

CORPORATE SERVICES SCRUTINY COMMITTEE

25 January 2018

Present:

Councillor Sheldon (Chair)

Councillors Warwick, Baldwin, Hannan, Harvey, Holland, Lamb, Owen, Morris and Musgrave

Also present:

Chief Executive & Growth Director, City Solicitor & Head of HR, Chief Finance Officer and Democratic Services Officer (Committees) (SLS)

In attendance:

Councillor Edwards - Leader of Exeter City Council
Councillor Pearson - Portfolio Holder for Support Services

1 Minutes

The minutes of the meeting held on the 23 November 2017 were taken as read and signed by the Chair as correct.

2 Declarations of Interests

No declarations of disclosable pecuniary interest were made.

3 Questions from the Public under Standing Order 19

In accordance with Standing Order No 19, a member of the public, Mr Peter Cleasby submitted a question in relation to the Council's Independent Remuneration Panel.

A copy of the question had been previously circulated to Members, and this, together with the appropriate response from the Leader, Councillor Edwards is appended to the minutes.

4 Annual Pay Policy Statement

The City Solicitor and Head of HR presented the report on the annual Pay Policy Statement 2018/19, which outlined the annual pay policy for approval by Full Council each financial year in line with legislation. Local Authorities are required by Section 38(1) of the Localism Act 2011 to set out a written statement each financial year relating to:-

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

The City Solicitor and Head of HR referred Members to the appendix, attached to her report which set out the levels of remuneration for various posts from April 2018.

She referred to the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which now required local authorities who employ over 250 or more employees to produce an annual Gender Pay Gap report which compared the difference in pay between females and males.

The Act required that an Authority must report on the following:-

- Mean gender pay;
- Median gender pay gap;
- Mean bonuses gender pay gap;
- Proportion of males receiving a bonus payment;
- Proportion of females receiving a bonus payment; and
- Proportion of males and females in each quartile pay band

The findings included the average rate of pay for females being higher than males across the Council, the difference was less than 1%, and there were more males in the lower quartile of earnings. In response to a Member's question, the City Solicitor and Head of HR informed him that the City Council had previously made a decision to pay the Exeter Living wage which increased the wage of the lowest paid employee, and a decision on further changes to the pay band was likely to form part of the pay negotiations. A national offer by employers for a further two year pay deal had just been rejected by the Unions.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council to note, and approve:-

- (1) the circulated Policy, Report and Appendices for adoption and publication in accordance with the legislation; and
- (2) Delegated authority being given to the City Solicitor and Head of HR to make necessary amendments to the pay policy statement following any changes in legislation or subsequent increases in pay.

5 Revenue Budget Proposals 2018/19

The Chief Finance Officer presented the report on the Revenue Budget Proposals 2018/19, which outlined the strategic framework, the prepared estimates and highlighted the issues that would affect the actual setting of the overall level of council tax. The report also summarised the overall budget position arising from the information presented to Members in December and the current cycle of Scrutiny Committee meetings. Members were advised that an updated Medium Term Financial Plan was also set out in an appendix to the report, and their attention was drawn to the level of savings required; £1.250 million in 2019/20 and £1.500 million in 2020/21. The savings anticipated in 2020/21 would be as a result of a reset of the business rates, which should coincide with the fair funding review and move to 75% business rates retention.

The Chief Finance Officer also commented on the Local Government Provisional Finance Settlement 2018/19, advising Members that the City Council had accepted the Government's offer of a four year agreed settlement in November 2015, following the submission of the required efficiency plan. He also referred to the assumption of an increase in Council Tax of £5 as part of Exeter's budget strategy for next year which, along with an estimated collection fund surplus of £139,900, would mean the City Council's Council Tax budget would rise by £285,850, the council tax level being subject to discussion at the forthcoming Council meeting on 20 February. He also

confirmed that the provisional award of New Homes Bonus of £2.591 million for 2018/19 had been awarded in December, and if the trend for lower housing growth continued then a new resolution by Members would be sought to redress the shortfall that would arise from the current resolution.

Exeter City Council had taken part in a 100% Business Rate pilot scheme for 2018/19, enabling 100% of the growth generated in the county to be kept (40% was kept for the individual Districts taking part, 59% for Devon County Council and 1% for the Fire Authority). The Government had included a no detriment clause as part of the scheme, so that the Council would be no worse off than under the existing 50% retention scheme. He did however, refer to the impact when the current funding settlements came to an end in 2020. He responded to a Member's enquiry about the level kept by Exeter and added that Devon County Council had been fair in their offer to the Districts, with all those taking part, working well together to ensure the pilot bid was successful.

Corporate Services Scrutiny Committee noted the report.

6 Capital Programme 2018/19 - 2020/21

The Chief Finance Officer presented the report on the Capital Programme (2018/19 – 2020/21), which sought approval of the General Fund and Housing Revenue Account Capital Programmes for 2018/19 and schemes identified for the following two years. He provided an overview of the recommendations which required the Council to prepare a three-year capital expenditure plan to consider the affordability of its capital investment. He referred Members to the report and appendices and provided an overview of the General Fund Capital Programme. Members were informed of the new bids within the three year capital expenditure plan and that the 2018/19 total for the new bids would be £1,466,700.

Members were updated on the Housing Revenue Account (HRA) for 2018/19. The HRA would provide a capital programme of £18.177 million, which would be comprised of capital investment of £12.487million for improvements to the Council's existing council stock and £5.690million towards the provision of new council homes. The Chief Finance Officer referred Members to the HRA Capital Programme report for the detail of the funding.

A Member referred to the available capital resources and enquired if the Section 106 funding level was reported. The Chief Finance Officer stated that the Section 106 contributions were identified, but were not included in the Capital Programme mechanism as such expenditure was only for specific schemes already approved. The funding was held under separate identification within Planning, and he would enquire whether a former reporting regime to Members could be reinstated.

Corporate Services Scrutiny Committee noted the Capital Programme (2017/18 – 2019/20) report and requested Executive and Council to note and approve:-

- (1) The General Fund Capital Programme for 2018/19 as set out in Appendix 3; and
- (2) The HRA Capital Programme for 2018/19 as set out in Appendix 4.

7 Treasury Management Strategy

The Chief Finance Officer presented the report on the Treasury Management Strategy and position of the Annual Investment Strategy 2018/19. The report was a statutory requirement and must be approved by Full Council. He explained that the Council had adopted the CIPFA Treasury Management in the Public Services: Code

of Practice, which required the Council to approve a Treasury Management Strategy and Investment Strategy before the start of each financial year, to decrease the risk of exposure to financial loss of invested funds. He commented on the key issues of the Treasury Management Plan, and provided an overview of the current levels of borrowing and investments, along with the estimated changes and the financial impact for the year on both the General Fund and the HRA.

The Chief Finance Officer reported that, following a retendering process, LINK Asset Services had been appointed as the Council's Treasury Management advisors. They had already been consulted on a change to the time limits for UK owned banks or building societies eligibility to offer a loan from three to six months. There was now an opportunity for the City Council to have access to a wider range of loan products and more favourable interest rates. He responded to a Member's concern about the opportunity to borrow money in advance of spending need, and stated that the Council had not used this facility to date, and if any long term borrowing was required, any loan would be arranged at a fixed rate.

Corporate Services Scrutiny Committee noted the Treasury Management report for 2018/19 financial year and recommended approval by Executive and Council.

8 The Prudential Code for Capital Finance in Local Authorities (Incorporating the Annual Statement of Minimum Revenue Provision)

The Chief Finance Officer presented the report on the Prudential Code for Capital Finance in Local Authorities (Incorporating the Annual Statement of Minimum Revenue Provision), which advised Members of the proposed 2018/19 prudential indicators for capital finance for adoption by the Council and set the annual statement of Minimum Revenue Provision (MRP). The objectives of the code are to ensure within the framework that the capital investment plans of local authorities were affordable, prudent and sustainable.

Members were informed of the changes to the Prudential Code which required Full Council approval along with the Statement of Minimum Revenue Provision (MRP). He discussed the proposed Prudential Code Indicators and summarised appendices A-C, which depict the indicators for the next three years and highlighted the key issues to Members:-

- the Capital Financing Requirement: shows the amount that the Council needs to borrow;
- the Operational Boundary: sets the amount of borrowing that the Council intends to keep within over the period covered by the indicators. This would be the limit of borrowing; and
- the Authorised Limit: the maximum that the Section 151 Officer was allowed to borrow to cover the Operational Boundary and day to day cash flow needs. The Council was not allowed to exceed this amount of borrowing without first authorising an increase to the limit

The Chief Finance Officer also referred to a Government consultation which would include new requirements around governance and transparency. Increasingly, a one size fits all approach was no longer appropriate given the increasing variation in the objectives and nature of local authority investment activity. A number of changes to the Prudential System were due to come into force for the 2018/19 financial year, but that had not been confirmed. There may be implications from the revision of the Code and a further report for the new financial year may be required.

The main changes included:-

- definition of prudent provision in the MRP guidance;
- meaning of a change to the revenue account;
- impact of changing methods of calculating MRP; and
- an introduction of a maximum life of economic assets.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council to note and approve the adoption of:-

- (1) the Prudential Indicators set out in Appendix A-C; and
- (2) the Annual Statement of Minimum Revenue Provision for the Council

9 **Estimates, Fees and Charges**

The Chief Finance Officer presented the report on the proposed Corporate Services Scrutiny Revenue estimates for 2018/19, which outlined the strategic framework within which the estimates had been prepared; changes in accounting practices which affected all budgets and gave detailed reasons for major changes in the Management Unit estimates.

He informed Members that the estimates for Corporate Services Scrutiny Committee had increased and he drew attention to the revenue budget detailed in Appendix 1, circulated with the report. He highlighted a number of overarching changes which included the end of the requirement by local authorities to include support services in front line service costs, employers' contribution to the superannuation fund and a pooling of the budget relating to communication and marketing activities. The changes were cost neutral to the Council.

Corporate Services Scrutiny Committee supported the draft Revenue Estimates for 2018/19, the proposed Capital Programme and Fees and Charges for further consideration by Executive on 13 February 2018 and Council on 20 February 2018.

The meeting commenced at 5.30 pm and closed at 6.25 pm

Chair

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PUBLIC QUESTIONS RECEIVED for Corporate Services Scrutiny Committee – 25 January 2018, from Mr Peter Cleasby

Response to be made by Councillor Edwards (The Leader).

Question 1

Is the political leadership of the Council satisfied with the procedures in place for making appointments to the Independent Remuneration Panel? Specifically, is the leadership satisfied that the procedures:

- Are efficient, transparent and accountable to local people;
- Ensure the appointment to the panel of people who are not only independent of the Council but are seen to be independent?"

Response 1

Councillor Edwards responded to the question and stated that the Panel was convened under *The Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021)*. These regulations, which arose out of the relevant provisions in the *Local Government Act 2000*, required all local authorities to set up and maintain an advisory Independent Remuneration Members' Allowances Panel to review and provide advice on Members' allowances. There was no legislation with regards to the appointment of the Panel members and there was no criteria against which these appointments are made other than the need to ensure they have the time to be actively involved in the annual reviews, and they were independent of any political party. Members were not involved in the selection process, although, he as Leader, was informed of any proposed appointments.

The Panel was made up of people from various sectors of the community. The current panel members are:-

- Derek Phillips Chair of South West Chamber of Commerce, Vice Chair of Devon and Cornwall Business Council , Chair of Area Tourism Partnership;
- Steve Barriball – Chief Executive, Citizens Advice;
- Bryony Houlden - Chief Executive of South West Councils(also a Corporate Member of the South West Council);
- Peter Lacey - retired architect, (Lacey Hickie and Caley Limited). Currently Chair of the Green Infrastructure Board and a Director, Exeter Golf and Country Club.

Two of the panel members also sit on Devon County Council's Independent Remuneration Panel, there is usually a vacancy about every two years.

Councillor Edwards said that he was satisfied that the members of the Panel were independent and that a reasonable person would see them to be so. As politicians, subject to decisions of the Panel, he said that they supported the work of the Panel and refrained from commenting on its procedures, as such statements may have the potential to undermine the Panel's independence, in the absence of a clear public interest in making such statements. He added that he had also been informed that council officers were currently undertaking a review of all aspects of the Independent Remuneration Panel, including the appointment of it's members to ensure that the Council procedures were in line with best practice. It was envisaged that this review would be concluded in the early summer and any proposals would be taken through the relevant decision making process.

Members took the opportunity to debate the question.

With the permission of the Chair, Councillor Sheldon, Councillor Musgrave directed a comment to Mr Cleasby about the current process and whether local people would also think the process was sufficiently accountable. Mr Cleasby responded and did express an element of concern over the absence of a robust criteria. He wished to reiterate that he was in no way casting any doubt on the individuals who made up the Independent Remuneration Panel of the Council, but wished to comment on the independence of two of the individuals' organisational connections to the City Council. Councillor Edwards referred to Mr Barriball's position as Chief Executive of Exeter CVS which required him to lobby on behalf of clients and similarly Bryony Holden's position was as a representative of an organisation.

Councillor Musgrave referred to the remit of the anticipated review, and hoped that the points raised in Mr Cleasby question would be included. Councillor Edwards confirmed that he would ensure that the review took account of current best practice.

Councillor Sheldon commented on the rigorous debate at Council of the Panel's recommendations and added that their recommendations did not have to be taken up by Members. He added that some of the Exeter Panel were on other local authority Panels. Councillor Warwick said that he was satisfied with the current process and involvement of officers to achieve the level of independence for Members. He would be concerned if Members became more involved or were able to exert any influence, and he suggested leaving the discussion to those who had been tasked with the role.

Councillor Morris hoped that the review would also consider a move to a national agreement and she hoped this would be debated in the future.

Mr Cleasby was permitted a response and he said that he was grateful for the opportunity to ask a question of the Leader. He did not wish to suggest that Members became involved in the appointment process, but he felt that Members should be comfortable with the process.

(It was noted that the question and response would be attached to the minutes).