

**FAREHAM**  
BOROUGH COUNCIL

**FINANCE**  
**STRATEGY**

**2015/16**  
**To**  
**2019/20**  
**(DRAFT)**  
**October 2015**

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## **BACKGROUND**

1. The main focus of prudent financial management is the Council's medium term finance strategy, the overall objective of which is to structure and manage the Council's financial resources, revenue and capital, to ensure that they match and support the direction of the Council's objectives.
2. Fareham has a long history of prudent financial management which has been the subject of favourable comments from the Council's external auditors over many years.
3. At the same time the strategy must ensure that the requirement to set a balanced budget is fully met and that the Council is able to respond to year-on-year changes and short-term service delivery issues.
4. To overcome these difficulties the finance strategy is supported by a strategic and long term approach to corporate planning that is delivered through an integrated and co-ordinated service and financial planning process.
5. Most importantly though, there are a number of fundamental principles that are followed by the Council and which form the basis of the finance strategy and which are key to the Council's approach to financial management.

## **THE FUNDAMENTAL PRINCIPLES**

6. The principles of the strategy cover five main areas – resources, capital expenditure, revenue expenditure, transparency and openness, and partnership working. More details on the principles can be found at Appendix B.

### **Resources**

7. It is essential that the Council has sufficient resources in place to meet its financial requirements. However, situations may arise, either long or short term that may put pressure on these resources.
8. In order to mitigate any potential situation the following reserves will be held:
  - Major Repairs and Renewals Fund to cover emergency capital expenditure in relation to the Council's assets
  - A working balance to cover variations in cash flow.
  - A spending reserve to cover unforeseen changes in revenue expenditure or income.
9. These reserves should not be used to meet on-going, unsustainable levels of revenue expenditure but any surpluses on the reserves can be used for one-off projects.

### **Capital Expenditure**

10. All new potential capital schemes will only be considered if they make a clear contribution to the Council's objectives and priority actions and support the

## Council's Asset Management Plan.

11. Where new capital schemes are included in the capital programme there will be a need to ensure that the necessary resources are in place to meet the full capital costs (including where appropriate external funding) and also that the on-going revenue costs will be fully met.

### **Revenue Expenditure**

12. New revenue spending plans will only be considered if they make a clear contribution to the Council's objectives and priority actions or to meet new statutory responsibilities.
13. Strict budget guidelines are maintained and are approved by the Executive each year.
14. All significant new revenue spending plans are considered together for inclusion at the time of council tax setting and are subject to a prioritisation process.

### **Transparency and Openness**

15. It is Council policy to be transparent in the decision making process and provision of information about the Council's activities through the website. To this end, budgetary plans and historical spending information (including payments to third party suppliers) is published in a variety of formats on the Council's transparency portal, accessible through its website.
16. As part of the Localism Act 2011 the Council is required to prepare and publish a pay policy statement. The policy for 2015/16 was approved by The Executive as part of the Medium Term Financial Strategy in October 2014. The Pay Policy Statement for 2016/17 is attached at Appendix C.

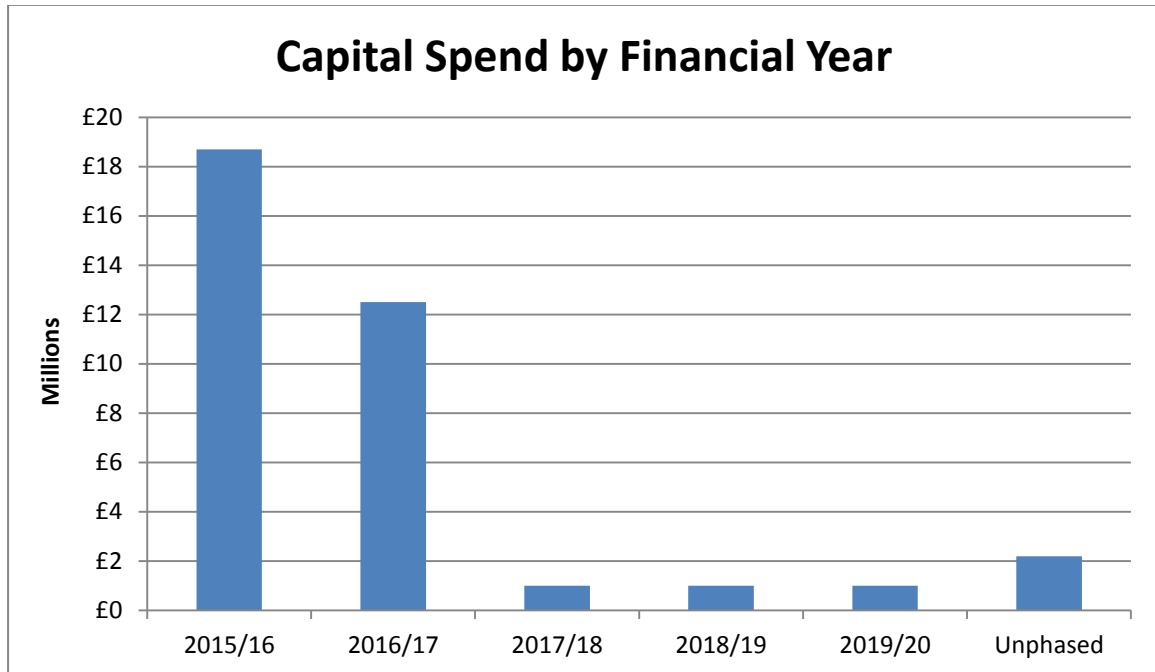
### **Partnership Working**

17. The Council has adopted as a corporate priority the need to save money, raise income and work in partnership with others to achieve more for less while continuing to minimise council tax increases.
18. In order to achieve this, the Council has worked with partners to provide a better service to our customers while still recognising the need to make efficiencies and ensure that costs are controlled and income targets are achieved.

## **THE GENERAL FUND CAPITAL PROGRAMME**

19. The Council has adopted as a corporate priority the need to maximise the value gained from assets that are owned by the Council. The finance strategy demonstrates how the Council's capital programme supports its corporate priorities and sets the framework for developing the capital investment programme to deliver these priorities.
20. The Council agrees a rolling five-year programme each year consistent with the finance strategy and the resources available along with any impact on the revenue budgets.

21. Each review of the Council's finance strategy includes a review of the capital programme for non-housing services, the latest being by the Executive on 2 February 2015 when the programme for the years 2014/15 to 2018/19 was approved.
22. The capital programme for the duration of the strategy has been amended to take into account slippage from previous years and now totals £36.4 million. The phasing of the programme is now:



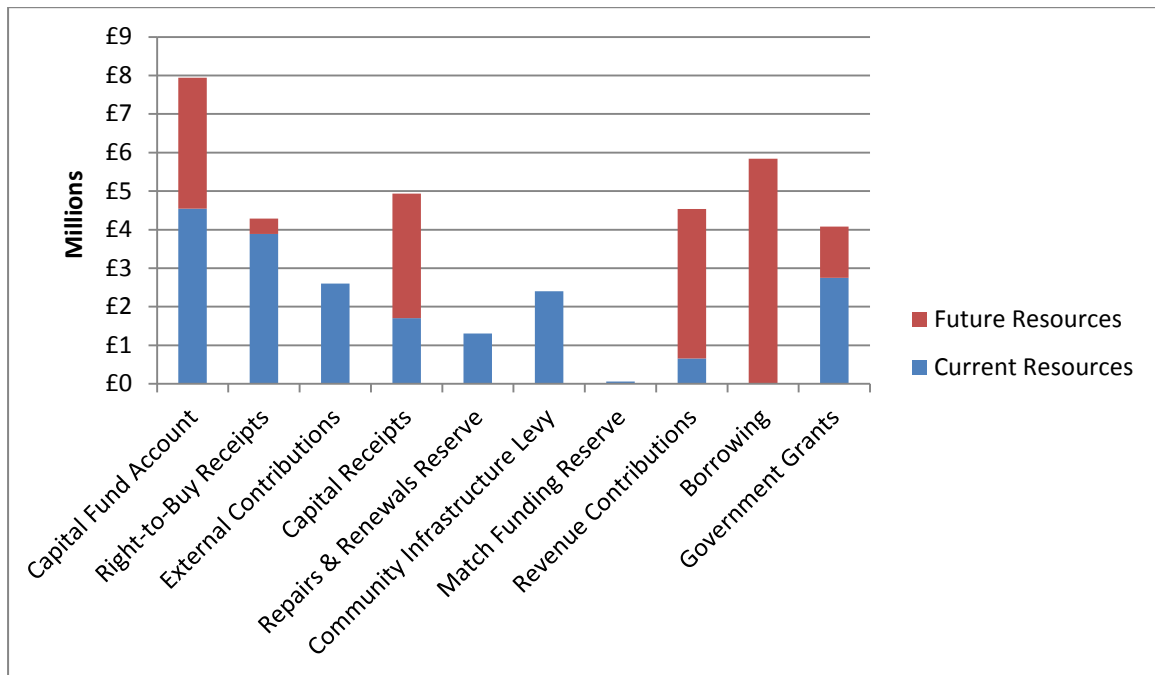
23. The top 5 schemes by cost in the capital programme are as follows:

Schemes	£000s
Daedalus	13,192
Holly Hill Leisure Centre	9,157
Disabled Facilities Grants	2,180
Commercial Property Acquisitions	1,937
Vehicles and Plant Acquisitions	1,869

24. The phasing of the detailed programme will be considered in detail during the budget process to ensure that it realistically reflects the latest forecast for capital expenditure.

### **CAPITAL RESOURCES**

25. The Council's financial resources that are available as at 1 April 2015 to finance the capital programme are summarised in the following table:



## THE OVERALL CAPITAL POSITION

26. Resources of £37.9 million are estimated to be available over the life of the updated capital programme and therefore there should be a surplus of resources of approximately £1.5 million in 2019/20.
27. The forecast surplus of resources is limited and relies partly on resources that have not yet been secured (such as future capital receipts as well as continued revenue contributions towards capital investment), totalling £9.7 million.
28. In the event that these resources do not materialise, other funding options will need to be investigated including borrowing, reliance on external funding or the programme scaled back. Longer term, the increasing need to use New Homes Bonus to support revenue costs will make it more difficult to continue relying upon revenue sources to fund the capital programme.
29. It must also be borne in mind that the implications of some of the Council's priority actions and emerging capital spending pressures have not yet been quantified. Costs associated with approved schemes also remain provisional until tenders have been received.
30. Spending pressures in this respect include repair and refurbishment or replacement works to Council assets (for example, community and leisure facilities, car parks, etc.) that have yet to be added to the capital programme.

## REVENUE BUDGET AND COUNCIL TAX FOR 2015/16

31. The revenue budgets for providing services in 2015/16 were agreed by the Executive on 2<sup>nd</sup> February 2015. The net budget of £9,174,600 was recommended to Council, with funding of £3,337,213 and a demand on the council tax payers being £5,837,387. This allowed the council tax for 2015/16 to remain at the same level of £140.22 and this recommendation

was approved by the full Council on 20 February 2015.

### THE OVERALL REVENUE POSITION

32. The Council has been committed to minimising increases in the overall net budget and council tax increases. This has proven successful in restricting the proportion of gross expenditure on general fund services that has to be met by council tax payers, currently 13%.
33. Since the budget was approved in February, a number of issues that will impact on the revenue budget for this year, and on the revenue budget and council tax for 2015/16 and later years, have arisen.
34. Because the proportion is so low, the Fareham element of the council tax (around 10%) is very sensitive to even minor increases in expenditure. An increase in gross expenditure of 1% (approximately £½m) would result in an increase in the amount to be met by council taxpayers of 8.6%.
35. There are a number of budget pressures that will have a significant impact on the Council's overall position in the current and future years and these pressures are examined in the following paragraphs of this report.

### FUTURE BUDGET PRESSURES

36. The risk profile of the Council's finances has increased in recent years, and is set to increase further in the future as the demand for increased expenditure presents itself, the fundamental change in the way local government services are funded and the general reduction in the quantum of funding available.
37. To manage the financial risks effectively, the Council maintains a profile of the spending pressures it faces and the impact the cost of these pressures will have on the Council Tax.
38. The individual pressures are listed below and represent an increase of nearly £0.75m per year. This is an estimate as there are many unknown aspects to this, and consequently, the levels of expenditure and reduction in income could be greater, particularly in the later years. (All figures quoted in the table below reflect movements against the 2015/16 base budget).

<b>BUDGET PRESSURES</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Reduction in Government funding	384	768	960	1,152
Loss of investment interest	0	100	150	125
FBC elections	100	0	100	0
Movements in the cost of employment	180	280	380	480
Service cost inflation	60	120	180	240
Increasing pension costs	65	135	210	290
Parking income	200	200	200	200
Reduction in commercial rent	100	50	50	50

income				
Land Charges income	0	250	250	250
Playground Renewal Programme	125	125	125	125
Street Scene expenditure	140	140	140	140
Residents Survey	0	20	0	20
<b>TOTAL</b>	<b>1,354</b>	<b>2,188</b>	<b>2,745</b>	<b>3,072</b>

39. Central Government Funding - In July 2015 the Chancellor issued a Summer Budget Briefing, which was the first one of the new one party Government. Although real details were kept close to the Chancellor's chest, it is widely anticipated that unprotected departmental spending, including local government spending could be reduced by up to 40%.
40. What remains clear is that although reductions in Central Government support are unclear the amount received will still be some £1 million below the figure that will be received at the beginning of the strategy period.
41. The Government and departments will continue to work on their proposals during the summer and early autumn with the final spending review due to be announced on 25 November 2015.
42. Interest on Balances – The budget for 2015/16 is £599,900 and covers the General Fund share of interest on investments together with the notional interest payable by the Housing Revenue Account to the General Fund.
43. No base rate increases are anticipated in the current financial year and although interest rates are likely to rise during 2016/17 there remains uncertainty as to when these rises will happen and therefore achieving the budget for interest on investments remains challenging.
44. Equally, the amount of money invested will reduce as the capital programme is implemented, which will impact on the amount of investment income received in future years.
45. FBC Elections - The elections of Council members takes place every 2 years with elected members serving a 4 year term of office. The last elections took place in May 2014.
46. Movements in the cost of employment - The rising cost of employment in future years reflects the cost of an assumed 1 % pay award and other pay movements. This also includes changes to National Insurance contributions that come into effect from 1 April 2016.
47. Increased Pension Costs – During 2013, the triennial pension fund valuations took place and concluded that the fixed element of the contributions needed to increase, so that the fund liabilities could be met. It is likely that this increase will continue after the next valuation takes place in 2016.
48. Reduction in Parking Income - The income from parking fees has declined over recent years, mainly due to changes in the way people shop and to specific factors, such as the new shopping complex at Whiteley, and store



parking spaces at Tesco. While a development bond arrangement has provided some protection to the Council, it is anticipated that the full impact will affect the budget from 2016/17.

49. Reduction in Commercial Rent Income - As with car parking income the level of commercial rent has steadily declined, mainly in relation to the Council's interest in the shopping centre at Fareham. As a result, this places pressure on the income budgets within the commercial property portfolio.
50. Land Charges – As part of the Queen's speech in June 2014 it was announced that the land charges function would be centralised and run by the Land Registry in order to support the delivery of digital services. The timetable for this is not clear but would result in a significant loss of income for the Council.
51. In addition to the budget pressures listed above and the changing local government environment, other areas of budget pressures could be identified which could give rise to increased costs. Costs will be drawn up when these pressures are known.

#### **THE SPENDING RESERVE**

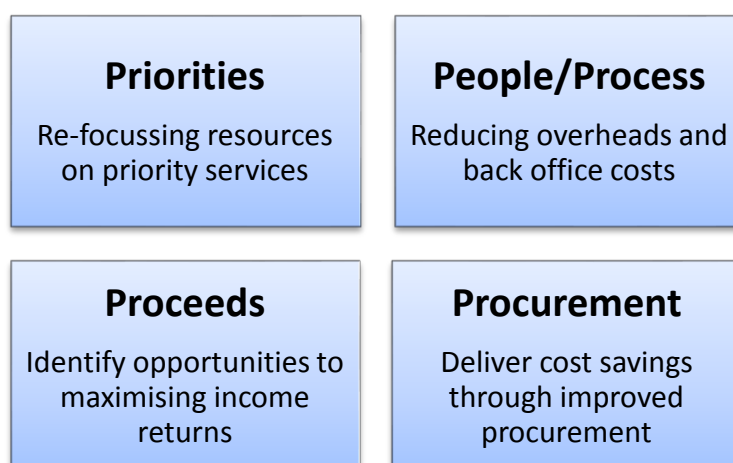
52. It is Council policy to maintain the spending reserve at 5% of gross expenditure and the current balance of £3,142,000 exceeds the minimum threshold for 2015/16 which, based on the estimated gross expenditure of £45.1 million, should be £2,256,000. Proposals to use the surplus of £886,000 will be developed during the autumn, for consideration in January, alongside the consolidated draft budget for 2016/17.

#### **PROJECTED COUNCIL TAX FOR 2016/17 TO 2019/20**

53. The projections shown above indicate that measures must be taken to reduce the net service cost if council tax increases are to be minimised.
54. In February 2009 Council Tax was set at £140.22. This level of council tax was maintained for a 7th consecutive year in 2015/16.
55. The Council has retained its corporate priority in respect of minimising council tax increases throughout the Strategy period, and will use the RPIX index as a benchmark measure of inflation when considering any rises in council tax levels.
56. In each of these years since 2011 the Council has received Council Tax Freeze Grant as an incentive for keeping council tax at the same levels. While this has ensured funding remains in place and has saved local tax payers around £32 (23%) per Band D property since 2009 the effect has been that any future increase will be working on a lower base figure.
57. It is unclear if freeze grant will be available to local authorities for the 2016/17 council tax setting.

#### **THE NEED FOR EFFICIENCY INITIATIVES**

58. The forecast in this Strategy has highlighted the on-going and increasing need for savings in the Council's budget.
59. This is reflected in the Council's corporate priorities, in order that good quality services can continue to be provided while at the same time seeking opportunities to reduce costs and therefore minimise any extra cost burden for the taxpayer.
60. In the same way that the Council maintains a profile of spending pressures, opportunities to offset and mitigate these cost pressures are continually sought, so that a forward-planned approach can be taken to delivery. The Council also seeks to develop its efficiency plans well in advance to ensure that they are sufficiently reliable before being included in budgets, and to allow the full consequences of such changes to be considered and consulted upon where appropriate.
61. Such opportunities are developed on the following basis



62. In preparing the Finance Strategy, efficiencies of around £1.5 million have been identified but there is still a need to implement further efficiencies in the remaining years of the strategy.

### THE OVERALL REVENUE POSITION

63. The following table shows the projected position for the years 2016/17 to 2019/20:

Projections for	2016/17	2017/18	2018/19	2019/20
	£000s	£000s	£000s	£000s
<b>Adjusted Budget Projection including Pressures and Efficiencies</b>	<b>8,844</b>	<b>9,191</b>	<b>9,556</b>	<b>9,691</b>
Funded by:				

Government Funding	-2,816	-2,432	-2,240	-2,048
Council Tax Projection	-5,968	-6,102	-6,239	-6,379
<b>Funding Projection</b>	<b>-8,784</b>	<b>-8,534</b>	<b>-8,479</b>	<b>-8,427</b>
<b>Shortfall</b>	<b>+60</b>	<b>+657</b>	<b>+1,077</b>	<b>+1,264</b>

64. Although significant savings have already been identified over the next four years, it is clear that further reductions will be necessary to produce a balanced budget for the period to 2019/20. This will be reviewed over the strategy period and steps taken as necessary, to deliver a balanced budget.

### SENSITIVITY ANALYSIS

65. For each of the financial pressures, an assessment has been made about the possible variation above and below the "most likely" position. This allows the sensitivity of the projected totals to changes on each financial pressure to be assessed. As more information becomes available about the individual pressures, the projections can be updated and made more certain.
66. The following table highlights the gearing effect that additional expenditure has on the council tax.

	£M	% Increase
Spending = £45.4 million	45.1	
- An extra £500,000	0.5	1.1
Council Tax Payers	5.8	
- An extra £500,000	0.5	8.6

### RISK ASSESSMENT

67. The budget projections indicate the susceptibility of the Council's revenue budget to changes in the level of expenditure and income caused by factors outside the control of the Council. It is clear that even a small variation in expenditure or income would have a significant impact on the Council's revenue budget position.
68. There are a number of services where the costs and/or income directly correlate with service activity, some of which would have a notable impact on the Council's overall financial position if a significant variation in activity arose. These are classified as "volatile" services and account for £11.4m of gross expenditure and £10.0m of gross income. Special arrangements are in place to track financial performance of these services and the other major services, and take action where there is a significant deviation from plans.

69. Given the uncertain funding position and external pressures facing the Council, it is important to maintain a minimum spending reserve equivalent to 5% of gross revenue expenditure.

### **BUDGET SETTING PRINCIPLES FOR 2016/17**

70. In addition to the fundamental principles on which the Council's medium term finance strategy is based, the Council adopts for each financial year a set of budget setting principles that form the framework for budget preparation.
71. It is proposed therefore that the following budget guidelines be adopted for 2016/17:
- No provision for the effects of inflation to be provided in revenue budgets except to cover price increases that are unavoidable or the Council is legally obliged to accept,
  - Revenue budgets to be cash-limited to the current level and to be reviewed to ensure that all on-going savings that have accrued in previous years and the current year are reflected in future budgets,
  - Fees and charges to be increased to achieve a realistic increase in income wherever possible and every effort to be made to identify new sources of income. The proposed charges should be considered alongside those for similar services in neighbouring authorities and, where appropriate, the charges levied by private sector providers,
  - New revenue commitments and capital schemes will only be considered for inclusion in the budget where the expenditure is essential to protect the Council's assets or meet the Council's corporate priorities.
  - Full weight to be given to the Council's overall position and future council tax levels when services are reviewed and revenue budgets, capital programmes and fees and charges are considered.

### **CONCLUSION**

72. The Council has a long history of prudent financial management, of achieving efficiency savings while providing a wide range of excellent services.
73. The projections set out in this report give a broad indication of the anticipated level of expenditure, based on the latest information available about the Government's funding intentions.
74. There also remains a number of significant financial pressures linked to corporate priorities, both revenue and capital, which either need to be mitigated or resourced through reallocating funds from within the total budget envelope.

75. With the growing financial risk profile over the next four years, it is clear that firm measures are necessary to maintain a balanced and sustainable budget into the medium term. This can only be achieved by mitigating rising costs where possible, and delivering further efficiencies in sufficient time for their inclusion within the budget.
76. The focus will therefore be to identify where capacity can be created through the delivery of more efficient services to meet demand, while protecting, as far as possible, services to the public, using the four-part model highlighted in the strategy.

**APPENDIX A****BUDGET RESPONSIBILITIES**

Responsibility for budgets rests formally with the Full Council but there are arrangements in place as part of the Constitution that delegates certain responsibilities to the Executive, the committees and to officers.

The timetable for the financial planning and budget process is:

<b>Stage</b>	<b>Detail</b>	
1	Consultation with residents and business representatives (incl. Chambers of Commerce, Federation of Small Businesses, the Institute of Directors, Business Solent and Solent Local Enterprise Partnership)	Continual
2	Member approval review of corporate objectives and priority action plan	June 2011 (reviewed September 2014)
3	Member review of Medium Term Finance Strategy	October
4	Member consideration of revenue budgets and local service agreements, the capital programme and fees and charges	November/ December
5	Member consideration of new capital schemes and revenue growth items Member review of Finance Strategy Member confirmation of capital programme Member confirmation of overall revenue budget	January
6	Member approval of the council tax	February

**Full Council**

The Full Council has the general responsibility for setting the Council's policy and budget framework. The Full Council must ensure the following:

- Corporate strategies are approved in accordance with the projected resources of the Council;
- Approved revenue budgets, capital programmes and council tax levels are in accordance with the Council's finance strategy;
- Supplementary estimates are only approved after consideration of the Council's overall financial position.

**The Executive**

The Executive has general responsibility for making decisions on Council services within the policy and budget framework. The Executive must ensure the following:

- Detailed estimates of expenditure and income for all services and

committees, and the proposed council tax levels are prepared within the context of the council's finance strategy for approval by Full Council;

- Expenditure is only incurred if it forms part of the approved service revenue budget or capital programme;
- Any decision to reallocate revenue or capital budgets from one service to another does not exceed the virement rules;
- The overall revenue budget and capital programme are not exceeded.

### **The Committees**

The Committees have general responsibility for carrying out non-Executive functions within the powers delegated to them by Full Council. The Committees must ensure the following:

- Detailed estimates of expenditure and income for committee services are submitted to the Executive for approval by Full Council;
- The committee revenue budgets are not exceeded.

### **Employees**

All budgets are allocated to a named manager who has the authority to spend the approved budget. Financial regulations also form part of the Constitution and these set out the scheme for the authorisation of expenditure.

Expenditure can only be incurred within the revenue and capital budgets approved by the Council.

Officers can delegate their power to incur expenditure but only within the limits of their own delegated powers.

The limits given to any individual employee are in accordance with the schedule of limits set out in the financial regulations. All employee powers to incur expenditure should be officially documented and authorised in a form approved by the Statutory Chief Finance Officer.

The Council's financial regulations are available to all employees on the corporate filing system giving detailed guidance on:

- The responsibilities of employees
- Financial reporting
- Revenue and capital budgets
- Budgetary control and virements.

## THE FUNDAMENTAL PRINCIPLES

The principles of the strategy cover five main areas – resources, capital expenditure, revenue expenditure, transparency and openness, and partnership working.

### Resources

A minimum balance on the following reserves will be kept

Name of Reserve	Minimum Balance
Major Repairs and Renewal Fund	£1 million
Working Balance	£1.4 million
Spending Reserve	5% of gross expenditure (currently £2.271 million)
<p>The Major Repairs and Renewals Fund is used to cover emergency capital expenditure in relation to the Council's assets.</p> <p>The working balance is retained to cover variations in cash flow.</p> <p>The spending reserve is retained to cover unforeseen changes in revenue expenditure or income.</p>	

Any deficits arising from services provided on behalf of other agencies (such as the on-street parking service), may be held on the Council's balance sheet but should be fully offset by an equivalent contribution to the spending reserve, to protect the Council's long term finances.

The need to increase the minimum balance on the Major Repairs and Renewals Fund, the working balance and the spending reserve is considered by the Executive at the end of each financial year and as part of the annual finance strategy review.

Reserves are not used to meet on-going, unsustainable levels of revenue expenditure.

“Windfall” or one-off revenue resources will only be used to increase capital resources or to meet one-off revenue expenditure.

Capital receipts from the sale of assets will be used to meet future corporate priorities rather than be retained for use on the service that has relinquished the asset.

Resources allocated to particular capital projects but subsequently not required are returned to meet future corporate priorities rather than be retained for use by that service.



All decisions regarding the use of significant reserves take account of the effect on the revenue budget from a reduction in investment interest.

### **Capital Expenditure**

All new potential capital schemes are subject to the process for the prioritisation of new capital schemes, as set out in the Council's Financial Regulations.

New schemes will only be considered if they make a clear contribution to the Council's objectives and priority actions and support the Council's Asset Management Plan.

When new potential capital schemes are considered for inclusion in the capital programme during the year, this is only agreed in principle with the final decision being made at the time of council tax setting except in exceptional circumstances where a delay could jeopardize the achievement of an important priority.

No new capital schemes are included in the capital programme without the necessary resources to meet the full capital costs and the on-going revenue costs being in place.

When decisions are made concerning the inclusion of new schemes in the capital programme, these factors need to be considered:

- The on-going operational costs associated with the scheme
- The whole life costing implications of the scheme
- The cost of servicing the debt if the scheme is financed by borrowing
- The loss of investment interest if internal resources are used and therefore no longer available for investment.

In the light of these factors, it is inappropriate to consider the inclusion of non-priority schemes in the capital programme.

Every effort will be made to secure external (non-borrowing) sources of funding capital schemes. Internal capital resources will only be released to fund schemes once external sources of funding (such as developers contributions, lottery grants, etc) have been explored and rejected.

Capital schemes will normally be financed by internal resources or external contributions. Borrowing will only be considered where government support is available to meet, at least in part, the capital financing costs, or where there is a sound economic business case (e.g. for spend to save schemes) whereby borrowing costs are wholly offset by long term revenue income or savings.

### **Revenue Expenditure**

The Council has adopted as a corporate priority the need to save money, raise income and work in partnership with others to achieve more for less while continuing to minimise council tax increases.

Strict budget guidelines are maintained and are approved by the Executive each year.

New revenue spending plans will only be considered if they make a clear contribution to the Council's objectives and priority actions or to meet new statutory responsibilities.

When any significant new revenue spending plans are considered for inclusion in the revenue budget during the year, this is only agreed in principle with the final decision being made at the time of council tax setting.

All significant new revenue spending plans are considered together for inclusion at the time of council tax setting and are subject to a prioritisation process.

No new revenue spending plans are included in the revenue budget without the necessary resources to meet the full capital costs and the on-going revenue costs being in place. This is particularly important because of the implications for the council tax of even modest increases in expenditure.

Part of the revenue budget is support by use of the New Homes Bonus while the balance is used to support the capital programme.

New Homes Bonus funding is used in the following way:

- Firstly, if necessary, the award is top-sliced to meet reduced central government funding, and to support service delivery (particularly where demand has grown in line with the growth in housing);
- The balance is earmarked for investment in capital schemes or other projects, which are driven by corporate priorities;
- In determining the use of funds for capital investment, there should be a bias towards
  - investing in land & property that will generate a long term source of income;
  - Projects that support economic or employment growth;
  - Projects that support or secure further housing delivery.

### **Transparency and Openness**

It is Council policy to be transparent in the decision making process and provision of information about the Council's activities through the website. To this end, budgetary plans and historical spending information (including payments to third party suppliers) is published in a variety of formats on the Council's transparency portal, accessible through its website.

### **Partnership Working**

The Council will seek to work with partners to achieve more for less and actively pursue the achievement of the Council's priorities. The following key partnerships have been identified:

- Portchester Crematorium Joint Committee (with Gosport BC, Havant BC and Portsmouth CC)
- Building Control Partnership (with Gosport BC and from May 2015 Portsmouth CC)
- Fareham Community Safety Partnership (with Police and Crime Commissioner for Hampshire, Probation Service and Hampshire CC)
- Project Integra (with other Hampshire authorities)
- Fareham and Gosport CCTV Partnership
- Partnership for Urban South Hampshire (PUSH)
- Solent Local Enterprise Partnership
- Environmental Health Partnership (with Gosport BC)
- Legal Services Partnership (with Southampton CC)
- Eastern Solent Coastal Partnership (with Gosport BC, Havant BC and Portsmouth CC)

## FAREHAM BOROUGH COUNCIL PAY POLICY STATEMENT FINANCIAL YEAR 2016 - 17

### 1. Purpose

The purpose of this Pay Policy Statement (“Pay Statement”) is provided in accordance with the Localism Act 2011 (“Localism Act”) and this will be updated in each subsequent financial year.

This Pay Statement sets out Fareham Borough Council’s pay policies relating to its workforce for the financial year 2016-17, including the remuneration of its Chief Officers, lowest paid employees and the relationship between its Chief Officers and that of its employees who are not Chief Officers.

### 2. Definitions

For the purpose of this Pay Statement the following definitions apply:

**2.1 “Pay”** in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements and termination payments.

**2.2 “Chief Officers”** refers to the following roles within the Council:

Statutory Chief Officers are:

- a) Chief Executive Officer, as Head of Paid Service
- b) Director of Environmental Services, as Monitoring Officer
- c) Director of Finance & Resources, as Section 151 Officer

Non Statutory Chief Officers are:

- d) Director of Planning & Development
- e) Director of Community

Deputy Chief Officers are:

- f) Heads of Service who report directly to/or accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties.

**2.3 “Lowest paid employees”** refers to those employees employed within Grade1 of the Council’s mainstream pay structure. This definition has been adopted because Grade1 is the lowest grade on the Council’s mainstream pay structure.

**2.4 “Employee who is not a Chief Officer”** refers to all employees who are not covered under the “Chief Officer” group above. This includes the “lowest paid employees”. i.e. employees on Grade1.

### **3. Pay Framework and remuneration levels**

#### **3.1 General approach**

The pay structure and pay scales have been designed to enable the Council to recruit and retain suitably qualified employees at all levels who are dedicated to fulfilling its corporate objectives and delivering services to the public whilst operating within an acceptable financial framework.

With a diverse workforce the Council recognises that its Pay Policy needs to retain sufficient flexibility to cope with a variety of circumstances that may arise that might necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate. The decision to apply a market premium will be approved by the Head of Personnel and ICT and endorsed by the Chief Executive Officer.

The Chief Executive Officer, as Head of Paid Service, has delegated power to update the pay policy in line with establishment changes

#### **3.2 Responsibility for decisions on pay structures.**

The outcome of reviews into the local pay and grading structures covering all jobs are submitted to a meeting of Full Council for approval.

The Council's locally determined pay structures are based on the outcome of a job evaluated process and were implemented for the Chief Officers, Heads of Service and all other employees in April 2008. This followed a national requirement for all Local Authorities to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer to comply with employment legislation.

The pay structure for the Chief Executive Officer was established in 2008 having regard to the need to be fully competitive in the market and to be confident of attracting and retaining the highest calibre of employee to reflect the high level of organisational and corporate performance which the Council requires its Chief Executive Officer to deliver. Relevant labour market and comparative remuneration data was considered. This was reviewed in 2013.

#### **3.3 Pay scales and grading framework**

The mainstream pay structure for all employees below the level of Heads of Service was determined through a local process based on the outcome of a job evaluation scheme and consists of a pay spine of 46 points, comprising 11 grades containing 5 spinal column points with grade1 being the lowest and grade11 the highest. Each employee will be on one of the 11 grades based on their job evaluated role.

The Chief Executive's pay grade reflects the same principles as for all of the Council's pay structures consisting of 5 spinal column points.

The pay structure for Chief Officers and Heads of Service was determined through a local process that took into account market alignment with District Councils in Hampshire and the outcome of a job evaluated process. It followed the same principles as applied for the mainstream pay structure and consists of one pay grade for Chief Officers and three pay grades for Heads of Service with all grades containing 5 points.

Details of the Council's pay structures are published on the Council's website and a copy as at 1st April 2015 is appended to this Statement (at annex 1).

Pay awards are considered annually for all employees. The outcome of national consultations by the Local Government Employers in negotiation with the Trade Unions in relation to the settlement of the annual pay award is normally applied.

If there is an occasion where to do so would distort the local pay structures alternative proposals are developed, discussed with the trade unions and brought to Elected Members for formal approval.

#### **4. Remuneration – level and element**

##### **4.1 Salaries**

**4.1.1 “Chief Officers”** are identified at **2.2** above and constitute the Council's Corporate Management Team. They are all paid within the Council's pay structures as follows:

- a) Chief Executive Officer, as Head of Paid Service will be paid a salary within the grade range £108,000 to £125,000.
- b) Statutory and Non-Statutory Chief Officers will be paid a salary within the grade range £76,632 to £88,015.

**4.1.2 “Deputy Chief Officers” who are Heads of Service** are all paid within the Council's pay structures as follows:

- c) Heads of Service will be paid a salary within grades ranges £50,752 to £76,632.

Typically these Chief Officers and Heads of Service have received the same percentage pay award as for all other employees.

Details of Chief Officer and Heads of Service remuneration have been published since 2010 on the Council's website.

##### **4.2 “Lowest paid employees”**

Each lowest paid employee will be paid a salary within the pay scales for Grade1 mindful of the need to meet the National Minimum Wage and National Living Wage requirements.

A very detailed review of pay and grading was undertaken on this topic along with other parts of the grading structure and the review and recommendations were reported to Full Council in December 2014.

#### **4.3 Bonuses and Performance related pay**

There is no provision for bonus payments or performance related pay awards to any level of employee.

There is, however, an honorarium provision which may be awarded where an employee performs duties outside the scope of their post over an extended period or where the additional duties and responsibilities involved are exceptionally onerous. All such payments are subject to approval by a Chief Officer (Director) and the Head of Personnel and ICT.

#### **4.4 Other pay elements**

The pay structure for Chief Officers does not take account of the clearly defined additional responsibilities in respect of the Section 151 and Monitoring Officer roles. Officers undertaking these roles receive payment equivalent to two spinal column points based on the incremental pay progression from the penultimate to maximum point of the pay grade for Chief Officers.

Provision for the recognition of the role of acting Head of Paid Service exists within the Chief Officers pay structure for up to two spinal column points on the same payment principle as for the Section 151 and Monitoring Officers.

These pay arrangements allow for flexibility in the allocation of the additional roles to Chief Officers and for the responsibilities to be rotated.

#### **4.5 Charges, fees or allowances**

Allowances or other payments, for example shift working, standby, etc. may be made to employees, below the level of Heads of Service, in connection with their role or the pattern of hours they work in accordance with National or Local collective agreements.

The Council recognises that some employees incur necessary expenditure in carrying out their responsibilities, for example travel costs. Reimbursement for reasonable expenses incurred on Council business are paid in accordance with the Council's collective agreement and subsequent amendments to it.

The Chief Executive Officer has been appointed as the Council's Returning Officer for elections and he has appointed the Head of Democratic Services and the Head of Corporate Services as his Deputy Returning Officers. For performing elections duties the Returning Officer and Deputies receive a fee payable according to a scale of costs, charges and expenses set by the Hampshire and Isle of Wight Election Fees Working Party and allowed under the Local Government Act 1972. This scale is published on the Council's website.

The Chief Executive Officer and Chief Officers are entitled to receive payment for one subscription to a relevant professional body.

#### **4.6 Benefits in kind**

There are no benefits in kind payable to any employee of the Council.

#### **4.7 Pension**

All employees as a result of their employment are eligible to join the Local Government Pension Scheme(LGPS).

#### **4.8 Severance payments**

The Council already publishes its policy on discretionary payments on early termination of employment and flexible retirement as well as publishing its policy on increasing an employee's total pension and on awarding additional pension. These policies are applied in support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction.

Details of the Council's policies are published on the Council's website.

No employee who has left the Council in receipt of a redundancy or severance package will be re-employed by the Council, in any capacity, unless there are exceptional business circumstances in which case approval is required from the Chief Executive Officer.

#### **4.9 New starters joining the Council**

Employees new to the Council will normally be appointed to the first point of the salary scale for their grade. Where the candidate's current employment package would make the first point of the salary scale unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a different starting salary point within the grade may be considered by the recruiting manager in consultation with Personnel Services. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary scale within the grade.

### **5. Relationship between remuneration of "Chief Officers" and "employees who are not Chief Officers".**

This relates to the ratio of the Council's highest paid employee (falling within the definition of "Chief Officers") and the mean average earnings across the whole workforce as a pay multiple. By definition, the Council's highest paid employee is the Chief Executive Officer. The mean average pay has been calculated on all taxable earnings for the financial year 2015-16, including base salary, allowances, etc.

Highest paid employee	£125,000
Mean average earnings for remainder of workforce	£25,522
Ratio	4.90



**Fareham Borough Council  
Local Pay Scales as at 01/04/2016**

**Chief Executive**

Spinal Column Point		Annual
5	1	125,000
4		120,750
3		116,500
2		112,250
1		108,000

**Directors (Grade & Salary scale)**

Spinal Column Point		Annual
5	1	88,015
4		84,934
3		81,961
2		79,092
1		76,632

**Senior Management (Grades & Salary scales)**

Spinal Column Point			Annual
5		1	76,632
4			74,458
3			72,296
2			69,851
1			67,489
5		2	67,489
4			65,127
3			62,848
2			60,648
1			58,526
5	3		58,526
4			56,477
3			54,500
2			52,593
1			50,752

## Mainstream (Grades and Salary scales)

Spinal column point			From 1 April 2016	Spinal column point	JE points range
46		11	50291	46	
45			49183	45	
44			48101	44	
43			47045	43	
42		10	46004	42	LG11 700+
41			45443	41	
40			44338	40	
39			43257	39	LG10 622 – 699
38		9	42186	38	
37			41172	37	
36			40068	36	
35			39003	35	LG9 586 – 621
34		8	37955	34	
33			36938	33	
32			35859	32	LG8 543 – 585
31			34821	31	
30		7	33804	30	
29			32825	29	
28			31866	28	LG7 497 – 542
27			30933	27	
26		6	30030	26	
25			29163	25	
24			28314	24	LG6 430 – 496
23			27489	23	
22		5	26688	22	
21			25913	21	
20			25095	20	LG5 386 – 429
19			24302	19	
18			23539	18	
17		4	22798	17	LG4 338 – 385
16			22025	16	
15			21281	15	
14			20564	14	
13		3	19862	13	LG3 280 – 337
12			19197	12	
11			18549	11	
10		2	17918	10	LG2 246 – 279
9			17320	9	
8			16689	8	
7		16087	7		
6			15544	6	LG2 246 – 279
5	1		15019	5	
4			14665	4	
3			14426	3	
2			14264	2	
1			14040	1	