EY, introduced the Report.

Mr Suter stated that the valuation of land and buildings was complex and

therefore the local team had referred a number of valuation queries to the EY Real Estate team of technical specialists to ensure that there was no misstatement of the Council's assets. This included looking at rental figures. In considering the final presentation of the audit results it was anticipated that the unadjusted misstatements in the valuation of assets would not be material to the accounts. It was also stated that the work towards the value for money conclusion on the Council's use of resources was on target and no further risks had been identified. EY anticipated being able to give an unqualified opinion.

Members raised questions or commented regarding the following:

- The scale and management of the Council's pension fund deficit (page 17 of the Report).
- The circumstances for the overstated value of the area of open space donated to the Council in 2018/19 (page 18 of the Report).

RESOLVED:

That the Letter of Representation as set out in Appendix 1 to the Report be approved.

5. **ANNUAL GOVERNANCE STATEMENT 2018/19**

(Report AG011 refers)

Members raised questions or commented regarding the following:

- It was confirmed that the training on procurement and contract management referred to on page 37 of the Report was for staff.
- The actions that had been taken by the Council to address the recommendations of the Independent Report on Silver Hill and of the Local Government Association Peer Review in February 2017.
- The timing of the presentation of Internal Audit Reports to Committee.
- How the Annual Governance Statement 2018/19 Action Plan (page 36 of the Report) would address the three significant governance issues identified on page 34 of the Report.

RESOLVED:

1. That the Annual Governance Statement for 2018/19 as set out in Appendix 1 be approved.

2. That the issues arising and proposed actions identified in Appendix 1 be noted and that progress against the actions be brought back to the Audit and Governance Committee in six months time.

6. **ANNUAL FINANCIAL REPORT 2018/19**

(Report AG012 refers)

The Finance Manager (Financial Reporting) introduced the Report and stated that since publication of the Report the auditors had continued their work on the

Financial Statements. As a result, some minor changes had been made to the Annual Financial Report as appended to report AG012 as detailed below:

- added an *Event After the Balance Sheet Date* (note 5 on page 31) referencing the changes to the Pension Liability following the McCloud ruling; and
- revised the introductory wording for the *Adjustments Between Accounting Basis and Funding Basis Under Regulations* (note 6 on page 32) to clarify its purpose.

Following further proof-reading of the document a number of typographical errors (e.g. references to the former *Audit Committee* that had not been updated and inconsistencies in the capitalisation of 'the Council' etc.) had also been corrected and an updated version of the Annual Financial Report had been circulated to members of the Committee in advance of the meeting. Further changes might be required if material misstatements were identified as EY continued their audit work.

Mr Suter from EY was present at the meeting and explained that further work was required on the valuation of an asset. The Finance Manger (Financial Reporting) informed the meeting that this related to the length of the future use of the River Park Leisure Centre, as a new Leisure Centre was currently being constructed. This may result in a reduction in the balance sheet value of approximately £2m.

The Committee was satisfied that this adjustment could be made once agreement on the value had been reached between officers and EY and therefore agreed that the Chairperson should sign the Statement of Responsibilities as set out in the resolution below.

The Chairperson thanked the Finance Manager (Financial Reporting) for her work on this report.

RESOLVED:

1. That the Statement of Accounts 2018/19 as set out in Appendix 1 be approved.
2. That the Chairperson of this meeting signs the Statement of Responsibilities on page 22 of Appendix 1 to certify the accounts and authorise their issue.

7. **TREASURY MANAGEMENT OUTTURN REPORT 2018/19**
(Report AG006 refers)

Councillor Weston declared a personal (but not prejudicial) interest as she was an employee of HSBC who were mentioned in the Report and she spoke and voted on this item.

The Finance Manager (Capital & Treasury) introduced the Report.

Mr Boutflower, Deputy Investments and Borrowing Manager at Hampshire County Council, was present at the meeting and explained actions taken by the County to prevent a breach of the limit on sums invested for over 364 days occurring again in the future (paragraph 22.6 refers). Mr Boutflower stated that there had been no financial detriment to the Council and sums invested had now returned to within the investment limits.

Also present was Mr Sarfas, Principal Accountant in the Investments and Borrowing Team at Hampshire County Council, who would be representing the County at future meetings of the Committee.

In answer the Members' questions the officers gave explanations on the following:

- The Council's strategy with regard to bail-in risk
- The Council's strategy in managing the average debt portfolio of £156.7m (which had been borrowed to finance the Housing stock purchase).

At the invitation of the Chairperson, Councillor Cutler encouraged Members to attend the Treasury Management Training to be held at the County Council's offices on 26 November 2019.

RESOLVED:

1. That the Annual Treasury Outturn Report 2018/19 be noted.
2. That the limit on sums invested for over 364 days was breached by £35,000 from 12 March 2019 to 16 May 2019 be noted and that the mitigating actions agreed to prevent this occurring again as detailed in paragraph 22.6 be also noted.

The meeting commenced at 6.30 pm and concluded at 7.45pm

Chairperson

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GOVERNANCE QUARTERLY UPDATE- QUARTER 2 2019/20

9 JANUARY 2020

REPORT OF CABINET MEMBER: CLLR CUTLER – DEPUTY LEADER AND PORTFOLIO HOLDER FOR FINANCE AND RISK

Contact Officer: Lisa Kirkman Tel No: 01962 848 501

Email lkirkman@winchester.gov.uk

WARD(S): ALL

PURPOSE

To provide members of the Audit and Governance Committee with a summary overview of the key issues in respect of governance arising during the second quarter of the 2019/20 financial year.

RECOMMENDATIONS:

1. That the Audit and Governance Committee notes the content of the report and the progress against the internal audit management actions.

IMPLICATIONS:**1 COUNCIL STRATEGY**

- 1.1 This summary document support the Council's approach to providing efficient public services by managing and highlighting the latest key governance issues requiring action.

2 FINANCIAL IMPLICATIONS

- 2.1 None

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation on the content of the Report has been undertaken with the Portfolio Holder for Finance and Risk and the Chairman of the Audit and Governance Committee.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>	None	None
<i>Community Support</i>	None	None
<i>Timescales</i>	None	None
<i>Project capacity</i>	None	None

<i>Financial / VfM</i>	None	None
<i>Legal</i>	None	None
<i>Innovation</i>	None	None
<i>Reputation-Ensuring that an effective governance framework is in place and followed.</i>	This report is a summary of the arrangements in place to ensure the Council's governance processes and procedures are robust and fit for purpose.	By pulling together the latest issues from across governance information that gives the committee more an opportunity to identify any cross-cutting themes that might occur.
<i>Other</i>	None	None

11 SUPPORTING INFORMATION:

- 11.1 This report sets out the summary information in respect of the second quarter of the 2019/20 financial year concerning governance.

Annual Governance Statement

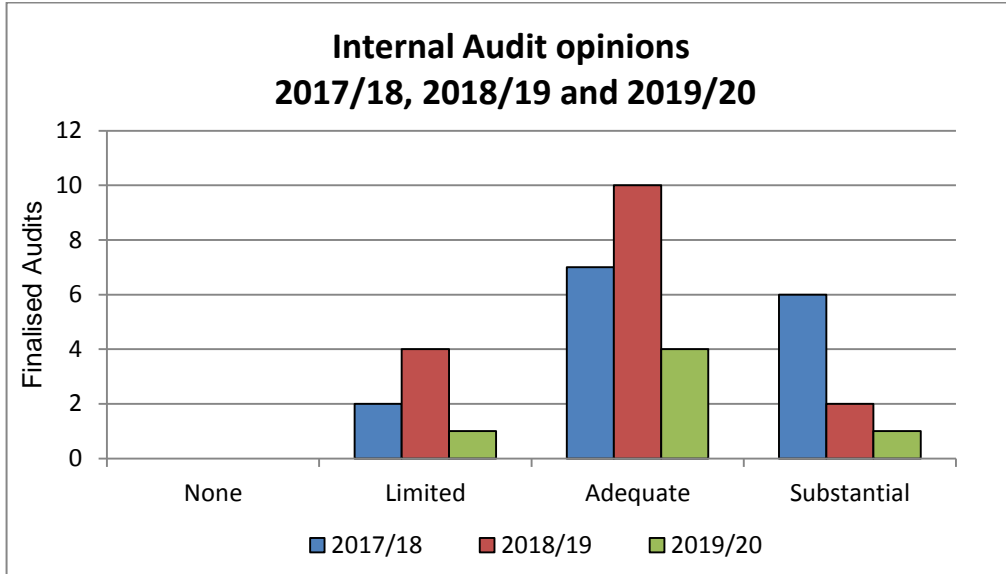
- 11.2 Progress against the actions included in the 2018/19 Annual Governance Statement is included in Appendix 1 to this report.

Declarations of gifts and hospitality

- 11.3 During the period July to November 2019, the following declarations by members and officers were recorded. The members have accordingly each updated their register of interest forms.
- Four declarations made by officers – three relating to gifts of chocolate which may arguable not reach the £5 threshold but have been recorded for completeness and the other a plant with an estimated value of £10.
 - Five declarations of hospitality by Cabinet members invited to hosted events (lunches or dinners) across the district.
- 11.4 The Council's Code of Conduct advises that "Each member must register, within 28 days, any gifts or hospitality received in accordance with the instructions issued within the Council by the Monitoring Officer."
- 11.5 Part B of the 'Register of Members' Interests Form confirms that these are gifts and hospitality received with and estimated value of at least £50.
- 11.6 As set out in in the Employee Code of Conduct, staff may only accept a gift if it is offered during official authorised hospitality or is of a nominal value (for example an item under £5) and in either case there is no ulterior motive or danger of misinterpretation by the public.

Internal Audit Assurance Reports

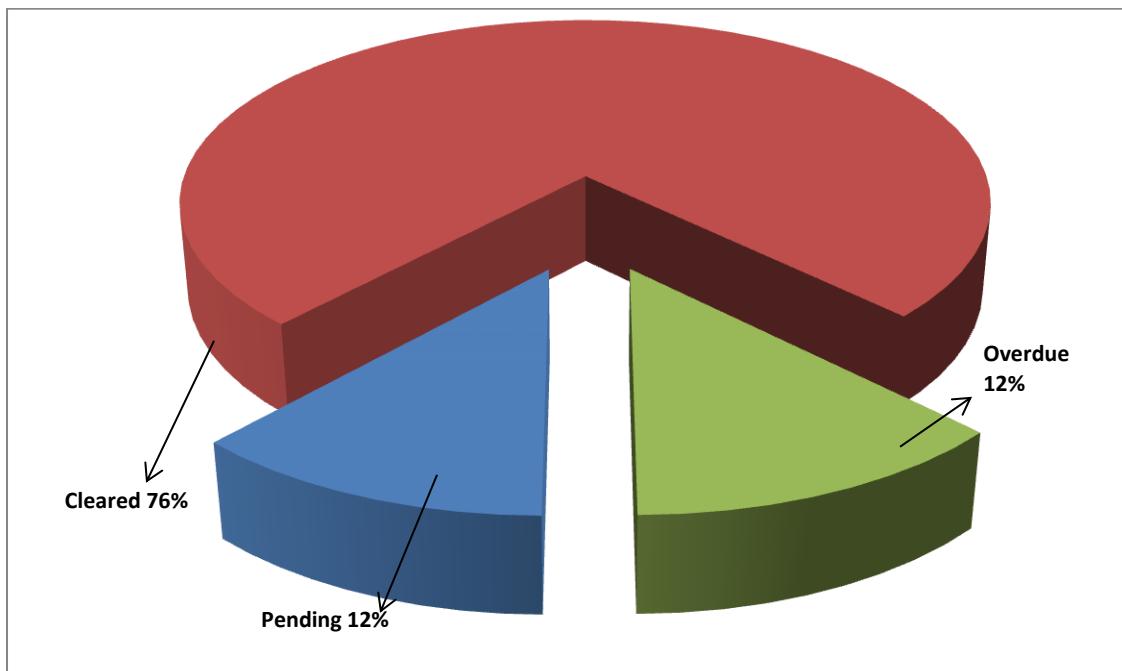
11.7 The graph below shows the assurance levels of the completed internal audits that were included in the 2017/18, 2018/19 and 2019/20 Audit Plans



11.8 There have been no published audit reports that concluded with a “no” assurance opinion.

Internal Audit Management Tracking

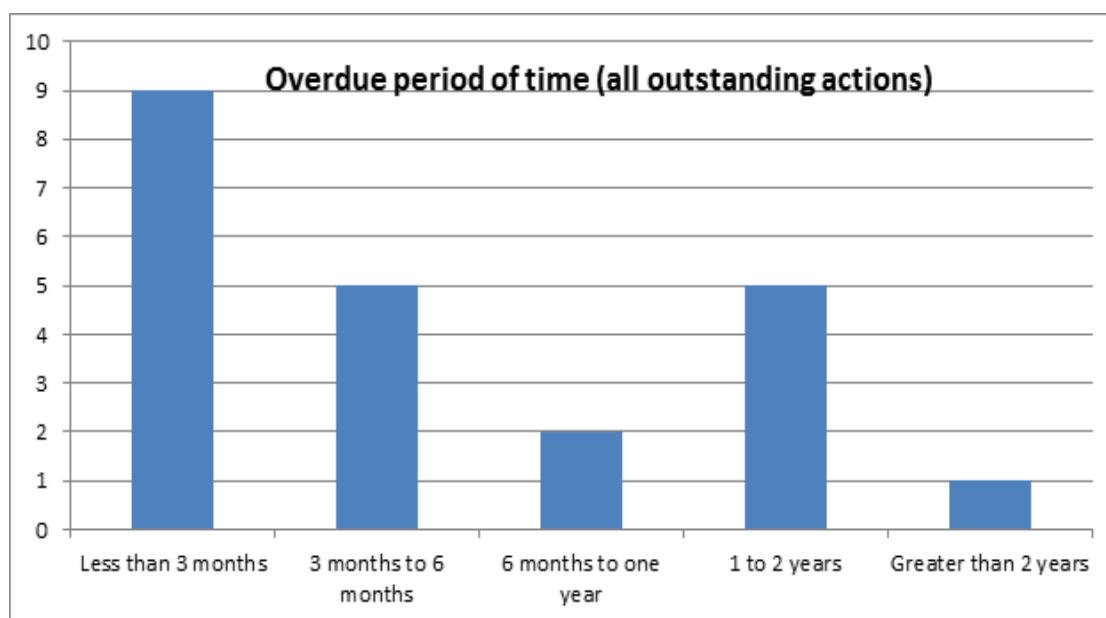
11.9 The chart below shows the current position (since 24 May 2016) of the progress of the management actions arising from internal audit reports.



- 11.10 Progress against the management actions that are included in the Internal Audit reports are reviewed regularly and a summary table showing the status of these actions is reported on a quarterly basis. These recommendations are kept under regular review to assess where some are superseded by external or internal factors.
- 11.11 To support the Committee to quickly identify where there are overdue actions, the progress table on the next page includes these audits where there are overdue actions. It remains a priority for officers to focus on completing their actions within agreed timescales and progress continues to be made to reduce the total number of overdue actions.
- 11.12 There are currently 22 overdue audit actions with 6 high priority overdue actions.
- 11.13 The increase in the number of overdue actions is largely due to the significant number of internal audit reports issued since the beginning of the year. There have been 18 audit reports issued since 1 January 2019 that included a total of 92 management actions of which 56 actions have been completed. There are 22 management actions that are pending and not reached their due date, however there are 14 actions that are showing as passed their due date. Regular monitoring of the progress of these actions takes place and action owners receive reminders once the due date has passed.
- 11.14 More detailed information on the progress of the audits that are included in the 2019/20 Internal Audit Plan is included in Appendix 2 of this report.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Hampshire Cultural Trust	24/05/16	SDP	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Information Governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	8 (1)	2 (0)
Cyber Security	27/09/17	SDR	Adequate	5 (1)	0 (0)	0 (0)	4 (1)	1 (0)
Working in Partnership	05/10/17	SDP	Limited	6 (0)	0 (0)	0 (0)	5 (0)	1 (0)
IT Software Licensing and IT Asset Management	12/03/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Income Generation and Collection	11/06/18	SDR	Adequate	8 (0)	0 (0)	0 (0)	7 (0)	1 (0)
Procurement	12/07/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Affordable Housing	12/02/19	SDS	Adequate	7 (1)	0 (0)	0 (0)	5 (1)	2 (0)
Information Governance – GDPR	10/04/19	SDR	Adequate	2 (0)	0 (0)	0 (0)	0 (0)	2 (0)
IT – Mobile Devices	18/07/19	SDR	Limited	5 (3)	0 (0)	1 (0)	0 (0)	4 (3)
Use of Agency Staff	19/07/19	SDR	Limited	16 (0)	0 (0)	0 (0)	14 (0)	2 (0)
Developer Contributions (CIL)	3/10/19	SDS	Adequate	8 (4)	0 (0)	4 (1)	0 (0)	4 (3)

- 11.15 Committee members previously requested a chart be included in quarterly governance monitoring reports that show the period of time that the outstanding audit management actions have been overdue.
- 11.16 There are currently 22 overdue actions and the chart below provides details of amount of time that has lapsed since the target date for each of these actions.



- 11.17 The chart above shows there is one management actions that is overdue by more than two years. This action relates to the audit that reviewed the transfer between the Council and the Hampshire Cultural Trust and was issued in May 2016. Work is ongoing to complete the management action with staff from the Council having attended a meeting with the Trust in November to discuss and resolve the outstanding issues.

Risk Management

- 11.18 The approved Work Programme for the Committee includes an item covering Managing Project Risks that was to be brought to this meeting. It has been agreed that this item will now be combined with the rescheduled Risk Management Training for Members that was due to take place in November 2019.

Code of Conduct Complaints

- 11.19 The Audit and Governance Committee has two sub-committees including the Standards Sub-Committee, whose purpose is to consider investigation reports, in respect of Code of Conduct Complaints, that have been referred to it by the Monitoring Officer.
- 11.20 It is important for members of the Audit and Governance Committee to receive regular updates on the numbers of Code of Conduct Complaints that

have been received by the Monitoring Officer and their resolution or outcome at the initial assessment stage.

11.21 Appendix 3 provides brief details of the Code of Conduct complaints that have been received and where the assessment (or investigation) into the complaint has concluded, a brief update on the outcome.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AG008 Governance Quarterly Update Quarter 1 2019/20

Other Background Documents:-

None

APPENDICES:

Appendix 1 – Annual Governance Statement – Progress update

Appendix 2 – Internal Audit Progress Report

Appendix 3 – Code of Conduct complaints (April to December 2019)

Annual Governance Statement 2018/19 – Action Plan progress update – December 2019

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
1	Partnership working – the need to ensure that the Council maintains effective partnership working	Annual report covering the performance of key partnerships scheduled to be considered at The Scrutiny Committee.	Performance information relating to the Council's significant partnerships collated and to be considered at Scrutiny Committee in the Spring	Corporate Head of Engagement	September 2019	Red
		Review of partnership working included in the Internal Audit plan 2019/20	Internal audit fieldwork undertaken during the summer, draft internal audit report being prepared.	Corporate Head of Engagement	December 2019	Green
2	Capacity to deliver projects – ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects	Ensure regular project monitoring reports are considered by the Programme Management Group and that capacity issues are highlighted and remedial action agreed	Project highlight reports considered at monthly Programme Management Group (PMG) meetings where issues around resources including staff capacity are raised and discussed.	Strategic Director: Resources	Ongoing	Green
		Ensure that all significant projects follow the arrangements as set out in the Project Governance Policy highlighting requests for additional resources where required.	Programme Management Group (PMG) has responsibility for ensuring that all projects follow the agreed processes and will discuss capacity issues where additional resources may be required.	Strategic Director: Resources	December 2019	Green
		Internal Audit scheduled to take place during 2019/20 covering Programme and Project Management which will review compliance in relation to live/	Internal audit not yet started, scheduled to start Q4.	Strategic Director: Resources	December 2019	Green

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
		ongoing projects.				
		Maintain and embed into the organisation membership of the Association for Project Management (APM) to promote further consistency of project management across the council	The APM organisation membership has been maintained and this gives access to resource documents and guidance. The Project Office are in the process of updating templates to drive consistency across the council and the format and membership of the Programme Management Group (PMG) is being reviewed to ensure it is as efficient and effective as possible.	Corporate Head of Strategic Support	September 2019	Green
3	Procurement and Contract Management – ensuring that the Council maintains a comprehensive, publicly accessible contract register, following its own contract procedure rules.	Ensure that a comprehensive contract register of all contracts over £5,000 is maintained and available to the public.	Current published contract register includes a significant number of contracts which will increase as we move to the new platform in January 2020.	Procurement Manager	Ongoing	Ongoing
		Review of platform for publication of public contract register to ensure that it is easy for staff to update and maintain.	From January 2020 we will publish our contracts on our website in an accessible format that meets the requirements of the Local Government Transparency Code 2015. An internal register will be updated on maintained via SharePoint.	Procurement Manager	December 2019	Green

No.	Issue	Actions	Progress Update	Lead Officer	Target Date	Current Status
			This saves £400 annually and is an improvement in terms of usability and transparency.			
		Internal Audit scheduled for later in 2019 to ensure that the Council follows its own Contract Procedure Rules as set out in the updated Constitution and is conforming to relevant contract management legislation.	Internal Audit not yet started and scheduled for Q4	Service Lead (Procurement & Transformation)	Ongoing	Green

Internal Audit Progress Report

November 2019

Winchester City Council



**Southern Internal
Audit Partnership**

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Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

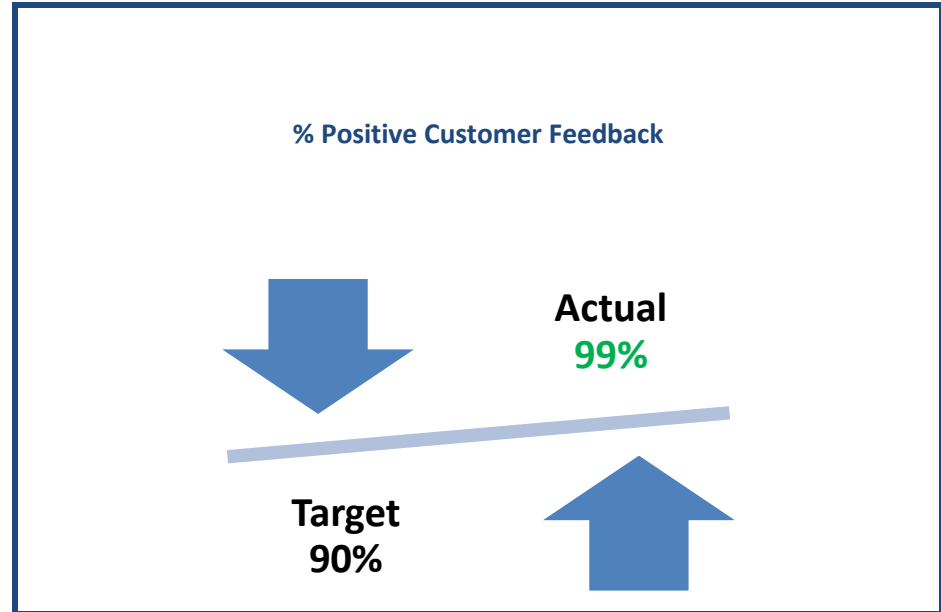
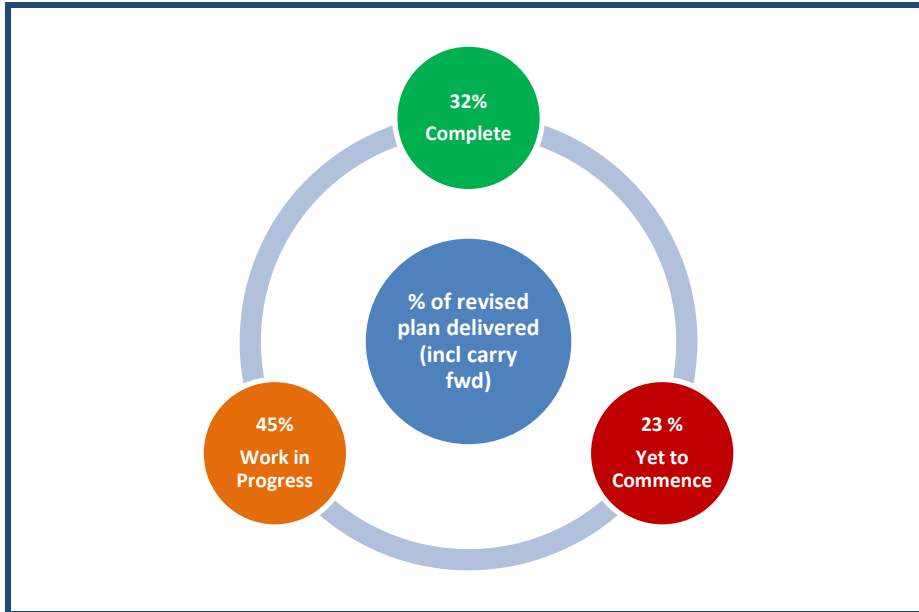
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- | | |
|--------------------|--|
| Substantial | A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified |
| Adequate | Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified |
| Limited | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk |
| No | Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives |

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Hampshire Cultural Trust	24/05/16	SDP	Limited	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Information Governance	28/03/17	SDR	Adequate	11 (1)	0 (0)	1 (0)	8 (1)	2 (0)
Development Management *	17/05/17	SDS	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Recruitment *	18/05/17	CX	Limited	6 (0)	0 (0)	0 (0)	6 (0)	0 (0)
Cyber Security	27/09/17	SDR	Adequate	5 (1)	0 (0)	0 (0)	4 (1)	1 (0)
Working in Partnership	05/10/17	SDP	Limited	6 (0)	0 (0)	0 (0)	5 (0)	1 (0)
IT Software Licensing and IT Asset Management	12/03/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Business Continuity	30/04/18	SDS	Limited	9 (2)	0 (0)	6 (1)	3 (1)	0 (0)
Housing Planned Maintenance *	01/05/18	SDS	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Income Generation and Collection	11/06/18	SDR	Adequate	8 (0)	0 (0)	0 (0)	7 (0)	1 (0)

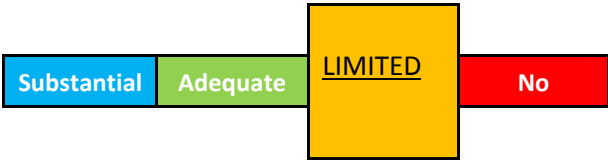
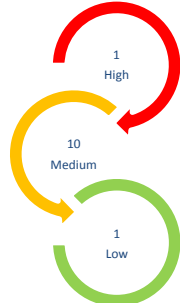
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Procurement	12/07/18	SDR	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Risk Management *	26/10/18	SDR	Adequate	6 (2)	0 (0)	0 (0)	6 (2)	0 (0)
Asset Management *	04/01/19	SDP	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Digital Agenda	05/02/19	SDR	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Affordable Housing	12/02/19	SDR	Adequate	7 (1)	0 (0)	0 (0)	5 (1)	2 (0)
Housing Rents and Debt Management	13/03/19	SDR	Adequate	6 (0)	0 (0)	5 (0)	1 (0)	0 (0)
Applications Management *	18/03/19	SDR	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Information Governance - GDPR	10/04/19	SDR	Adequate	2 (0)	0 (0)	0 (0)	0 (0)	2 (0)
Data Security and Management *	15/05/19	SDR	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Pro-Active Fraud – Right to Buy *	20/05/19	SDR	Adequate	2 (2)	0 (0)	0 (0)	2 (2)	0 (0)
Licencing	28/05/19	SDR	Substantial	1 (1)	0 (0)	1 (1)	0 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Health and Safety *	30/05/19	SDR	Limited	3 (3)	0 (0)	0 (0)	3 (3)	0 (0)
Main Accounting (inc bank reconciliations) *	10/06/19	SDR	Limited	11 (5)	0 (0)	0 (0)	11 (5)	0 (0)
Mobile Devices	18/07/19	SDR	Limited	5 (3)	0 (0)	1 (0)	0 (0)	4 (3)
Use of Agency Staff	19/07/19	SDR	Limited	16 (0)	0 (0)	0 (0)	14 (0)	2 (0)
Planning and Open Spaces (CIL)	03/10/19	SDR	Adequate	8 (4)	0 (0)	4 (1)	0 (0)	4 (3)
Tourist Information Centre	21/10/19	SDR	Limited	12 (1)	0 (0)	5 (0)	7 (1)	0 (0)
Absence Management	23/10/19	SDR	Adequate	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)
Ethical Behaviours	29/10/19	SDR	Adequate	4 (0)	0 (0)	4 (0)	0 (0)	0 (0)
Accounts Payable	22/11/19	SDR	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)

*denotes audits where all actions have been completed since the last progress report

Audit Sponsor (Director)	
Chief Executive	CX
Strategic Director - Resources	SDR
Strategic Director - Services	SDS
Strategic Director – Place	SDP

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Tourist Information Centre		
<p>Audit Sponsor: Susan Robbins – Corporate Head of Engagement</p> <p>Final Report Issued: 21 October 2019</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Whilst the core purpose of the Tourist Information Centre (TIC) is to provide information, help and advice on a wide range of subjects and services to the general public and visitors to the area, investment in a new centre was predicated on the potential for income generation from retail; box office services; additional transport ticketing and bed bookings; and new chargeable Council services.</p> <p>At the time of the review, negligible box office contributions for 19/20 were highly unlikely to reach the £15k forecast income levels predicted in the 2017 business case for investment into the TIC. There was no analysis of box-office profitability to understand whether running costs were covered by commission income. Tickets prices for Guildhall events to be sold through the box-office were not confirmed via the standard booking form which had led to instances where the incorrect ticket price was charged. Other issues were identified with third party event organisers with consistently obtaining signed agreement to the box-office terms and conditions and inconsistencies with the accuracy and/or promptness in passing income received / reclaiming commission from the third parties.</p> <p>In general, there were appropriate controls over the daily income collection, secure holding and banking and with retail stock checks and storage. However, there are no formalised processes to decide which items to purchase and sell through the TIC or, for example target profitability levels with which to assess performance and aid decision making.</p>		

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.19– 30.11.19
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	3 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	5 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	2 days***
Total number of new fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Council’s Management Team and the Audit Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Strategic Risks and Corporate Cross Cutting									
Programme and Project Management	SDR	✓	✓	✓				✓	
Transformation	SDR	✓	✓	✓				✓	
Financial Stability	SDR							✓	Q4
Digital Agenda	SDR							✓	Q4
Working in Partnership	SDR	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Business Continuity and Emergency Planning	SDR							✓	Q4
Governance									
HR – Absence Management	SDR	✓	✓	✓	✓	✓	Adequate		
HR - Recruitment	SDR	✓	✓	✓	✓			✓	
Information Governance - FOI	SDR	✓	✓	✓	✓			✓	
Information Governance – Record Retention *	SDR							✓	Q4
Ethical Behaviours	SDR	✓	✓	✓	✓	✓	Adequate		
National Fraud Initiative	SDR	N/A	N/A	✓	N/A		N/A	✓	
CIPFA Fraud Survey	SDR	N/A	N/A	✓	N/A	✓	N/A		Survey completed
Procurement	SDR								Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Corporate Strategy									
Energy Management & Climate Change	SDR	✓	✓	✓	✓	✓	N/A		Position Statement
Implementation of extension to refuse and recycling arrangements *	SDR	✓	✓	✓				✓	
Environmental Services Contract	SDR	✓						✓	
Planning & Open Spaces (incl. Community Infrastructure Levy)	SDR	✓	✓	✓	✓	✓	Adequate		
Housing Asset Management	SDR	✓						✓	
Housing Finance	SDR							✓	Q4
Core Financial Systems									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Council Tax	SDR	✓	✓	✓	✓	✓	Substantial		
Accounts payable	SDR	✓	✓	✓	✓	✓	Adequate		
Payroll	SDR							✓	Q4
Income generation and collection (incl. cash handling)	SDR	✓	✓	✓	✓			✓	
Reconciliations	SDR	✓	✓	✓	✓			✓	
IT									
Secure e-mail	SDR	✓	✓					✓	
Back-ups	SDR	✓	✓	✓				✓	
Patch management	SDR	✓						✓	
Business as Usual									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Tourist Information Centre	SDR	✓	✓	✓	✓	✓	Limited		
Bus Service Operator Grant	SDR	N/A	N/A	✓	N/A	✓	N/A		Grant Certification
Mayor's Charity	SDR	N/A	N/A	✓	N/A	✓	N/A		Auditor Letter Signed Off

9. Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	
Information Governance – Record Retention *	Allocation for Information Governance split into two reviews – Freedom of Information and Record Retention.
Implementation of extension to refuse and recycling arrangements *	Added at the request of the Chief Executive

* Proposed

Audit reviews removed from the plan (excluded from rolling work programme above)
None

* Proposed

New Code of Conduct Complaints received since last meeting of Audit & Governance Committee and those that remain outstanding since May 15 2019 (under new Constitution)

Date contact first made with Monitoring Officer	Complaint against district or parish/town councillor	Details
8 August	Parish/Town Councillor	Code of Conduct form requested August 2019. Form sent and complainant advised not a matter for the Monitoring Officer. Completed form not received. Matter closed.
21 October	Parish/Town Councillor	Following initial discussion complaint not pursued: Closed 6 November
29 October	Parish/Town Councillor	Complainant advised WCC that pursuing as a civil matter with the Parish Council: 14 November. Matter closed
20 November	Parish/Town Councillor	Single complaint received by numerous residents against a number of the Councillors. Seeking further clarity and approach due to extent of complaints raised.
2 December	Parish/Town Councillor	Not a behavioural code of conduct matter.

Outstanding Code of Complaints (being processed under the old Constitution)

27 July 2017	District Councillor	External investigation ongoing.
16 Sept 2018	District Councillor	External Investigation ongoing.
4 April 2019	District Councillor	Assessment completed. To be referred to Determination Committee – dates and membership being confirmed.

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TREASURY MANAGEMENT MID YEAR MONITORING REPORT FOR 2019/20

9 JANUARY 2020

REPORT OF DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND RISK: CLLR NEIL CUTLER

Contact Officer: Neil Aitken Tel No: 01962 848099 Email naitken@winchester.gov.uk

WARD(S): ALL WARDS

PURPOSE

This report provides detail of the performance of the treasury management function. This includes the effects of the decisions taken in the past six months, and confirmation that there were no instances of non-compliance with the Council's Treasury Management Policy Statement and Treasury Management Practices, for 2019/20 to date.

RECOMMENDATIONS:

That the Audit Committee:

1. Note the Treasury Management Mid-Year Monitoring Report 2019/20.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 Treasury management is an integral part of helping deliver the Council's Strategy and all of its outcomes. The Council set a target of achieving a 1% return on its investments in 2019/20 and to date has achieved a return of 1.30%.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the Council.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000.
- 3.2 Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with Hampshire County Council's Investments & Borrowing team that provides the Treasury Management Service.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Council currently has no direct or indirect (via pooled funds) equity investments in companies involved in the fossil fuel industry. Following the Council's declaration of a Climate Emergency in June 2019, this position will be formalised as part of the 2020/21 Treasury Management Strategy in February 2021.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the Council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long-term funds is held to ensure cash is available to utilise. The Council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity

11 SUPPORTING INFORMATION:

12 Introduction

12.1 The Council adopts the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. The CIPFA code requires the Council to approve a treasury management strategy before the start of the year and semi-annual and annual treasury management reports.

12.2 This report fulfils the Council's legal obligation to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2019/20.

13 Summary

13.1 Treasury management in the context of this report is defined as:

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

13.2 The Council's Treasury Management Strategy (TMS) for 2019/20 was approved at a meeting of the Council in February 2019. The Council has borrowed and invested sums of money and is therefore exposed to financial

risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS.

- 13.3 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since September 2014 but overall responsibility for treasury management remains with Winchester City Council. No treasury management activity is without risk and the effective identification and management of risk are integral to the Council's treasury management objectives.
- 13.4 All treasury activity has complied with the Council's TMS and Investment Strategy for 2019/20, and all relevant statute, guidance and accounting standards. In addition, the Council's treasury advisers, Arlingclose, provide support in undertaking treasury management activities.
- 13.5 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, which is a summary document approved by the Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by Council on 28 February 2019.

14 External Context

- 14.1 The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions have been made to date in 2019/20.

Economic Commentary

- 14.2 UK Consumer Price Inflation (CPIH) fell to 1.5% year on year in October 2019 from 1.7% in September below the Bank of England's target; it remained unchanged at 1.5% in November.
- 14.3 Labour market data for the three months to October 2019 showed the unemployment rate edged down to 3.8% while the employment rate increased slightly to 76.2%. Once adjusted for inflation, real wages were up 1.8% on an annual basis as wages continue to rise steadily and provide some upward pressure on general inflation.
- 14.4 There was an increase of 0.3% in quarterly GDP growth in the third calendar quarter of 2019 following a 0.2% contraction in Q2. Both the services and construction sectors registered growth in the quarter (0.4% and 0.6% respectively) with production remaining flat. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012.

- 14.5 The Bank of England maintained Bank Rate at 0.75% in December and in its November Monetary Policy Report noted that the risk of a no-deal Brexit had fallen and that it expected global growth to recover gradually. If this does not happen it may be necessary to lower rates; conversely, if upward pressure on prices builds over the next few years, a modest increase in interest rates is likely.
- 14.6 Globally, the European Central Bank cut its deposit rate by 10 basis points in September 2019 alongside announcing another round of stimulus, which was closely followed by a 25 basis points cut by the US Federal Reserve.

15 Local Context

- 15.1 At 31 March 2019 the Council had net borrowing of £150.8m arising from financing its housing programme. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 overleaf.

Table 1: Balance Sheet Summary

	31/03/19 Balance £m
General Fund CFR	(27.1)
Housing Revenue Account CFR	(162.9)
Total CFR	(190.0)
Less: Resources for investment	39.2
Net borrowing	(150.8)

- 15.2 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30 September 2019 and the movement since 31 March 2019 is shown in Table 2 below.

Table 2: Treasury Management Summary

	31/03/2019 Balance £m	Movement £m	30/09/2019 Balance £m	30/09/2019 Rate %
Long-term borrowing	(156.7)	-	(156.7)	(3.30)
Short-term borrowing	-	-	-	-
Total borrowing	(156.7)	-	(156.7)	(3.30)
Long-term investments	15.0	(2.9)	12.1	2.47
Short-term investments	15.0	14.8	29.8	0.89
Cash and cash equivalents	8.1	(4.5)	3.6	0.73
Total investments	38.1	7.4	45.5	1.30
Net external borrowing	(118.6)	7.4	(112.2)	

Note: the figures in the table above as at 31 March 2019 are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

- 15.3 The increase in total investments since 31 March 2019 shown in Table 2 reflects the annual position of 31 March being the lowest point for investment balances, due to many government grants being front-loaded.

16 Borrowing Activity

- 16.1 As shown in Table 2, at 30 September 2019 the Council held £156.7m of loans, the majority of which being in relation to the refinancing resettlement of the HRA in 2012.

- 16.2 The mid-year treasury management borrowing position and movement since 31 March 2019 is shown in Table 3.

Table 3: Borrowing Position

	31/03/2019 Balance £m	Movement £m	30/09/2019 Balance £m	30/09/2019 Rate %	30/09/2019 WAM* years
Public Works Loan Board	156.7	-	156.7	3.30	21.10
Total borrowing	156.7	-	156.7	3.30	21.10

* Weighted average maturity

Note: The figures in the table above as at 31 March 2019 are from the balance sheet in the Council's statement of accounts but adjusted to exclude accrued interest.

- 16.3 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 16.4 In keeping with these objectives, no new borrowing was undertaken in the period. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 16.5 The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with the monitoring of internal and external borrowing.
- 16.6 In October 2019, HM Treasury implemented a change to the margin above gilts charged for borrowing through the PWLB. This unexpected move increased the margin from 80 basis points to 180 basis points making it more expensive to borrow in this way and may therefore affect future borrowing decisions. Arlingclose will provide advice on how to structure any future borrowing to best achieve the Council's objectives.

17 Investment Activity

- 17.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.
- 17.2 The Council's investment holding was £45.5m at 30 September 2019 which was £11.4m (20%) lower than the same time last year. The main cause of this is the increase in capital expenditure particularly as the construction of the new Leisure Centre has commenced; capital expenditure to the end of September 2019 was £17m and in the same period a year earlier was £8m.
- 17.3 During the six-month period from 1 April to 30 September 2019, the Council's investment balance ranged between £39m and £58m due to timing differences between income and expenditure.
- 17.4 Table 4 overleaf shows investment activity for the Council as at 30 September 2019 in comparison to the reported position as at 31 March 2019.

Table 4: Investment Position (Treasury Investments)

	31/03/2019 Balance £m	Movement £m	30/09/2019 Balance £m	30/09/2019 Rate %	30/09/2019 WAM* years
Short term investments					
Banks and Building Societies:					
- Unsecured	6.0	4.8	10.8	0.86	0.22
- Secured	2.0	3.0	5.0	0.84	0.56
Treasury Bills	-	4.0	4.0	0.71	0.08
Money Market Funds	7.1	(4.5)	2.6	0.74	0.00
Local Authorities	7.0	3.0	10.0	0.95	0.39
Cash Plus Funds	1.0	-	1.0	1.46	n/a
	23.1	10.3	33.4	0.88	0.29
Long term investments					
Banks and Building Societies:					
- Secured	8.5	(2.9)	5.6	1.13	2.18
Local Authorities	1.5	-	1.5	1.33	1.70
	10.0	(2.9)	7.1	1.17	2.08
High yield investments					
Pooled Property Funds**	5.0	-	5.0	4.30	n/a
	5.0	-	5.0	4.30	n/a
TOTAL INVESTMENTS	38.1	7.4	45.5	1.30	0.61

* Weighted average maturity

** The rate provided for pooled property fund investments is reflective of the average annual dividend return to 30 September 2019

Note: the figures in the table above are from the balance sheet in the Council's statement of accounts but adjusted to exclude operational cash and accrued interest.

- 17.5 Both the CIPFA Code and Government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 17.6 The Council's objective when investing is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income.
- 17.7 During the first half of 2019/20, total investment balances increased by £7.4m, in line with the usual profile of balances across the financial year, due to the receipt of council tax and front-loaded grants.
- 17.8 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2019/20.
- 17.9 Counterparty credit quality was assessed and monitored with reference to credit ratings, analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
- 17.10 The Council has also used secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 17.11 To ensure sufficient liquidity, the Council makes use of call accounts and money market funds. With the ongoing uncertainty around Brexit, the Council will ensure there are enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity and that its account with the Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.
- 17.12 The progression of credit risk and return metrics for the Council's investments managed in-house (excluding pooled funds) are shown in the extracts from Arlingclose's quarterly investments benchmarking in Table 5 below.

Table 5: Investment Benchmarking (investments managed in-house)

	Credit Rating	Bail-In Exposure	WAM* (days)	Rate of Return
31/03/2019	AA	40%	354	1.01%
30/09/2019	AA+	34%	226	0.92%
Similar LAs	AA-	61%	80	0.86%
All LAs	AA-	62%	28	0.83%

* Weighted average maturity

- 17.13 Table 5 shows the Council's exposure to bail-in risk has reduced to 34% when compared with the position at 31 March 2019, a figure that compares favourably to other similar authorities and the LA universe used for Arlingclose's benchmarking. Similarly, the credit rating of investment counterparties has improved and again presents favourably compared with the benchmark.

- 17.14 The weighted average maturity of investments and average rate of return have both decreased. This is as a result of the requirement to keep a proportion of funds liquid due to an impending major acquisition, with the reduced returns being generated also reflective of market conditions during the period.
- 17.15 The Council has targeted a proportion of funds towards high yielding investments as shown in Table 4. Investments yielding higher returns will contribute additional income to the Council, although some come with the risk that they may suffer falls in the value of the principal invested.
- 17.16 The £5m investment in an externally managed pooled property fund generated an average annual total return of 4.36%, comprising 4.30% income return which is used to support services in year, and 0.05% of capital growth. As this fund has no defined maturity date, but the balance is available for withdrawal after a notice period, the performance and continued suitability in meeting the Council's investment objectives is regularly reviewed.
- 17.17 Any investments in pooled funds are made in the knowledge that capital values will move both up and down in the short term, but with the confidence that over a three- to five- year period total returns should exceed cash interest rates, whilst also providing regular income, diversification and the potential for capital growth and it is the Council's intention to hold these investments for at least the medium term.
- 17.18 Recent changes to accounting regulations (IFRS9) have introduced a new risk related to the Council's investments in pooled funds whereby any fall in the capital value of the funds would now have to be taken as an expenditure charge to the Council's Income and Expenditure account. This does not present an immediate risk to the Council; however, as there is currently a statutory override in place that provides a 4 year grace period before this requirement is implemented.
- 17.19 If no further changes are made at the end of the 4 year period, the risk of a fall in value resulting in an expenditure charge for the Council will be mitigated by reserves accrued through any increases in the value of the Council's investments over the next 4 years.
- 17.20 The performance and ongoing suitability of pooled funds in meeting the Council's investment objectives is monitored regularly and discussed with Arlingclose.

18 Non-Treasury Investments

- 18.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

18.2 This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons.

18.3 The total value of investments properties as at 31 March 2019 was £53.8m (£47.7m as at 31 March 2018). Net rental income after costs to the end of September 2019 amounted to £1.1m representing a yield of 4.1% to date (3.9% average yield in 2018/19).

19 Compliance Report

19.1 The Council confirms compliance of all treasury management activities undertaken during the period with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

19.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Tables 6 below.

Table 6: Debt Limits

	2019/20 Maximum £m	30/09/2019 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied
Borrowing	156.7	156.7	266.9	284.3	✓
Other long term liabilities	0.0	0.0	0.0	0.0	✓
Total debt	156.7	156.7	266.9	284.3	✓

20 Treasury Management Indicators

20.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

20.2 The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates:

Table 7: Interest Rate Exposures

	30/09/2019 Actual	Impact of +/-1% interest rate change
Variable interest rate investment exposure	£35m	+/- £0.4m
Variable interest rate borrowing exposure	0	n/a

20.3 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

20.4 This indicator is set to control the Council's exposure to refinancing risk.

Table 8: Maturity Structure of Borrowing

	30/09/2019 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	0%	25%	0%	✓
12 months and within 24 months	0%	25%	0%	✓
24 months and within 5 years	6%	25%	0%	✓
5 years and within 10 years	19%	30%	0%	✓
10 years and within 20 years	32%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	13%	75%	0%	✓
40 years and within 50 years	17%	100%	0%	✓

Principal Sums Invested for Periods Longer than 365 days

20.5 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

Table 9: Principal Sums Invested for Periods Longer than 365 days

	2019/20	2020/21	2021/22
Actual principal invested beyond year end	£12m	£12m	£2m
Limit on principal invested beyond year end	£15m	£15m	£10m
Complied	x	✓	✓

20.6 As reported in the Treasury Management Outturn Report for 2018/19 to the Committee on 25 July 2019, the principal sum invested for longer than 364 days was £15.035m as at the 31 March 2019 and fell below £15m on 16 May 2019.

20.7 This was the result of one investment made on 12 March 2019 shortly after the limit was revised from £20m to £15m as part of the Treasury Management Strategy update in February 2019.

20.8 The Council sought assurances from Hampshire's Investment and Borrowing team that action had been taken to prevent this happening again and they confirmed their internal controls had been reviewed. There have been no further breaches of the limit.

20.9 In addition, Hampshire County Council's rolling internal audit plan for 2019/20 included a review of the Treasury Management function. This review is currently underway, and the matter will therefore be covered as part of the

audit, with any results being reported to the next meeting of the Audit and Governance Committee subsequent to the completion of the audit.

21 Outlook for the remainder of 2019/20

- 21.1 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US, and there appears no near-term resolution to the trade dispute between China and the US.
- 21.2 The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity.
- 21.3 In response, global and UK interest rate rise expectations have eased, and central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.
- 21.4 The Council's treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy.
- 21.5 Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Cas	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB3013: Treasury Management Strategy 2019-20, 28 February 2019

CAB3064: Treasury Management Outturn 2018/19, 25 July 2019

AUD197: Treasury Management Mid-Year Review 2018/19, 29 November 2018

Other Background Documents:-

None

APPENDICES:

None

PAY POLICY STATEMENT 2020/2021

09 JANUARY 2020

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Risk

Contact Officer: Lisa Kirkman (Strategic Director: Resources) Tel No: 01962 848501 Email lkirkman@winchester.gov.uk

WARD(S): ALL

PURPOSE

The Localism Act 2011 (the Act), requires that local authorities publish an annual pay policy statement for the forthcoming financial year including:

- the remuneration of senior employees (which the Act defines as the head of paid service, the monitoring officer, chief officers, and deputy chief officers, i.e. managers who report directly to a chief officer) ; and
- the remuneration of the lowest-paid employees and the relationship between the remuneration of senior employees and that of other employees.

RECOMMENDATION:

That the Pay Policy Statement for the financial year 2020/2021 is recommended to Council for adoption.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Publishing an Annual Pay Policy Statement demonstrates an open and transparent approach to determining how Council employees are paid. Salary comparisons are undertaken with similar local authorities to ensure that the Council achieve good value with its approach to pay. Defining key principles of how pay is determined contributes to the objective of achieving a balanced budget and stable Council finances.

1 FINANCIAL IMPLICATIONS

- 1.2 There are no additional financial implications for the Council in adopting this Pay Policy Statement. The proposed 2020/2021 budget fully reflects the assumptions in the Pay Policy Statement.
- 1.3 The level of remuneration is a very important factor in both recruitment and retention of staff. There is a need to balance affordability and value for money with creating a reward framework that ensures the Council can recruit, retain, motivate and develop employees who have the skills and capabilities necessary to ensure the continued provision of high quality services.

2 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Pay Policy Statement 2020/2021 takes full account of the Secretary of State's guidance in relation to open and transparent reporting of senior level pay in addition to relevant legislative requirements. This includes ensuring that there is an appropriate relationship between the pay levels of our senior managers and of all other employees.
- 3.2 The Pay Policy Statement 2020/2021 takes account of:
- the Local Government Transparency Code 2015 issued by the Department for Communities and Local Government in February 2015
 - Openness and Accountability in Local Pay: Guidance under S40 of Localism Act 2011 issued in February 2012
 - Openness and Accountability in Local Pay: Guidance under S40 of Localism Act 2011 Supplementary Guidance issued in February 2013
 - guidance issued by the Joint National Council (JNC) for Local Authority Chief Executives on pay policy statements, published in November 2011 and supplementary notes published in January and March 2012
 - The Public Sector Exit Payment Regulations 2016
 - The Repayment of Public Sector Exit Payments Regulations 2015
 - Employment and equalities legislation affecting local authority employers, where relevant.

4 WORKFORCE IMPLICATIONS

4.1 The overall approach to remuneration for all employees, including senior management is based on:

- compliance with equal pay, discrimination and other relevant employment legislation such as the Equality Act 2010; and
- ensuring that our overall remuneration packages position the Council as an “Employer of Choice” and that as such our “total reward package” is competitive within the local government and public sector market.

4.2 In the application of the pay framework, the Council takes into account market rates, individual performance and the need for consistency in the way pay bandings are applied. All pay differentials can be objectively justified using job evaluation mechanisms that directly establish the relative levels of posts in pay bands according to the requirements, demands and responsibilities of the post.

4.3 In determining pay and remuneration, the Council recognises the need to exercise the greatest care in managing scarce public resources while securing and retaining high quality employees. The principle of fair pay is important to the provision of well-managed services and the Council is committed to ensuring fairness and equity in its remuneration practices.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 NONE

6 CONSULTATION AND COMMUNICATION

6.1 The Localism Act 2011 requires the Council to publish a Pay Policy Statement on an annual basis. There are no material changes to the provisions set out in previous policy statements and there is therefore no requirement to consult on this policy.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 NONE

8 EQUALITY IMPACT ASSESSEMENT

8.1 There is no differential impact on a specified group as all HR matters are applied consistently.

8.2 As required nationally, the Council reports on any potential discrepancies in pay, based on gender (“Gender Pay Gap” reporting); in accordance with the statutory timeframe, the next report will be submitted to Audit and Governance Committee in March 2020 and subsequently published externally.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 This report does not contain confidential data and so there is no need to undertake a Data Protection Impact Assessment.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Financial / VfM Failure to recruit / retain necessary, high-quality employees leading to increased costs of employing locum / agency staff.</i>	Assessment of market rates and individual performance combined with consistent application of pay bandings.	Positioning the Council as and Employer of Choice
<i>Legal Failure to comply with the publication requirements of the Localism Act 2011, resulting in adverse local media coverage or legal challenge</i>	Pay policy review is embedded within the Committee work programme to ensure annual publication.	
<i>Innovation</i>		
<i>Reputation Failure to recruit / retain necessary, high-quality employees leading to service delivery delays / failures.</i>	Assessment of market rates and individual performance combined with consistent application of pay bandings.	
<i>Other Potential increase in sickness absence amongst lower paid staff if they do not believe their contribution to the Council is valued.</i>	Revisions to the Pay Scales implemented during April 2019 improved the basic pay for staff; the Council remains a Living Wage Foundation employer.	

11 SUPPORTING INFORMATION:

11.1 Government has sought to encourage transparency on remuneration and as such every Council is required to prepare and adopt a Pay Policy Statement and have that statement approved by Council. The Pay Policy Statement must contain the policy for the remuneration of the Council's employees on appointment, subsequent progression and any use of bonus or performance related pay. There are specific requirements as to the appointment of Chief Officers set out in the Council's Constitution. The Pay Policy Statement sets out the approach to the payment of Chief Officers on their ceasing to hold office or to be employed by the authority.

- 11.2 The Localism Act 2011 (“The Act”) requires councils to define ‘lowest paid employees’, to consider the relationship between pay of the highest and lowest paid and to explain the rationale for their approach and to publish details of pay relativities to encourage fairness in remuneration.
- 11.3 The Pay Policy Statement 2020/2021 does not contain any substantial changes to those considered previously.
- 11.4 The Statement sets principles and rules relating to the remuneration of senior staff. It does not set out the details of individual payments made in accordance with these principles – although there are separate requirements for the publication of payments made to senior staff in the annual published accounts.

12 KEY POLICY ISSUES

- 12.1 There are a number of matters to note in the attached Pay Policy Statement:
- a) The Policy uses the term “Chief Officers” to identify senior staff, or those in receipt of the highest remuneration. This reflects a requirement in the Act, where the definition covers a number of senior posts which for Winchester City Council equates to senior posts paid at Scale 10 and above. The Policy recommends the current practice of adopting national pay schemes and job evaluation procedures as a basis for determining remuneration, and so which posts cross the threshold for consideration under the Pay Policy;
 - b) The definition of “lowest paid employees”, required to show pay relativities, draws on Scale 2 of the pay scales. The ratio of remuneration for highest to lowest paid is under 10:1 – the benchmark set by Government;
 - c) The City Council is a ‘Living Wage Employer’ which means that a nationally agreed minimum hourly rate of pay is applied to directly employed staff;
 - d) The Policy also covers increases and additions to remuneration for example, bonus payments. This is already covered by our adopted pay scheme and policies on annual incremental increases, which the Policy refers to. The Policy also makes clear at present the Council has not adopted performance related pay or a system of bonus payments, and sets out the policy on payment of honoraria;
 - e) There is transparency on payments to those leaving employment, and so the Act requires the Council to publish a policy on severance payments. The Government is considering a cap on severance pay; further national guidance was anticipated in 2018 but remains outstanding.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

NONE

Other Background Documents:-

NONE

APPENDICES:

Appendix 1 – Pay Policy Statement 2020/2021

Appendix 1

Winchester City Council Pay Policy Statement – Financial Year 2020/2021

1. Purpose

- 1.1 This Pay Policy Statement is provided in accordance with Section 38(1) of the Localism Act 2011 and will be updated annually from 1 April each year.
- 1.2 The Pay Policy Statement sets out Winchester City Council's policies relating to the pay of its workforce for the financial year 2020/2021, in particular:
- the remuneration of its Chief Officers
 - the remuneration of its "lowest paid employees"
 - the relationship between:
 - the remuneration of its Chief Officers and
 - the remuneration of its employees who are not Chief Officers
- 1.3 The purpose of the statement is to provide an open and transparent framework that ensures clarity, fairness and consistency in the remuneration of Chief Officers. It also ensures that employees at all levels of the Council are paid on a fair and equitable basis in accordance with equality legislation.

2. Definitions

- 2.1 For the purpose of this statement the following definitions will apply:
- 2.2 "**Pay**" in addition to salary will also include charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.
- 2.3 "**Chief Officer**" refers to the Statutory Chief officers (Head of Paid Service, Monitoring Officer and S151 Officer) and to Strategic Directors.
- 2.4 "**Lowest paid employees**" refers to those staff employed on Grade 2 of the Council's pay framework.
- 2.4.1 The above definition for the "lowest paid employees" has been adopted because Grade 2 is the lowest grade on which employees are paid within the Council's pay framework.
- 2.4.2 Those engaged on Casual Worker Agreements are paid a fixed hourly rate in line with the voluntary UK Living Wage. They are excluded from the definition of "lowest paid employees".

- 2.5 **“Employee who is not a Chief Officer”** refers to all staff that are not covered under the “Chief Officer” group above. This includes the “lowest paid employees” i.e. staff on Grade 2 and below.

3. Pay Framework and Remuneration Levels

3.1 General Approach

- 3.1.1 Remuneration for all employees needs to be at the appropriate level to secure and retain high-quality employees dedicated to fulfilling the Council’s business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is proportionate and appropriate for the role. Each Council has responsibility for balancing these factors and faces its own unique challenges and opportunities in doing so. It is important that Winchester City Council retains flexibility within its pay framework to cope with a variety of circumstances that might necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate. Using such solutions should only be short term and regular reviews should ensure that they are discontinued when circumstances change.

3.2 Responsibility for Decisions on Remuneration

- 3.2.1 It is essential for good governance that decisions on pay and reward packages for the Chief Executive and Chief Officers are made in an open and accountable way and that there is a verified and accountable process for recommending the levels of top salaries.
- 3.2.2 Pay for employees at all grades is based on the national agreements on pay as follows:
- National Joint Council for Local Government Services
 - Joint Negotiating Council for Chief Officers
 - Joint Negotiating Council for Chief Executives.
- 3.2.3 Remuneration packages above £100,000 gross per annum must be considered by Cabinet, with a recommendation to Full Council.

3.3 Salary grades and grading framework

- 3.3.1 Grades for all posts are determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities and other public sector employers to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer.
- 3.3.2 Job Evaluation is a systematic process for ranking jobs within an organisation ensuring consistency of approach and outcomes appropriate to the complexity and accountability of the role. Where the grade of a post

changes as a result of the job evaluation process, any pay adjustment will only be backdated to the date on which the role was considered by a Job Evaluation Panel.

- 3.3.3 The Council's pay structure is based on the pay spine issued by the National Joint Council (NJC) as part of the National Agreement for Local Government Services. Roles are placed within the pay structure on the basis of the evaluated grade of their role.
- 3.3.4 Incremental spinal column points provide for progression in role with the acquisition of skills, experience and competence (subject to satisfactory performance).
- 3.3.5 Pay awards are applied in line with the national agreements detailed in 3.2.2 on an annual basis for all employees, in conjunction with the nationally recognised trade unions.

3.4 Market Review and Market Supplements

- 3.4.1 The Council will from time to time, benchmark its pay and benefits by comparing pay and rewards for a sample of posts. For the purpose of pay benchmarking and market testing the comparator group comprises public sector authorities in Hampshire, West Sussex and Surrey and authorities in other areas if relevant, who are similar to the Council in terms of size (number of employees and population) and similar relevant factors. Jobs within London Boroughs will not be used for comparator purposes due to London weighting allowance. In exceptional circumstances, other external market pay data, including private sector data, will also be considered where relevant.
- 3.4.2 Where the benchmarking exercise highlights a discrepancy in pay, following consideration of a report made to the Executive Leadership Board a market supplement may be awarded, subject to annual review.
- 3.4.3 Decisions relating to awarding a market supplement for the Chief Executive will be referred to Cabinet, with a recommendation to Full Council.

4. Remuneration

- 4.1 Remuneration details including benefits in kind are set out in the Council's published Annual Statement of Accounts.
- 4.2 "**Chief Officers**", as defined in paragraph 2.3 of this statement, are paid within the Council's pay framework which applies to all other employees. Typically, Chief Officers have received the same percentage pay award as other managers and staff groups within the Council.

4.4 “Lowest paid employees”

- 4.4.1 Winchester City Council is an accredited Living Wage Employer. The Living Wage is paid voluntarily and is set to avoid poverty wages and support the principle that workers should be paid at a level which enables them to achieve an acceptable standard of living. The lowest paid employees are paid within the salary range for Grade 2 which covers five salary points ranging between £17,364 and £18,795.
- 4.4.2 The lowest paid employees do not include apprentices for whom there are separate pay arrangements.

4.5 Honoraria and Additional Responsibilities

- 4.5.1 All employees are expected to perform any other duties commensurate with their job grade as reasonably required from time to time. However, there may be occasions where an employee agrees to take on additional duties and responsibilities that may be at the same level of their substantive grade but are beyond the reasonable scope of their normal job remit. In such circumstances, subject to approval from the Executive Leadership Board, an honorarium payment may be awarded. Honoraria should not normally exceed £500, or the value of no more than 2 incremental points, whichever is greater.
- 4.5.2 The appropriate Strategic Director, in consultation with ELB, may award an “acting up” allowance where an employee takes on temporary increased responsibility.
- 4.5.3 The amount awarded should reflect the nature and duration of the work or responsibility. Where the employee has been covering the long term absence of a more senior officer, “acting up” payments are calculated based on the difference between the employee’s scale point and the bottom scale point of the role they are covering. Temporary acting-up arrangements of this nature will not exceed more than 12 months duration and should generally be undertaken for at least one month before payment will apply.

4.6 Charges, fees or allowances

- 4.6.1 No fees for election duties are included in the salaries of Chief Officers. Any additional fees payable for such responsibilities are calculated in accordance with the statutory rules and associated guidance which is published by Government.
- 4.6.2 Special fees are paid for Returning Officer duties which are not part of the post holder’s substantive role. These fees are payable as required and can be made to any senior officer appointed to fulfil the statutory duties of this role.

- 4.6.3 The Returning Officer is an officer of the City Council who is appointed under the Representation of the People Act 1983. Whilst appointed by the City Council, the role is one which involves and incurs personal responsibility and accountability and is statutorily separate from their duties as an employee of the Council. The Returning Officer is paid a separate allowance for each election for which they are responsible.
- 4.6.3 Where the Council's Monitoring Officer or S151 Officer is not a Chief Officer, a special responsibility allowance of £3,000 gross per annum is paid in recognition of the additional requirements of the statutory role.
- 4.6.4 Any allowance or other payment will only be made to an employee in connection with their role or the patterns of hours they work and must be in accordance with the Council's employment policies.
- 4.6.5 Where the Council offers voluntary benefits e.g. childcare vouchers and employee discount schemes, they are offered to all employees regardless of their role and grade within the Council.

4.7 Performance related pay

- 4.7.1 Performance is reviewed annually through the Council's appraisal system and the Council reserves the right to withhold increments where performance has not met the required standard and where this has been raised with the employee formally. Beyond annual increments awarded in this way, the Council does not offer performance related pay to any employee.
- 4.7.2 Subject to approval from the appropriate Corporate Head of Service and Strategic Director, an employee may receive more than 1 increment in any financial year.

4.8 Pension

- 4.8.1 All employees, as a result of their employment, are eligible to join the Local Government Pension Scheme (LGPS).
- 4.8.2 In addition to the employee's own contribution, the Council makes a contribution of 16.1% towards the pension of each member of the LGPS scheme¹.

4.9 Remuneration on appointment and promotion

- 4.9.1 The starting salary on appointment or following promotion will normally be based on the appointee's level of relevant experience and current salary,

¹ In addition to the 16.1% contribution there is also an additional payment for the capital contribution for past service that the Council pays, along with all other members of the Hampshire Pension Fund. In recent years, there has been an annual increase of 1% on the employer contribution. To date, no guidance beyond 01 April 2020 is available from the Pension Administrators.

regardless of whether they are a current employee of Winchester City Council.

- 4.9.2 The chair of the recruitment panel has the discretion to determine the appropriate spinal column point within the agreed pay scale but the starting salary should not exceed the mid point of the pay scale. In exceptional circumstances (e.g. the current salary is higher than the mid point of the scale), the Service Lead: Human Resources or in their absence, the HR Manager: People, may authorise appointment on a spinal column point which is higher than the mid point of the scale.

5. Relationship between Remuneration of “Chief Officers” and “Employees who are not Chief Officers”

- 5.1 It is the policy of the council to ensure that the ratio of the salary of the highest paid officer and the lowest paid officer is well below the 10:1 ratio recommended as a maximum in the terms of reference for the 2011 Hutton review of fair pay in the public sector.

- 5.2 As at 1st April 2019, pay ratios within the Council stand as follows:

Highest:lowest = 6.9:1

- 5.3 This is based on the following salary packages:

- Highest paid annual salary = £119,850
- Lowest paid (minimum grade 2) = £17,365

6. Benefits in kind

- 6.1 The Council pays professional fees for officers where it is an essential requirement for the post holder to maintain professional accreditation. Only one set of professional fees are paid per annum.
- 6.2 The Council offers a Health Care Cash Plan scheme which is available to all employees regardless of their role and grade within the Council.
- 6.3 A Park and Ride pass is offered to all employees.
- 6.4 Officer who are designated as “Essential Car Users” are issued with a permit for one of the car parks nearer to the Council offices to enable them to meet the specific operational requirements of their role.

7. Termination Payments

- 7.1 Payments made on termination of employment are limited to those expressly required or allowed by law. In accordance with the Council’s Constitution, Termination payments which exceed £100,000 (regardless of the post to

which they apply and the reasons for the payment, require approval from Full Council.)

8. Access to Pension Payments

- 8.1 In some circumstances, an employee may be eligible to access their pension on termination of employment.
- 8.2 The LGPS requires employers to prepare and publish a written statement of policy in relation to the payment of pensions. The Council's policy on pensions (and related discretionary payments) is set out in **Annex A** of this document.

9. Redundancy Payments

- 9.1 The calculation of redundancy payments is based on the provisions of Employment Rights Act 1996 and may be subject to revision should this legislation be amended.
- 9.2 Redundancy payments are based on a ratio of completed years' service and the employees' age at the effective date of termination, using a multiplier of 1.6. Completed year's service will be capped at 20 years and the maximum of 48 weeks pay will apply. The Council uses the employees' actual contractual pay to calculate redundancy payments.

10. Settlement Agreements

- 10.1 In exceptional circumstances, and specifically to settle an employment tribunal claim or similar significant dispute, the Corporate Head of Resources can agree payment of a settlement up to £10,000.
- 10.2 In such cases, each decision as the level of payment will be taken on its merits. Where the proposed termination payment exceeds £10,000, approval from the Section 151 Officer and one other Chief Officer is required.
- 10.3 In accordance with the Council's Constitution, Settlement Payments which exceed £100,000 (regardless of the post to which they apply require approval from full Council.)

11. Re-employment of officers

- 11.1 When a member of staff is dismissed on the grounds of redundancy or early retirement with the employer's consent, the Council will not re-employ them for a period of 12 months following the termination.

12. Data Transparency

- 12.1 Under the Local Government Transparency Code 2014, pay and benefits information and a list of responsibilities for staff paid over £50,000 must be published. This information is available on the Council's external website. Senior employees' remuneration can also be found in the annual Statement of Accounts.

Annex A

Pensions Discretions Policy Statement

The Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

1. Introduction

- 1.1 This policy statement is made in accordance with Paragraph 60 of the Local Government Pension Scheme Regulations 2013 and Paragraph 2 (2) of Schedule 2 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
- 1.2 It sets out how Winchester City Council will apply discretionary provisions available within those Regulations.
- 1.3 This policy applies to all employees of Winchester City Council who are members of the Local Government Pension Scheme. It does not apply to Elected Members of the Council.
- 1.4 In formulating and reviewing its policy, the Council:
 - Has regard to the extent to which the exercise of discretionary powers, unless properly limited, could lead to serious loss of confidence in the public service; and
 - Is satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

2. Purpose of this Policy

- 2.1 This policy aims to provide fairness and consistency in situations where the Council is release of accrued pension benefits.

3. Flexible Retirement – Regulations 30 (6) and 30 (8) (2013 Regulations)

- 3.1 The Pension Scheme allows for flexible retirement from age 55 with the payment of all or part of accrued pension benefits in situations where the employer agrees to the hours of work or the level of responsibility being reduced **and** to the release of pension benefits. In most cases, the pension benefits will be reduced if taken before normal retirement age.

- 3.2 Flexible retirement can benefit both the employee through enabling a gradual adjustment to retirement and the Council through the ability to retain valuable experience and knowledge; it also increases the opportunity for succession planning and reflects the ethos of flexible working.
- 3.3 The Council will consider all requests for flexible retirement in response to written requests from eligible employees.
- 3.4 The Council will approve requests only where it is their interests to do so; where there is no adverse impact on the service; where the costs are affordable or where there are likely to be cost savings achieved as a result of the proposal.
- 3.4 A request should typically involve a substantial reduction of at least 40% in salary, either through reduced hours or level of responsibility.
- 3.5 Requests for flexible retirement will be considered by the Executive Leadership Board. Where a request for flexible retirement is from a Chief Officer, the decision will be made by the Chief Executive. Requests for flexible retirement from the Chief Executive will require approval from full Council.

4. Awarding Additional Pension – Regulation 31(2013 Regulations)

- 4.1 The Council will not make use of the provision to award additional pension.
- 4.2 This discretion is therefore not exercised.

5. Shared Cost Additional Voluntary Contributions (SCAVC) and Shared Cost Additional Pension Contributions (SCAPC) – Regulations 16(2) (e) and 16(4) (d) (2013 Regulations)

- 5.1 The Council will exercise discretion to allow Local Government Pension Scheme Members to contribute to a shared cost salary sacrifice additional voluntary contribution scheme.
- 5.2 The Council will not exercise its discretion to allow Local Government Pension Scheme Members to contribute to a Shared Cost Additional Pension Contributions Scheme.

6. Discretion to “switch on” the 85 year rule for 55 year olds and older but before the age of 60 – Para 1(1) (c) Schedule 2 of the 2014 Regulations

- 6.1 The Council will only exercise this discretion where there is a business reason to do so and where any costs associated with the discretion are affordable and sustainable to the Council. Requests will be considered by the Executive Leadership Board.

7. Waiving Reduction due to Early Payment of Pension – Regulation 30 (8) (2013 Regulations)

- 7.1 Employees can retire from age 55 and receive immediate payment of their pension benefits however the pension benefits payable will be subject to an actuarial reduction.
- 7.2 The Council will only exercise the discretion to waive the actuarial reduction where Regulation 30 (7) is applicable (that is where employment is terminated on the grounds of redundancy or in the interest of business efficiency)
- 7.3 The Council will only exercise this discretion where there is a business reason to do so and where any costs associated with the discretion are affordable and sustainable to the Council. Requests will be considered by the Executive Leadership Board.

8. Early Payment of Deferred Pension Benefits – Regulation 30 of the LGPS (Benefits, Membership and Contributions) Regulations 2007

- 8.1 The Council will not normally exercise this discretion but may consider it in exceptional circumstances where any costs associated with the discretion are affordable and sustainable to the Council.
- 8.2 Requests will be considered by the Executive Leadership Board

9. Transfer of Pension Rights – Regulation 100 (6) (2013 Regulations)

- 9.1 The Regulations permit the employer to extend the normal time limit (currently 12 months) during which a scheme member may transfer service from a previous employer.
- 9.2 The Council will not make use of the provision to extend the normal time limit.
- 9.3 This discretion is therefore not exercised.

10. Aggregation of Membership - Regulations 22, 7(b) 8(b) (2013 Regulations)

- 10.1 If a member has previous LGPS membership, the Regulations allow for them to make a decision about whether it is combined with their new LGPS membership.

- 10.2 Any such decision to maintain separate pension benefits must be made within 12 months of becoming an active member.
- 10.3 The Regulations permit the employer to extend the normal timescale.
- 10.4 The Council will not make use of the provision to extend the normal time limit.
- 10.5 This discretion is therefore not exercised.

11. Other Discretions

- 11.1 With the exception of the discretions set out in this policy statement, the Council will not exercise any pension discretions pursuant to the 2013 and 2014 Regulations.

12. Review of the Policy

- 12.1 This policy will be reviewed by Human Resources annually.