COUNCIL - WEDNESDAY, 26 JUNE 2013

Late Items

(a) Cabinet (Pages 1 - 18)

The Report of the meeting held on 20th June 2013 - attached.

(f) Employment Panel (Pages 19 - 22)

The Report of the meeting held on 19th June 2013 - attached.

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Cabinet

Report of the meeting held on 20th June 2013

Matter for Determination

4. **TREASURY MANAGEMENT ANNUAL REPORT 2012/2013**

By way of a report by the Head of Financial Services (reproduced as an Appendix), the Cabinet has been acquainted with the Council's performance of its treasury management activities for the year ending 31st March 2013.

The Council has continued to carry out its treasury management activities with due regard to minimising risk, and in accordance with the relevant legislation. Funds have performed well, significantly exceeding both the benchmark and the budgeted investment interest.

Having been acquainted with the deliberations of the Overview and Scrutiny (Economic Well-Being) Panel on this matter, as described in Item No.3 of their Report, the Cabinet

RECOMMEND

that the Council receives the Treasury Management Annual Report 2012/13.

Matters for Information

5. **MEETING OUR OBJECTIVELY ASSESSED NEED FOR HOUSING: MEMORANDUM OF CO-OPERATION – SUPPORTING THE SPATIAL APPROACH 2011-2031**

Having regard to the views of the Overview and Scrutiny Panel (Environmental Well-Being) (Item No. 2 of their Report refers), the Cabinet has endorsed the content of a Memorandum of Co-operation which sets out the objectively assessed need for additional housing to 2031.

Local Planning Authorities have a requirement under the National Planning Policy Framework to have a clear understanding of housing needs in their area. The guidance states that planning authorities should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities within their strategic housing areas. The Memorandum of Co-operation reflects the joint working between authorities and will support the local plan preparation.

In discussing the information before them, Executive Councillors referred to the methodology employed to determine housing allocations across each local authority area including housing mix and density. Members were advised that 17,000 homes will be required in Huntingdonshire by 2031 and 21,000 homes by 2036. During their discussions, Executive Councillors have stressed the need to be mindful of the plans of neighbouring authorities outside the strategic housing area which may have considerable impact on the district.

6. HOME IMPROVEMENT AGENCY SHARED SERVICE REVIEW AND DISABLED FACILITIES GRANT BUDGET

In conjunction with the Overview and Scrutiny Panel (Social Well-Being) (Item No. 2 of their Report refers), the Cabinet has been acquainted with the outcome of a review of the Home Improvement Agency (HIA) Service with Cambridge City and South Cambridgeshire District Councils following its first year of operation.

A major part of the service is the administration of Disabled Facilities Grants (DFG's), usually following a referral from an Occupational Therapist. It was reported that some problems were experienced during the Service's first 6 months of operation. These issues have been addressed and the service is currently operating as intended. Furthermore, waiting times for occupational therapists have reduced from 8 months in March 2012 to 4 months in March 2013. Attempts will now be made to improve the efficiency and effectiveness of the service further through the introduction of competitive tendering for equipment and the procurement of adaption works from local businesses.

In discussing the Council's commitment to supporting the delivery of DFG's, Executive Councillors were advised that the budget for 2013/14 had been increased and will be able to manage the current demands placed upon it. Given the pressures on Council's budgets, the Cabinet has requested Officers to undertake additional modelling of current and future demand for DFG's, over the summer, to feed into the Medium Term Plan process in September 2013.

7. HUNTINGDONSHIRE REGULATION 123 AND INFRASTRUCTURE BUSINESS PLAN 2013/14 LIST

Having regard to the views of the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 1 of their Report refers), the Cabinet has approved the contents of the draft Huntingdonshire Community Infrastructure Levy (CIL) Regulation 123 List. The List sets out the infrastructure that will be funded in whole or in part by the levy, to ensure that there is no duplication with Section 106 contributions.

As part of their deliberations, the Cabinet had regard to the Infrastructure Business Plan for 2013/14 which contains a broad range of requirements across the District that could be eligible for CIL funding in the period to 2026. Executive Councillors referred to the concerns of Town and Parish Councils that CIL receipts will not be tied to the development area to which they relate and stressed the need to work with them to identify their priorities as part of the next stage of the Business Plan process.

8. COMMUNITY RIGHT TO CHALLENGE

The Cabinet has approved the contents of a timetable for the acceptance of expressions of interests (EIO's) under the new Community Right to Challenge Initiative. The Localism Act 2011 introduces a right for defined organisations and persons to submit an expression of interest in taking over the provision of a service on behalf of the Council. Where a valid expression is received, the Council will be required to undertake a procurement exercise for that service which may lead to the Council awarding a contract for the service provision. The timetable identifies when services will be open for receiving EOI's.

9. REPRESENTATION ON ORGANISATIONS AND PARTNERSHIPS 2013/14

The Cabinet has made appointments/nominations in relation to representation on a variety of organisations/partnerships and has authorised the Head of Legal and Democratic Services, after consultation with the Deputy Executive Leader of the Council, to make any changes that may be required throughout the year.

10. LOAN TO HUNTINGDONSHIRE REGIONAL COLLEGE

(This item was submitted as a confidential item under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.)

The Cabinet has approved the principle of a loan to Huntingdonshire Regional College to fund the expansion of their facilities. The Assistant Director Finance and Resources has been authorised to finalise the details of the loan after consultation with the Executive Leader and the Executive Councillor for Resources.

In discussing the risks associated with the request, Executive Councillors have noted that adequate security will be available to the Council in the form of a charge against land in excess of the value of the outstanding loan.

The improvements made by the College will be beneficial to those attending the campus enabling them to access quality courses and facilities without having to travel outside the District.

N J Guyatt
Vice-Chairman

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APPENDIX

TREASURY MANAGEMENT ANNUAL REPORT 2012/13
(Report by the Overview & Scrutiny Panel (Economic Wellbeing)

1. INTRODUCTION

1.1 In accordance with the CIPFA Code of Practice, the Economic Well-Being Panel has formal responsibility for scrutinising the Council's Treasury Management. At its meeting held on 6 June 2013, the Overview & Scrutiny Panel (Economic Well-Being) considered a report by the Accountancy Manager on the Council's performance of its treasury management activities for the year ending 31 March 2013.

2. THE PANEL'S DISCUSSIONS

2.1 The Council's funds have performed well in 2012/13. They have significantly exceeded both the benchmark and the budgeted investment interest. This achievement is particularly noteworthy in the current economic climate. The actual net investment interest is a credit of £39,186, which is more than three times the estimated credit budget of £11,000 for the year. This is the result of higher than estimated interest rates and levels of reserves. While it might have been expected that it would be relatively easy to predict interest income from long term investments, this has not been the case because some of these investments ended during the year and new arrangements had to be made.

2.2 In terms of the Management of VAT, the Council's liability is reviewed annually by HMRC. The Panel has discussed whether there might be a benefit for the Council of transferring the leisure centres to a trust. The Council's VAT liability is not wholly attributable to the leisure centres as VAT is also payable on some land and property. There are other factors, which would mean there would not be a total saving of this sum, though there is the potential that it might lower the cost of VAT.

2.3 A number of other local authorities deal with the Co-operative Bank but the Bank is currently facing some difficulties. Attention is drawn to Annex B of the report by the Accountancy Manager, which shows that the Co-operative Bank is not one of the Council's counterparties. The counterparty list is reviewed on a monthly basis with the assistance of the Council's advisors. Annex C defines the parameters of the Council's total borrowing and investments, which safeguards the Council's investments.

2.4 The Treasury Management Advisory Group meets on an ad hoc basis throughout the year to monitor performance and review the Treasury

Management Strategy. The kind of information it receives appears in Annex A of the report by the Accountancy Manager. It is a commentary on the 2012/13 economic situation, which has been obtained from the Council's Treasury Advisors. There are a number of factors which might have an impact on Treasury Management in the future (for example the employment of a new Governor at the Bank of England). In the meantime, the Accountancy Manager has been asked to provide the Panel with further information on the estimated credit budget for the forthcoming year.

3. RECOMMENDATION

3.1 The Cabinet is requested to take into consideration the views of the Overview and Scrutiny Panel (Economic Well-Being) as set out above when considering this item.

TREASURY MANAGEMENT ANNUAL REPORT 2012/13
(Report by the Accountancy Manager)

1. INTRODUCTION

1.1 Council approves the Treasury Management Strategy for the coming year when it approves the budget and MTP each February. It also receives a mid-year report and an annual report after the end of the financial year. The Strategy is scrutinised by the Economic Well-being Panel.

1.2 The key points in the 2012/13 Strategy were:

- To invest any available funds in a manner that balanced low risk of default by the borrower with a fair rate of interest.
- To ensure there was sufficient cash to meet day-to-day obligations.
- To borrow when necessary to fund capital expenditure and to borrow in advance if rates were considered to be low. It envisaged the need for further borrowing in the range of £4.4m to £14.0m.

2. ECONOMIC REVIEW

2.1 An economic review of the year provided by our Treasury Management advisors is attached as Annex A.

3. PERFORMANCE OF FUNDS

3.1 The following table summarises the treasury management transactions undertaken during the 2012/13 financial year and the details of the investments and loans held as at 31 March 2013 are shown in Annex B.

	Principal Amount £m	Interest Rate %
Investments		
at 31st March 2012	10.4	4.29
less matured in year	-132.9	
plus arranged in year	+128.9	
at 31st March 2013	6.4	3.93
Average Investments	**14.7**	**2.96**
Borrowing		
at 31st March 2012	14.5	2.82
less repaid in year	-34.4	
plus arranged in year	+35.9	
at 31st March 2013	16.0	2.56
Average Borrowing	**11.9**	**3.32**

3.2 The average rate of interest on all investments of 2.96% was 2.63% above the 7-day benchmark rate of 0.33%. This very good performance was due to £5m of the investments being locked into higher rates before the year started together with the use of liquidity accounts with major banks and building societies which gave the added safety of instant access together with interest rates in excess of the benchmark

3.3 If only short-term cash flow investment activity is considered, the rate of interest on investments was 0.87% and still more than double the 7-day benchmark rate of 0.33%.

3.4 The Council's exposure to interest rate risk at the end of the year was the £10m long term PWLB borrowing from 4 years ago which is still well below current long term rates and £1.9m short term borrowing for less than 2 months at a mixture of 0.31% and 0.4%. This gave an average borrowing rate of 3.32%.

3.5 The actual net investment interest (after deduction of interest payable on loans) was a credit of £39,186, which is more than three times the estimated credit budget of £11,000 for the year. This has occurred due to higher than estimated interest rates and levels of reserves.

4. STRATEGY – BORROWING

4.1 Long-term borrowing

The strategy allowed for 'must borrow' to finance that part of the capital programme that could not be met from internal funds. There was also a provision for 'may borrow' which allowed borrowing in anticipation of need, based on whether longer term rates seemed low compared with future likely levels. No long-term borrowing was carried out as the rates were not deemed to be low enough, short-term borrowing rates were very low, and for most of the year much of the funding need was covered by internal funding.

4.2 Short-term borrowing

The Authority needed to borrow short-term during the year to manage its cash flow; it averaged £1.9m.

5. STRATEGY - INVESTMENTS

5.1 The Council's strategy for 2012/13 was based on all investments being managed in-house. The investments were of three types:

- time deposits,
- liquidity (call) accounts (with banks with a high credit rating and the top 25 building societies by asset value), and
- money market funds

The strategy included limits on the size of investments with each organisation and country limits. The limits are shown in Annex C.

5.2 The strategy was reviewed during the course of the year and the mid-year report was reported to Council on the 19th December 2012.

6. RISK MANAGEMENT

6.1 The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.

6.2 **Security** is managed by investing short-term with highly-rated banks, building societies and local authorities in the UK. The Authority received regular updates from its advisors, Arlingclose, sometimes daily, on changes to the credit rating of counterparties. This allowed the Council to amend its counterparty list and not invest where there is concern about the credit rating.

6.3 **Liquidity**

In December 2008, the Council invested £10m in time deposits, however £5m was repaid in December 2012 and the remaining £5m will be repaid in December 2013. The majority of the Council's funds were in liquidity accounts which have a rate or interest above base rate and provide instant access to funds.

6.4 Overall, liquidity was managed by producing cash flow forecasts that help set the limit on the duration of the investments in time deposits. The projections turned out to be cautious which sometimes resulted in funds being available before they were needed with any surplus being invested on a temporary basis.

6.5 On 4th July 2012 the Council approved an amendment to the 2012/13 Treasury Management Strategy that reduced the minimum credit ratings for Liquidity Accounts to F2. The reason for this amendment was because general reductions in credit ratings had started to reduce the accounts that the Council could use.

6.6 **Return on investments**

Security and liquidity took precedence over the return on investments, which resulted in investments during 2012/13 generally being of short duration due to the benefit of good rates on liquidity and growing concerns over the credit rating of counterparties.

6.7 When the Authority borrowed £10M in advance in December 2008 it invested the funds at marginally higher interest rates thus protecting the Council from any short term loss of interest.

7. COMPLIANCE WITH REGULATIONS AND CODES

7.1 All the treasury management activity undertaken during the financial year complied with the approved strategy, the CIPFA Code of Practice, and relevant legislation.

7.2 The Code requires the Council to approve both Treasury Management and Prudential Indicators. Those for 2012/13 were approved at the Council meeting on 22nd February 2012. At the mid-year report, a revised Treasury Management Indicator in respect of Interest Rate Exposure was approved. Annex D shows the relevant indicators and the actual results.

8. CONCLUSION

8.1 The performance of the funds in a year when rates stayed very low was pleasing, significantly exceeding the benchmark and the budgeted investment interest.

8.2 In a year of uncertainty in the financial markets all of the Council's investments were repaid in full and on time.

8.3 The Authority has carried out its treasury management activities with due regard to minimising risk, and in accordance with legislation. During the year it reviewed its strategy in the light of external events in the markets.

9. RECOMMENDATION

9.1 It is recommended that Cabinet note this report prior to its submission to Council.

CONTACT OFFICER

Clive Mason Accountancy Manager Tel. 01480 388157

Annex A

Economic Review of 2012/13

1.1 The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G-7 nations being either muted or disappointing.

1.2 In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the impressive 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a 'triple-dip' recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.

1.3 Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual CPI dipped below 3%, falling to 2.4% in June before ticking up to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England's 2% CPI target.

1.4 The lack of growth and the fall in inflation were persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of Bank's Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.

1.5 The resilience of the labour market, with the ILO unemployment rate falling to 7.8%, was the main surprise given the challenging economic backdrop. Many of the gains in employment were through an increase in self-employment and part time working.

1.6 The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was pushed two years beyond this horizon. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK's sovereign rating was downgraded by Moody's to Aa1. The AAA status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

1.7 The government's Funding for Lending (FLS) initiative commenced in August which gave banks access to cheaper funding on the basis that it would then result in them passing this advantage to the wider economy. There was an improvement in the flow of credit to mortgagees, but was still below expectation for SMEs.

1.8 The big four banks in the UK – Barclays, RBS, Lloyds and HSBC – and several other global institutions including JP Morgan, Citibank, Rabobank, UBS, Credit Suisse and Deutsche came under investigation in the Libor rigging scandal which led to fines by and settlements with UK and US regulators. Banks' share prices recovered after the initial setback when the news first hit the headlines.

1.9 **Europe**

The Euro region suffered a further period of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. Markets were becalmed after the ECB's declaration that it would do whatever it takes to stabilise the Eurozone and the central bank's announcement in September of its Outright Monetary Transactions (OMT) facility, buying time for the necessary fiscal adjustments required. Neither the Italian elections which resulted in political gridlock nor the poorly-managed bailout of Cyprus which necessitated 'bailing-in' non-guaranteed depositors proved sufficient for a market downturn. Growth was hindered by the rebalancing processes under way in Euroland economies, most of which contracted in Q4 2012.

1.10 **US**

The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. The Federal Reserve shifted policy to focus on the jobless rate with a pledge to keep rates low until unemployment falls below 6.5%. The country's extended fiscal and debt ceiling negotiations remained unresolved.

1.11 ***Gilt Yields and Money Market Rates***:

Gilt yields ended the year lower than the start in April. By September the 2-year gilt yield had fallen to 0.06%, raising the prospect that short-dated yields could turn negative. 10-year yields fell by nearly 0.5% ending the year at 1.72%. The reduction was less pronounced at the longer end; 30-year yields ended the year at 3.11%, around 25bp lower than in April. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; purchases by banks, insurance companies and pension funds driven by capital requirements and the preference for safe harbour government bonds.

1.12 One direct consequence of the Funding for Lending Scheme was the sharp drop in rates at which banks borrowed from local government. 3-month, 6- month and 12-month Libid rates which were 1%, 1.33% and 1.84% at the beginning of the financial year fell to 0.44%, 0.51% and 0.75% respectively.

Borrowing and Investments at 31 March 2013

	Short Term Rating		Date Invested/ Borrowed	Amount		Interest Rate	Repayment Date	Year of Maturity
	Fitch	Moody		£m	£m	%		
BORROWING								
Short-term								
Worcestershire County Council	Not rated			5.0		0.31	29-Apr-13	2013/14
London Borough of Merton	Not rated			1.0		0.40	30-Apr-13	2013/14
					6.0			
Long Term								
PWLB				5.0		3.91	19-Dec-57	2057/58
PWLB				5.0		3.90	19-Dec-58	2058/59
					10.0			
TOTAL BORROWING					**16.0**			
INVESTMENTS IN-HOUSE								
Short-term								
NatWest Liquidity	F1	P2		1.3		0.60		2012/13
Cambridgeshire BS Call Account	Not rated			0.1		0.50		2012/13
Skipton BS	F3			5.0		4.85	19-Dec-13	2013/14
					6.4			
TOTAL INVESTMENTS					**6.4**			
NET BORROWING					**9.6**			

In-House Fund Management 2012/13
(If no further borrowing in anticipation)

Duration of investments	No investment shall be longer than 5 years. Maximum duration for a Building Society with no rating is 1 month.
Types of investments	Fixed term Deposits Deposits at call, two or seven day notice Corporate bonds Money market funds UK Government bonds and Supranational Bank bonds.
Credit Ratings	**Building Societies** All Building Societies with ratings of BBB or above. Building Societies with no ratings. **Money Market Funds** AAA credit rating **Local Authorities or UK Government** No rating required **Non-Building Societies** Short term rating F1 by Fitch or equivalent. Short term rating F2 by Fitch or equivalent for liquidity accounts. Long-term rating of AA- by Fitch or equivalent if the investment is longer than 1 year.
Maximum limits per counterparty (group), country or non-specified category	F1+ or have a legal position that guarantees repayment for the period of the investment £5m F1 £4M Building Society with assets over £2bn in top 25 (Currently 10) £5M Building Society with assets over £1bn if in top 25 (Currently 3) £4M Building Society with assets under £1bn in top 25 £3M Liquidity (Call) Account with a credit rating of F2 or with a legal position that guarantees repayment or a Building Society. £5M BUT total invested with counterparty/group shall not exceed £8M Money market fund AAA Credit rating £4m **Limit for Non-specified investments** – £10M in time deposits more than one year – £5M in corporate bonds – £10M in any other types. – £15M in total **Country limits** – UK - unlimited – £5M in a country outside the EU – £10M in a country within the EU (excluding UK) – £20M in EU countries combined (excluding UK) No investment will be made in country with a sovereign rating of less than AA. These limits will be applied when considering any new investment from 23 February 2012. Lower limits may be set during the course of the year or for later years to avoid too high a proportion of the Council's funds being with any counterparty.
Benchmark	LGC 7 day rate

CIPFA Prudential Indicators for Capital Finance in Local Authorities
Prudential Indications and Treasury Management Indications for 2012/13
Comparison of actual results with limits

PRUDENTIAL MANAGEMENT INDICATORS

1. Actual and Estimated Capital Expenditure

	2012/13 Estimate £000	**2012/13 Actual £000**
Gross	**19.5**	**8.3**
Net	**10.4**	**6.5**

2. The proportion of the budget financed from government grants and council tax that is spent on interest and the provision for debt repayment

2012/13 Estimate	2012/13 Actual
4.1%	**3.6%**

3. The impact of schemes with capital expenditure on the level of council tax

This item is only provided to demonstrate affordability at budget setting and has already been superseded by the equivalent figure in the 2013/14 indicators.

4. The capital financing requirement

This represents the estimated need for the Authority to borrow to finance capital expenditure less the estimated provision for redemption of debt (the MRP) with no allowance for funding in advance.

2012/13 Estimate £m	2012/13 Actual £m
32.0	**27.0**

5. Net borrowing and the capital financing requirement

Net external borrowing as at 31st March 2013, was £20.0m, this is £7.0m less that than the capital financing requirement. Thereby confirming that the council has not borrowed for revenue purposes other than in the short-term for cash flow purposes.

6. The actual external long-term borrowing at 31 March 2013

£10m

7. Adoption of the CIPFA Code

The Council has adopted the 2011 edition of the CIPFA Treasury Management Code of Practice.

TREASURY MANAGEMENT INDICATORS

8. The authorised limit for external debt

This is the maximum limit for borrowing and is based on a worst-case scenario.

	2012/13 Limit £m	2012/13 **Actual £m**
Short-Term	20	6
Long Term assuming maximum borrowing in advance	51	10
Other long-term liabilities (leases)	5	4
Total	**76**	**20**

9. The operational boundary for external debt

This reflects a less extreme position. Although the figure can be exceeded without further approval, it represents an early warning monitoring device to ensure that the authorised limit (above) is not exceeded.

	2012/13 Limit £000	2012/13 **Actual £000**
Short-Term	15	6
Long Term	41	10
Other long-term liabilities (leases)	5	4
Total	**61**	**20**

Both of these actual results reflect the fact that long term rates were not considered low enough to borrow in anticipation of need

10. Exposure to investments with fixed interest and variable interest

These limits are given as a percentage of total investments. Investments of less than 12 months count as variable rate.

		Limits		**Actual**
		Max.	**Min.**	**As at 31.3.13**
Borrowing:				
longer than 1 year	Fixed	100%	75%	100%
	Variable	25%	0%	0%
Investments:				
longer than 1 year	Fixed	100%	100%	100%
	Variable	0%	0%	0%

11. Borrowing Repayment Profile

The proportion of 2012/13 borrowing that matured in successive periods.

Borrowing	Upper limit	Lower limit	Actual As at 31.3.13
Under 12 months	86%	0%	37%
12 months and within 24 months	86%	0%	0%
24 months and within 5 years	86%	0%	0%
5 years and within 10 years	86%	0%	0%
10 years and above	100%	14%	63%

12. Investment Repayment Profile

Limit on the value of investments that cannot be redeemed within 364 days.

	Limit £m	**Actual £m**
Limit on principal invested beyond year end (31 March 2013)	32.0	5.0

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Employment Panel

Report of the meeting held on 19th June 2013

Matters for Information

1. **ROLE OF THE PANEL**

Following review of the arrangements for the consideration of employment matters which were approved earlier in the year, the Chairman has reminded the Panel about their new role and terms of reference.

The purpose of the new Panel is to provide a strategic overview of people management and workforce issues within the Council, giving Members the opportunity to investigate and explore a range of employment matters and improve understanding of their role as an employer.

In considering potential areas for investigation, Members have suggested a number of ideas which might form the basis of a work programme for the year. These included the culture of the organisation and the ways in which Managers managed their teams and staff grievances. Further suggestions were invited by the Chairman at any time.

In terms of their future relationship with the Staff Council, the Panel has noted that the Chairman and Vice Chairman will continue to meet informally with employee representatives and that there would be opportunities for the Staff Council to raise issues with the Panel. Democratic Services undertook to clarify the process by which representatives could present directly to the Panel. The terms of reference and constitution will be reviewed on an annual basis by the Panel.

2. **MANAGING EMPLOYEE PERFORMANCE**

As part of LGSS' commitment to review five policies and procedures per year, the Panel has reviewed and endorsed the content of a new policy for Managing Employee Performance. In discussion, the Panel clarified aspects of the policy and the ways in which new starters were directed to Human Resource policies and information.

The new Policy provides guidance to managers on how to help employees achieve and maintain good performance levels and where this falls below acceptable standards ensures that any potential issue is dealt with promptly, sensitively and consistently. It also provides guidance to employees where performance standards are not reached and the potential consequences for their continued employment.

Training on application of the new policy will be extended to all managers across the organisation.

3. EMPLOYMENT REPORT – QUARTER 3

The Panel has received a quarterly report on Human Resource matters impacting on the performance of the organisation. On this occasion, the report has included the latest position and trends relating to:-

- employee numbers
- salary costs
- employee turnover
- sickness absence reporting; and
- the Human Resources caseload.

In terms of tackling sickness absence, the Panel has noted that the average days sickness per FTE employee had increased to 8.9 days during the last quarter, which is higher than the corresponding period in the previous year. In response to a request made at a previous meeting, the Panel has received information on sickness levels being experienced by other public sector organisations and has noted that there was a general upward trend, although it was difficult to achieve a full picture as reporting on sickness levels was not a statutory requirement. Attention was drawn to a reduction in sickness levels at South Cambridgeshire District Council and it was suggested that there may be some lessons to be learnt there.

However the number of absences recorded as 'Other' had significantly declined which may have had some bearing on why other areas had increased as they may have become more accurately recorded.

As the highest cause of sickness absence continued to be stress, depression, mental health and fatigue, the Panel has noted the intention to offer additional training for stress management. Members emphasised the need to adopt a proactive approach towards tackling stress and to encouraging employees to take up training courses and other services if required. Concern also was expressed about those divisions within the Authority which appear to have a sickness rate higher than the average.

Having noted that work was being undertaken to investigate a workplace based support service for staff who were experiencing stress at work, the Panel has discussed the support which is currently available to staff from First Contact and Occupational Health services. Members have been assured that these proposals would provide an additional work based service and that there was no desire to change the existing arrangements. The Panel has requested further information on the existing services and an update on the proposals for work based counselling at a future meeting.

4. QUARTERLY PERFORMANCE REPORT FOR HR, PAYROLL AND ORGANISATION AND WORKFORCE DEVELOPMENT SERVICES

The Panel has considered the performance of LGSS Human Resources, Payroll and Organisational Workforce Development services across the key service measures put in place at the start of the contract during the period May 2012 to 31st March 2013. LGSS performance is measured in three areas namely:

- HR Strategic and Advisory;
- recruitment and payroll; and
- organisational workforce development.

Whilst general service standards had been met, the Panel noted that there was further work to be done in Organisational & Workforce Development to encourage a greater take-up of training courses (only 304 places had been delivered out of a target of 500 in an 11 month period). LGSS will be working with Managers to help address this issue. Members' attention also has been drawn to LGSS' priorities for the next quarter, which included support for the ongoing Pay Review, delivery of the Workforce Development Strategy and planning for an E-recruitment solution.

The Panel has been assured that feedback on the LGSS contract is requested from managers and staff. Having noted that a number of issues have been raised through this route predominantly about the recruitment process, the Panel has been informed that LGSS are currently restructuring their recruitment processes and the development of an E Recruitment Solution could help in this respect. Members have been reminded that the LGSS contract represented a change in culture for many Managers and an expectation that managers are required to be more self sufficient. Further work is required to help staff understand their new roles and responsibilities, and this will be addressed as part of the training on new policies. The reinvigoration of the Council's Leadership programme will also help in this respect. An outline of the support provided by LGSS to Managers also has been noted.

5. PAY REVIEW PROJECT

(The following item was considered as a confidential item under paragraph 4 of Part 1 of Schedule 12A to the Local Government Act 1972.)

The Panel has received an update on the progress being made on the Council's Pay Review Project. Members were informed that Stage 1, the evaluation and moderation process was nearing conclusion and was expected to be completed by mid July. LGSS will then commence work on the next stage of the project (Stage 2), which includes:-

- pay modelling/development of a new pay & grading framework;
- benchmarking;
- pay policy review;
- the consultation process; and

- the Appeals Procedure.

Members understood that the new Managing Director would be overseeing the second stage of the project.

Having raised a number of questions about the reason for the delay in concluding Stage 1, the Panel has received an explanation of the process which had yet to be undertaken and the intensive nature of the job evaluation process for those involved.

In response to comments made by representatives of the Staff Council and Members regarding the need to improve communications on the subject and to bring the process to a close as quickly as possible, the Panel was informed that the current timetable for the remainder of the project was to be considered by the new Managing Director. In this regard, the Panel has agreed that the Chairman and Vice Chairman should meet with the new Managing Director to seek to progress the matter further and that in the interim staff should be updated as to the current position.

S Cawley
Chairman