



# Medium Term Finance Strategy 2016/17 to 2020/21 (DRAFT)

**FAREHAM**  
BOROUGH COUNCIL

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## **BACKGROUND**

1. The Council's medium term finance strategy provides a structure for the prudent management of the Council's financial resources, to ensure that they match and support the direction of its corporate 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 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 2016/17 was approved by The Executive as part of the Medium Term Financial Strategy in October 2015. The Pay Policy Statement for 2017/18 is attached at Appendix C.

### **Partnership Working**

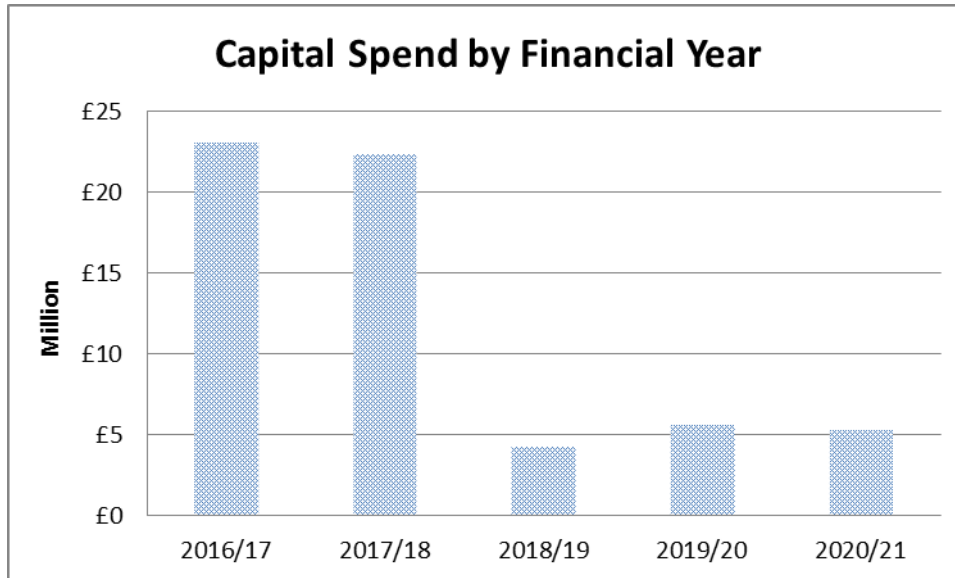
17. The Council has adopted as a corporate priority the need to save money, raise income and work in partnership with others to achieve more for less while continuing to minimise council tax increases.
18. In order to achieve this, the Council has worked with partners to provide a better service to our 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 1 February 2016 when the programme for the years 2015/16 to 2019/20 was

approved.

22. The capital programme for the duration of the strategy has been amended to take into account carry forwards from 2015/16 and now totals £43.9 million. The phasing of the programme is:



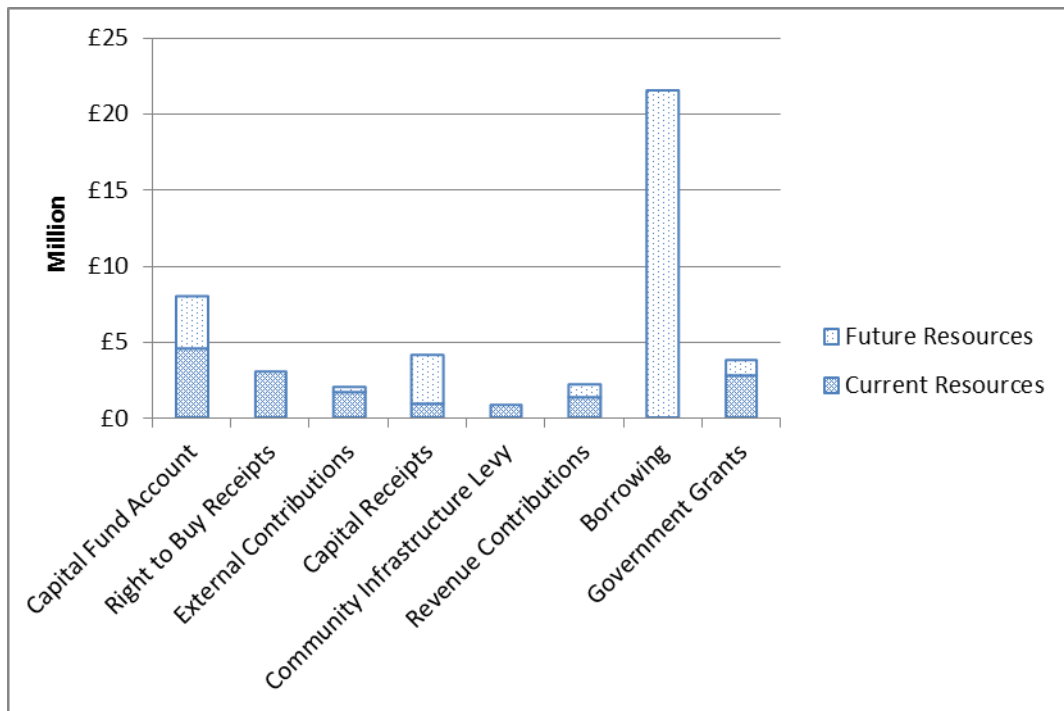
23. The main schemes in the capital programme are:

<b>Schemes</b>	<b>£000s</b>
Daedalus	26,455
Holly Hill Leisure Centre	3,909
Asset Replacement Programme (ICT, Vehicles etc.)	2,515
Disabled Facilities Grants	1,760
Civic Offices Improvement Programme	1,270

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

### **CAPITAL RESOURCES**

25. The Council's current and future financial resources that are available to finance the capital programme are:



## THE OVERALL CAPITAL POSITION

26. Resources of £45.3 million are estimated to be available over the life of the capital programme and therefore there should be a surplus of resources of approximately £1.4 million in 2020/21.
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 £7.4 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.

## MINIMUM REVENUE PROVISION

31. Where the Council finances capital expenditure from borrowing, it must put aside resources to repay the borrowing in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP).

32. Borrowing costs (MRP and interest charges) for schemes funded by debt will be covered by revenue generating assets. MRP is estimated to be £135,000 per year.

### **REVENUE BUDGET AND COUNCIL TAX FOR 2016/17**

33. The revenue budget for providing services in 2016/17 was agreed by the Executive on 1 February 2016. The net budget of £8,903,300 was recommended to Full Council, with funding of £2,803,232 which left a demand on the council tax payers of £6,100,068. This meant that the council tax for 2016/17 was set at £145.22 which was in line with government recommendations and this was approved by the Full Council on 19 February 2016.

### **FUTURE BUDGET PRESSURES**

34. 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.
35. 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.
36. Central Government Funding - In December 2015 the Chancellor issued a 4 year settlement programme for all local authorities and for Fareham this showed that the amount of funding would reduce by £1million during the 4 year period including no longer receiving Revenue Support Grant in years 3 and 4.
37. This means that authorities like Fareham will be totally reliant on business rates and income from tax payers to fund the net General Fund Budget
38. Interest on Balances – The budget for 2016/17 is £570,000 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.
39. In August 2016 the base rate was reduced to 0.25% which has an effect on the interest received on the Council's investments. This along with the money to be used in the capital programme will see a dramatic reduction in the amount of interest that will be received.
40. 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.
41. 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.

42. 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. This decline has continued during 2016/17.
43. 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.
44. 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. The latest information has suggested that there will be a gradual move over to the Land Registry commencing in the autumn of 2017.

### **THE SPENDING RESERVE**

45. It is Council policy to maintain the spending reserve at 5% of gross expenditure and the current balance of £2,961,000 exceeds the minimum threshold for 2016/17 which, based on the estimated gross expenditure of £46.3 million, should be £2,315,000. Proposals to use the surplus of £646,000 will be developed during the autumn, for consideration in January, alongside the consolidated draft budget for 2017/18.

### **PROJECTED COUNCIL TAX FOR 2017/18 TO 2020/21**

46. In the budget setting process for 2016/17 the government allowed councils to increase council tax whereas during the previous few years it had been encouraging councils to freeze council tax in order to help tax payers during the recession.
47. The previous referendum limit of 2% was changed to allow those with historically low council tax figures, such as Fareham, to increase their tax by a maximum of £5.
48. Throughout the duration of this strategy period the government is expecting Fareham to increase their council tax by £5, in order to bring the tax up towards the level that it would have been at had the tax not been frozen during the previous 6 years.

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

49. At the meeting of the Executive on 8<sup>th</sup> February 2016, the Executive Leader announced the scale of the savings required, stating that:-

*“Finding another £1 million by 2018 will be a challenge, but because of our prudent approach we do not have to make any savings for the financial year ahead, starting in April 2016, so there will be no need for any sudden decisions. I have, however, asked the Chief Executive to start work on*



*closing the budget gap, and to bring forward proposals for the Executive to consider later this year, so we are well prepared and can minimise the impact on our residents and our staff”.*

50. In response to this, the Executive considered proposals from the Chief Executive Officer at its October meeting to achieve savings of almost £1million, to ensure that the council is in a position to set balanced budgets through to 2019/20 and give itself a good base for the years after that.
51. The Council develops 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.
52. Such opportunities in the October report have been developed on the following basis with the following values identified

<p><b>Priorities</b></p> <p><b>£79,500</b></p> <p>Re-focussing resources on priority services</p>	<p><b>People/Process</b></p> <p><b>£616,800</b></p> <p>Reducing overheads and back office costs</p>
<p><b>Proceeds</b></p> <p><b>£257,000</b></p> <p>Identify opportunities to maximising income returns</p>	<p><b>Procurement</b></p> <p><b>£33,000</b></p> <p>Deliver cost savings through improved procurement</p>

53. In preparing the Finance Strategy, these efficiencies totaling £986,300 have been incorporated in the forecasts.

## **THE OVERALL REVENUE POSITION**

54. 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%.
55. 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 £1½m) would result in an increase in the amount to be met by council taxpayers of 8.2%.
56. There are a number of budget pressures that will have an impact on the

Council's overall position in the current and future years but with other budget changes these can be accommodated and ensure a sustainable budget is set each financial year.

57. The following table shows the projected position for the years 2017/18 to 2020/21:

<b>Projections for</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Spend on Services	12,284	12,284	12,284	12,284
Other budgets	-712	-2,086	-1,986	-2,086
Budget Pressures	360	930	1,090	1,330
Less Efficiencies	-817	-986	-986	-986
<b>Total Budget Requirement</b>	<b>11,115</b>	<b>10,142</b>	<b>10,402</b>	<b>10,542</b>
Funded by:				
New Homes Bonus	-2,068	-1,300	-1,300	-1,300
Transitional Grant	-74	0	0	0
Revenue Support Grant	-288	0	0	0
Business Rates	-1,800	-1,853	-1,769	-1,515
Interest On Balances	-500	-450	-450	-450
Portchester Crematorium Contribution	-125	-125	-125	-125
Council Tax Payers	-6,325	-6,482	-6,642	-6,806
<b>Total Funding Projection</b>	<b>-11,180</b>	<b>-10,210</b>	<b>-10,286</b>	<b>-10,196</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>-65</b>	<b>-68</b>	<b>+116</b>	<b>+346</b>

58. 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 in 2020/21. This will be reviewed over the strategy period and steps taken as necessary, to deliver a balanced budget.

### **SENSITIVITY ANALYSIS**

59. 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.
60. The following table highlights the gearing effect that additional expenditure has on the council tax.

	£M	% Increase
Spending = £46.3 million	46.3	
- An extra £500,000	0.5	1.1
Council Tax Payers	6.1	
- An extra £500,000	0.5	8.2

## RISK ASSESSMENT

61. 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.
62. 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 £11.9m 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.
63. 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 2017/18

64. 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.
65. It is proposed therefore that the following budget guidelines be adopted for 2017/18:
  - 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**

66. The Council has a long history of prudent financial management, of achieving efficiency savings while providing a wide range of excellent services.
67. 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.
68. There also remains a number of budget 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.
69. By having an effective efficiency plan the Council is able to meet its budget position for the four years of the spending settlement period. The position from 2020/21 onwards will become clearer when future government spending plans are released.
70. In the meantime there will be a continued need to focus on the need 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.

## 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:

Stage	Detail	
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	January
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	February
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
Spending Reserve	5% of gross expenditure (currently £2.315 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 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 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 2017-18, 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 Operations, as Monitoring Officer
- c) Director of Finance & Resources, as Section 151 Officer

Non Statutory Chief Officers are:

- d) Director of Planning & Regulation

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**

With effect from 1 April 2016 the National Living Wage(NLW) came into force which guaranteed those aged 25 and over a minimum hourly rate of £7.20, furthermore it is anticipated that the minimum will rise to around £9 per hour by 2020. As a result of this Fareham's local scale points 1 and 2 would have been below the NLW and have been removed from the pay scales.

The impact of these changes on Fareham's pay scales will be kept under review. Further changes to the pay scales are anticipated but these are not likely to take place until 1 April 2018 and will be reported to members accordingly.

The National Minimum Wage still applies to those under 25 but Fareham's pay scales are not aged biased.

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. The pay structure from 1 April 2016 consists of a pay spine of 44 points, comprising 11 grades containing 5 spinal column points with the exception of grade 1. Grade 1 is the lowest grade and 11 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 2016 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. With effect from April 2016 a 2 year pay deal was agreed taking the pay award through to 31 March 2018.

If there is an occasion where the Council believes that the National Pay Settlement would distort the local pay structures alternative proposals will be 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 £109,080 to £126,250.
- b) Statutory and Non-Statutory Chief Officers will be paid a salary within the grade range £77,398 to £88,895.

**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 £51,259 to £77,398.

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 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 Chief Officer, 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, the Head of Corporate Services and the Director of Finance and Resources 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.

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**

Benefits in kind are benefits which employees receive from their employer during their employment which are not included as part of their salary. Fareham has a computing scheme and car leasing scheme that employees have a choice to sign up for in lieu of salary. These benefits are reportable to HMRC and taxed accordingly. Since the introduction of these schemes there has been a Government review of all salary sacrifice schemes and as a result of this a review of Fareham's scheme is under way pending the outcome of the consultation by the government.

#### **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. 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.

The government has indicated that it will enforce a cap on exit payments of £95,000 with the likely implementation date to be early 2017 following further consultation in the autumn of 2016.

#### **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 2016-17, including base salary, allowances, etc.

Highest paid employee	£126,250
Mean average earnings for remainder of workforce	£25,765
Ratio	4.90



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

**Chief Executive**

Spinal Column Point		Annual
5	1	126,250
4		121,958
3		117,665
2		113,373
1		109,080

**Directors (Grade & Salary scale)**

Spinal Column Point		Annual
5	1	88,895
4		85,783
3		82,781
2		79,883
1		77,398

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

Spinal Column Point			Annual
5		1	77,398
4			75,202
3			73,019
2			70,549
1			68,164
5		2	68,164
4			65,778
3			63,476
2			61,254
1			59,111
5	3		59,111
4			57,042
3			55,045
2			53,119
1			51,259

## Mainstream (Grades and Salary scales)

Spinal column point			From 1 April 2016	Spinal column point	JE points range
46		11	50794	46	
45			49674	45	
44			48582	44	
43			47516	43	
42		10	46463	42	LG11 700+
41			45898	41	
40			44782	40	
39		9	43689	39	
38			42607	38	
37			41583	37	
36		8	40469	36	
35			39393	35	
34		7	38335	34	LG9 586 – 621
33			37308	33	
32			36218	32	
31		6	35169	31	
30			34142	30	
29			33153	29	
28		5	32185	28	
27			31242	27	
26		4	30330	26	LG7 497 – 542
25			29455	25	
24			28597	24	
23		3	27764	23	
22			26954	22	
21		2	26172	21	LG6 430 – 496
20			25345	20	
19			24545	19	
18		1	23774	18	LG5 386 – 429
17			23026	17	
16			22245	16	
15		3	21493	15	
14			20770	14	
13		2	20061	13	LG4 338 – 385
12			19388	12	
11			18735	11	
10		1	18097	10	
9			17494	9	
8		1	16889	8	LG3 280 – 337
7			16287	7	
6			15794	6	
5		1	15269	5	LG2 246 – 279
4			14965	4	
3		1	14726	3	