Haringey Council

NOTICE OF MEETING

General Purposes Committee

TUESDAY, 12TH JANUARY, 2010 at 19:00 HRS - CIVIC CENTRE, HIGH ROAD, WOOD GREEN, N22 8LE.

MEMBERS: Councillors Meehan (Chair), Griffith (Vice-Chair), Aitken, Alexander, Bloch, Bull and Dodds

AGENDA

1. APOLOGIES FOR ABSENCE (IF ANY)

2. URGENT BUSINESS

The Chair will consider the admission of any of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item 11 below).

3. DECLARATIONS OF INTEREST

A member with a personal interest in a matter who attends a meeting of the authority at which the matter is considered must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.

A member with a personal interest in a matter also has a prejudicial interest in that matter if the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgment of the public interest **and** if this interest affects their financial position or the financial position of a person or body as described in paragraph 8 of the Code of Conduct **and/or** if it relates to the determining of any approval, consent, licence, permission or registration in relation to them or any person or body described in paragraph 8 of the Code of Conduct.

4. DEPUTATIONS/PETITIONS

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

5. MINUTES (PAGES 1 - 14)

To confirm the minutes of the meetings of the General Purposes Committees as follow:

i. 25th June 2009

ii. 7th July 2009

iii. 24th September 2009

iv. 22nd October 2009

6. TREASURY MANAGEMENT - 3RD QUARTER REVIEW (PAGES 15 - 38)

To receive the Treasury Management Strategy Statement 2010/11 to 2012/13 and the 3rd Quarter Treasury Management report.

7. FIXED RATE OVERTIME FOR SCHOOL SITE MANAGERS (PAGES 39 - 42)

To receive the report seeking the Committee's approval of a revised fixed overtime rate from 1 April 2009, for school site managers.

8. CHANGING RESTRUCTURING AND REDEPLOYMENT PROCEDURES (PAGES 43 - 48)

To receive the report on the updating of the Redeployment and Restructuring Policies seeking the Committee's agreement to delegate authority to the Head of Human Resources to negotiate with the trade unions and agree final changes to each of the policies.

9. RECRUITMENT POLICY (PAGES 49 - 54)

To receive the report on the updating of the Recruitment Policy seeking the Committee's agreement to delegate authority to the Head of Human Resources to negotiate with the trade unions and agree final changes to each of the policies.

10. DISCIPLINARY PROCEDURE UPDATE (PAGES 55 - 58)

To receive and agree the report on the updating of the Disciplinary Procedure in light of changes to employment case law.

11. NEW ITEMS OF URGENT BUSINESS

To consider any items admitted at item 2 above

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Deputy Head of Local Democracy and Member Services
5th Floor
River Park House
225 High Road
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London N22 8HQ

Natalie Cole
Principal Support Officer (Council)
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Monday 4th January 2010

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MINUTES OF THE GENERAL PURPOSES COMMITTEE
THURSDAY, 25 JUNE 2009

Councillors	Meehan (Chair), Griffith (Vice-Chair), Rahman Khan, Aitken, Bull, Davies and Williams
Apologies	Councillor Bloch

MINUTE NO.	SUBJECT/DECISION
GPCO01.	**APOLOGIES FOR ABSENCE (IF ANY)** Apologies for absence were received from Gerald Almeroth (Chief Financial Officer) and Councillor Bloch. Councillor Bloch was substituted for by Councillor Williams. Apologies for lateness were received from Councillors Bull and Davies.
GPCO02.	**URGENT BUSINESS** No items of urgent business were raised.
GPCO03.	**DECLARATIONS OF INTEREST** Mr Terence Mitchison, Legal Advisor, advised Members who were Trustees of the Alexandra Palace and Park Board that they were not required to declare an interest in Agenda Item 5, which contained accounts for the Alexandra Palace and Park charitable trust.
GPCO04.	**DEPUTATIONS/PETITIONS** No deputations or petitions were received.
GPCO05.	**STATEMENT OF ACCOUNTS 2008/2009** The Committee received the Statement of Accounts for 2008/09 and the **tabled** written comments from John Snelling, Employee Side Secretary. Kevin Bartle (Head of Corporate Finance) and Graham Oliver (Head of Finance – Accounting and Control) introduced the report which detailed the financial affairs of the Authority. The Committee noted that the accounts relating to Alexandra Palace and Park (AP&P) were for information only and did not form part of the Authority's accounts for approval by the Committee. Councillor Khan questioned the view that the AP&P was not controlled by the Council as the Council had funded a £2 million deficit with which AP&P closed the financial year. Mr Oliver explained that control of AP&P had been reviewed according to CIPFA (Charted Institute of Public Finance and Accountability) guidance and it had been concluded that there was not a group relationship between AP&P and the Council; therefore the AP&P

accounts were presented to the Committee for information only. In relation to the deficit funding Mr Oliver advised the Committee that the Council had a legal obligation to fund any loss incurred by the Palace and that this funding was budgeted for and monitored throughout the year.

In response to a question about the potential loss relating to the Council investments in Icelandic banks, Mr Bartle reported that the amount that would be lost to the authority under the current predictions was £4.718 million. However, accounting regulations required the authority to account for the fact that these funds had not and would not be available for the authority's use until the future dates identified for repayment. The overall impairment loss recognised in the Income and Expenditure Account in 2008/09, £7.814 million, had been calculated, therefore, by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies were recovered. Adjustments to the assumptions would be made in future accounts as more information became available. The Authority had utilised the capital finance regulations (issued February 2009) to defer the impact of the impairment on the General Fund, and a sum of £9.311m had been transferred to the Financial Instruments Adjustment Account, which related to the capital sum invested. The balance of £1.497m related to interest which had been borne in full by the General Fund.

Mr Bartle went on to explain that the interest impairment of £1.497 million was based on the investments remaining with the Icelandic banks through to 31st March 2009, at the rate at which the original investments were made, which ranged between 5.44% and 6.45%. The actual loss of interest, if the deposits were returned at maturity dates, was £877k. The additional loss identified was again as required under accounting requirements which it was deemed would take account of the loss from being unable to invest the capital sums further. Mr Bartle stressed, however, that in reality this would not have happened given that interest rates had reduced significantly (down to 0.5% or lower) and it would have been impossible for the authority to have achieved the previous levels of return.

Councillor Khan (Chair of the Audit Committee) confirmed that at its meeting on 2nd June 2009 the Audit Committee had commented on the Governance Statement and the concerns/ comments made thereon appeared to have been modified in the revised version along with the Statement of Accounts but asked why, in relation to the balance sheet, cash from the "Net Current Assets" had not been utilised in the past as was the case in 2008/09. Mr Bartle explained that Treasury Management considerations were made and it had been decided to utilise some of the cash due to the uncertainty of current markets rather than borrow to help finance its capital programme.

Councillor Khan expressed concerns at the increase of expenditure on Central Services in 2008/09 and that there had been a lack of consultation on this increase. Mr Oliver explained that Property Services was included within Central Services and there had been a significant decrease in the value of the Council's assets. Mr Oliver also reminded the Committee that the Council's budget had been approved by Cabinet and subsequently scrutinised by the Overview and Scrutiny Committee.

The Statement of Accounts would be brought back to the Committee at its meeting on 24th September 2009 following the completion of the external audit.

RESOLVED

That subject to amendments to the minor discrepancy of the figures reported for the General Fund on the Balance Sheet (page 35 of the report) and the Statement of Movement on the General Fund Balance (page 33 of the report) the Council's financial statements for 2008/09 be approved.

GPCO06. CONSULTATION FEEDBACK ON RESTRUCTURE OF ENVIRONMENTAL CRIME

The Committee received the report on the results of consultation to proposals on the restructuring of the Environmental Crime Service to create a new Street Enforcement Service. At its meeting on the 10th March 2009 the General Purposes Committee approved restructuring proposals subject to consultation results.

The Committee noted that overall responses to the consultation had been positive and constructive with the main areas of concern being around the unsociable hours staff would be required to work in return for a 10% supplement. Mr Robin Payne, Head of Enforcement, highlighted that responses showed staff felt that a 10% supplement was not sufficient and had raised concerns about the training and health and safety implications of working unsociable hours. Mr Payne explained that staff training days would be planned and would mean the service would not be operational during training sessions.

In response to questioning from the Committee Mr Payne explained that the 10% supplement for unsociable hours was the maximum amount payable for single-status. The Service expected an area based grant to fund the additional costs but if funding was not provided the cost would be covered by the Service. Employing additional weekend staff, instead of changing the hours of current workers, would create a two tier system and there was not the volume of staff to enable this. There would be a total of 23 Street Enforcement staff plus a Dog Warden. There would be a loss of three unwarranted Street Wardens posts. In terms of pay scales, six officers at the top of the existing P01 grade would see a difference of £1400 less in their salaries but the 10% supplement for unsociable hours would mean staff would not lose out financially. The Service was in discussions with the Human Resources Team to consider raising officers to grade P02. Posts would be evaluated on a consistent basis and any shifts in grades would have an impact on budget plans.

Committee Members asked what the equalities implications of the restructure were. Mr Payne explained that an Equalities Impact Assessment (EIA) would be conducted in September 2009 but the main equalities concerns arising from consultation were surrounding people with carer and family commitments and work-life balance.

With regard to the proposed two team structure the Committee raised concerns that the North and West area was large compared to the South and commented that there would be different needs in different areas of the borough. Mr Payne explained that consideration was given to aligning the Street Enforcement Service Teams with the Children's Network Areas but funding resources would not enable three enforcement teams to be set up. The new set up of the teams was based on

	enforcement intelligence and evidence of where there were problems but the intention was to retain flexibility when required and to have named contacts for each ward. Committee Members asked that Ward Councillors be given contact details of the named Enforcement Officer for their areas. A late written response to the consultation from John Snelling, Union representative, was tabled and included concerns about evening and weekend working, lack of flexibility of the structure to cope with annual leave and sickness, prospects of training for staff. Mr Payne informed the Committee that the points raised by Mr Snelling would be responded to. **RESOLVED** That the consultation undertaken and the comments from the Union are noted and the proposed steps for introducing a Street Enforcement Service that will replace the existing Environmental Crime Service be agreed.
GPCO07.	**MINUTES** **RESOLVED** That the minutes of the meeting held on 10th March be confirmed as a correct record.
GPCO08.	**NEW ITEMS OF URGENT BUSINESS** No new items of urgent business were received.
GPCO09.	**EXCLUSION OF THE PRESS AND PUBLIC** **RESOLVED** That the press and public be excluded from the meeting for consideration of Agenda Items 10 and 11 as they contained exempt information as defined in Section 100a of the Local Government Act 1972; namely information that was likely to reveal the identity of an individual, and information relating to any individual.

The meeting ended at 20:10 hrs

Councillor George Meehan

Chair

Councillor ……………………………………

Chair

MINUTES OF THE GENERAL PURPOSES COMMITTEE
TUESDAY, 7 JULY 2009

Councillors	Meehan (Chair), Griffith (Vice-Chair), Rahman Khan and Bloch
Apologies	Councillors Bull and Davies

MINUTE NO.	SUBJECT/DECISION
GPCO01.	**APOLOGIES FOR ABSENCE (IF ANY)** Apologies for absence were received from Councillors Gideon Bull and Matt Davies.
GPCO02.	**URGENT BUSINESS** It being a special meeting of the Committee, under the Council's Constitution, Part 4, Section B, Paragraph 17, no other business was permitted to be considered.
GPCO03.	**DECLARATIONS OF INTEREST** There were no declarations of interest in relation to items on the agenda.
GPCO04.	**TREASURY MANAGEMENT – 1ST QUARTERLY REVIEW REPORT** The Committee received the report of the London Borough of Haringey's Chief Financial Officer, Mr Gerald Almeroth, which updated the Committee on the Council's treasury management activities for the first quarter of 2009/10 and made recommendations to revise the Council's approved Treasury Management Strategy Statement (TMSS). Kevin Bartle, Head of Corporate Finance, gave a presentation outlining the key points of the report under consideration by the Committee, which included updated versions of Tables 1 and 2 of the report showing the Council's current investment position as at the date of the Committee meeting. The Committee requested that the full report of the Price Waterhouse Cooper (PwC) review be circulated to all Members of the General Purposes Committee. The Chief Financial Officer stated that the full report had already been provided to the Cabinet but nevertheless agreed to this request. Mark Horsfield from Arlingclose Ltd, the Council's Treasury Management advisors, provided an explanation of the rating system (set by credit rating agencies) for banks and building societies. AAA to AA+ are at the higher end of the rating scale and D (for default) was the lowest for long term (more than 1 year) credit. A different set of criteria was used for short term (less than 1 year) obligations; F1+ being the highest rating. The Council's activity had always been with institutions rated at A or A- and above, however, during this time of recession the Council would only invest in institutions with a minimum AA- long term and F1+ short term credit ratings. The rating system is one of the best tools available but was not the

only check conducted by officers before investments are made.

The Committee were advised that the Council is not currently investing in HSBC Bank due to its high investment threshold requiring investments of sums more than £20m and thus outside of the Council's strategy.

Among other options considered, Colin Duck, a London Borough of Haringey Treasury Officer, explained that Certificates of Deposit (CDs) were deposits that could be sold in the open market, although this could potentially be at a loss if the counterparty subsequently suffered a credit rating downgrade. The Committee noted that there would be no better return from CDs than fixed term deposits and that there had been no opportunity for the Council to invest in CDs due to the restrictions of the counterparty list.

Investments in Money Market Funds (MMFs) are in turn invested by the Fund Managers in a wide range of highly rated institutions, which would enable access to institutions beyond the Council's current approved list and provided preservation of capital. Councillor Bloch expressed some concerns that MMFs had not always maintained the preservation of capital. Mr Horsfield recognised the risk but assured members that in the highly unusual circumstance when this had occurred the relevant institutional owners had stepped-in to protect investors. The difference in returns between investing in MMFs rather than the Debt Management Office (DMO) was between ¾% and 1% and officers' advice was that this was an acceptable and measured risk providing better returns. In response to Councillor Bloch's questioning, officers explained that they had considered investing some of the Council's 'core' funding in MMFs but in the current economic climate longer term investments were not considered appropriate.

The Committee noted that the last loan taken from the Public Works Loans Board (PWLB) by the Council was in July 2007. Since then the Council had maintained high cash reserves and had used this cash instead of taking out loans; the Council would retain the ability to take loans out in the future.

Councillor Khan's raised concerns regarding points 6.11 (which stated that banks and building societies with AA- and F1+ rating were participants in the UK Government's Credit Guarantee Scheme) and 6.16 (which delegated authority on whether to restrict further investments to the Chief Financial Officer) in Appendix A. Mr Almeroth confirmed that regarding 6.11 conditions had been in place since January 2009 to deal with potential downgrading of credit ratings of institutions. With regard to 6.16 Mr Almeroth explained that this paragraph had been applied to allow flexibility when required.

Haringey officers and Arlingclose Ltd officers would be arranging a joint treasury management training session for members in September 2009. The Committee agreed that other members, not just members of the General Purpose Committee, should be invited.

Members agreed that the Committee would reconvene at short notice if circumstances were such that urgent treasury decisions were required.

RESOLVED

1. That Full Council agree to revise the Treasury Management Strategy Statement (TMSS) to include the Clydesdale Bank as a permitted institution for investment purposes on the same terms as the other institutions already on the approved list, i.e. a maximum exposure of £20m and a duration of up to 12 months.

2. That the proposed use of the following treasury management actions which are already approved or contained within the TMSS be noted:

    2.1 The Council's Treasury Management advisors will be asked to identify a minimum of two and a maximum of four AAAm Money Market Funds allowing total investments of up to £10m in accordance with the current TMSS.

    2.2 Investments will be made of up to £10m in bonds issued by the European Investment Bank with redemptions due in December 2010 and March 2011.

    2.3 The premature repayment of Public Works Loan Board (PWLB) loans of up to £25m will be made on favourable terms as approved by the Chief Financial Officer.

    2.4 The use of available cash balances to fund, in the short or medium term, a number of approved capital schemes in 2009/10.

The meeting ended at 20:10hrs

Councillor GEORGE MEEHAN

Chair

Councillor ……………………………………

Chair

SIGNED AT MEETING…….DAY

OF…………………………………

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MINUTES OF THE GENERAL PURPOSES COMMITTEE
THURSDAY, 24 SEPTEMBER 2009

Councillors	Meehan (Chair), Griffith (Vice-Chair), Aitken and Khan
Apologies	Councillor Bloch, Bull and Davies
Also Present:	Council Officers

MINUTE NO.	SUBJECT/DECISION
GPCO15.	**APOLOGIES FOR ABSENCE (IF ANY)** Apologies for absence were received from Councillors Bloch, Bull and Davies.
GPCO16.	**URGENT BUSINESS** There was no urgent business.
GPCO17.	**DECLARATIONS OF INTEREST** There were no declarations of interest.
GPCO18.	**DEPUTATIONS/PETITIONS** There were no requests for deputations or petitions.
GPCO19.	**RESTRUCTURING OF THE PARKING SERVICE** The Committee received the report introduced by Ann Cunningham, Head of Parking Services and noted the issues arising from the independent review of the parking service as well as changes in legislation as detailed in the report. The proposed structure would include three teams: Parking Processing, Performance and Development and Parking Enforcement. Councillor Khan questioned the financial implications and was informed that the new structure was expected to cost an additional £60k but the recovery process would bring in £300k and so would not be a burden on the Council's financial budget. **RESOLVED** That the proposed organisational restructure of the parking service and the process for implementation be agreed.
GPCO20.	**PEOPLE STRATEGY 2008-16** The Committee received the report introduced by Stuart Young (Assistant Chief Executive – People and Organisational Development) and Philippa Morris

(Corporate Head of Organisational Development) updating on the progress in delivering the Council's People Strategy 2008 -16.

In response to Councillor Aitken's concerns about staff leaving and claims that the Council's mediation procedures were not working, Steve Davies (Head of Human Resources) explained that a revised Grievance Procedure had been introduced in March 2009 which actively used internal mediation as well as buying-in external facilitators to mediate.

RESOLVED

i. That progress made in delivering against the seven themes of the People Strategy be noted.

ii. That proposals for new or refocused work, detailed below, be noted:
  - Build management and workforce capacity following recent critical Ofsted inspections;
  - Encourage improvement and innovation; good people management; and effective partnership working;
  - Consider the impact of the recession and budget reductions on employee engagement, workforce planning and models of service delivery.

GPCO21. EMPLOYMENT PROFILE 2008-09

The Committee received the report advising of the key workforce statistics for the last financial year, introduced by Steve Davies (Head of Human Resources).

Councillor Griffith asked what strategy was in place to increase the number of black and ethnic minorities in top-earning positions. The Head of Human Resources explained that adverts were placed in appropriate media and search processes were used to try to attract people from minority groups. The Committee noted that the turnover at the top-levels of the workforce was not as high as in lower-levels and so there were fewer opportunities to attract minority groups. The Organisational Development Team ensured that black people were encouraged to attend leadership programmes.

Councillor Khan expressed concerns that 74% of the workforce were women. The Head of Human Resources highlighted that the Council offered a significant number of part-time and flexible roles which benefited women who had families. There were also many "carers" roles which tended to be taken-up by females.

The Chair highlighted that the diversity of recruitment panels were sometimes reflected in appointments and suggested that officers investigate that the best people were recruited to do the jobs within the Council's equal opportunities policy.

RESOLVED

i. That the contents of the Employee Profile Analysis be noted.

ii. That officers should report back to the Committee if evidence found that minority groups were not applying for high-level Council jobs for specific

	reasons.
GPCO22.	**RECRUITMENT& SELECTION PROCESS FOR THE POST OF CHIEF EXECUTIVE** The Committee noted the report outlining the process for recruiting a new Chief Executive. **RESOLVED** That Councillor Meehan be nominated as the member from the General Purposes to take part in the recruitment and selection process, and that the agreed remaining panel participants be noted.
GPCO23.	**ANNUAL GOVERNANCE REPORT** The Committee received the Annual Governance Report of Grant Thornton (the Council's appointed external auditor) introduced by Kevin Bartle (Head of Finance). Caroline Glitre, Paul Hughes and Paul Dossett from Grant Thornton attended the meeting and thanked the Council's officers for their co-operation during the audit process. The Committee noted that there were some amendments to the accounts (which had no impact on the bottom line), but no areas of dispute. The action plan arising from the audit report had been agreed by the Council's management and will be presented to the Audit Committee on 5th November 2009. Councillor Khan expressed concerns that the issue of the control of Alexandra Palace Charitable Trust was not sufficient and that the action plan did not include anything relating to the records and management of the Trust. Gerald Almeroth (Chief Financial Officer) drew the Committee's attention to page 13 of the report which stated that the Council had been assessed as "performing well (level 3)" in the area of managing finances. **RESOLVED** i. That the contents of the report and further verbal updates given from Grant Thornton representatives be noted. ii. That the amendments to be made to the Statement of Accounts 2008/9 be noted and that authority to agree any final amendments be delegated to the Chief Financial Officer.
GPCO24.	**DELEGATED DECISIONS AND SIGNIFICANT ACTIONS** i. **Member Nominations for the Recruitment & Selection Process for the post of Head of Communications & Consultation** **RESOLVED** That the delegated decision report be noted.

	ii. **Recruitment Director of Children & Families post** **RESOLVED** That the delegated decision report be noted.
GPCO25.	**NEW ITEMS OF URGENT BUSINESS** There were no new items.
GPCO26.	**FUTURE MEETINGS** Thursday 22nd October 2009 Tuesday 8th December 2009 Tuesday 2nd February 2010 Tuesday 13th April 2010

The meeting ended at 21:10 hrs

Councillor GEORGE MEEHAN

Chair

SIGNED AT MEETING…….DAY

OF…………………………………

CHAIR……………………………

MINUTES OF THE GENERAL PURPOSES COMMITTEE
THURSDAY, 22 OCTOBER 2009

Councillors Meehan (Chair), Griffith (Vice-Chair), Bloch, Bull and Khan

Apologies Councillors Aitken and Alexander

Also Present: Council officers

MINUTE NO. **SUBJECT/DECISION**

GPCO27.	**APOLOGIES FOR ABSENCE (IF ANY)** Apologies for absence were received from Councillors Aitken and Alexander and an apology for lateness was received from Terence Mitchison (Legal Advisor to the Committee).
GPCO28.	**URGENT BUSINESS** There were no urgent items.
GPCO29.	**DECLARATIONS OF INTEREST** There were no declarations of interest.
GPCO30.	**DEPUTATIONS/PETITIONS** There were no deputations or petitions.
GPCO31.	**MINUTES** The minutes of the meetings of the General Purposes Committee held on 25 June 2009 and 7 July 2009 were agreed as correct records of the proceedings.
GPCO32.	**TREASURY MANAGEMENT - 2ND QUARTER REVIEW** The Committee received the Treasury Management 2nd Quarter and half year ended 30th September performance update report, introduced by Kevin Bartle, Head of Corporate Finance and Colin Duck, Interim Head of Finance, Treasury and Pensions. A report on Money Market Fund accounts (MMFs) was tabled. Officers recommended the use of Money Market Fund accounts to enable further secure investments to be made with the objective of optimising investment returns where possible but keeping risk to a minimum. In response to questions the Committee was informed that other Council's allocated anything from 0-35% in Money Market Funds. Members noted that the Chief Financial Officer had approved the opening of Money Market Fund accounts with Goldman Sachs, Hendersons and RBS in accordance with his delegated authority. In response to Members concerns that the total value of investments in institutions

	was less in October 2009 than in October 2008, officers explained that the reduction reflected the Council's need to utilise surplus cash in order to finance service expenditure and capital spending. The reduction in the total amount was not due to the Icelandic banks investments. Members were provided with an update to the recommendations agreed at the General Purposes Committee held on 7th July 2009. The first recommendation had been to revise the Treasury Management Strategy Statement (TMSS) to include the Clydesdale Bank as a permitted institution for investment purposes. The Head of Corporate Finance explained that within a week of the meeting on 7th July Clydesdale Bank had been downgraded to "negative outlook" therefore the Council did not currently invest in this institution. At the last meeting the officers had made a case for prematurely repaying some Public Works Loans Board (PWLB) debt on "neutral terms" in order to eliminate treasury risk in respect of the commensurate reduction in the available monies for investment. Unfortunately it had not been possible to carry this proposal into effect because gilt yields had fallen, thereby rendering this proposal financially unviable at present. The Committee was also informed that interest rates on "call-accounts" were currently very competitive and funds invested were instantly accessible on notice. **RESOLVED** 3.1 That Council revise section 6.6 of the Treasury Management Strategy Statement (TMSS) to include "call accounts" as Specified Investments. 3.2 That Members note the treasury activity undertaken for the second quarter and half year ended 30 September 2009.
GPCO33.	**NEW ITEMS OF URGENT BUSINESS** There were no items of urgent business.

Councillor GEORGE MEEHAN

Chair

Councillor ……………………………………

Chair

Agenda Item 6

Haringey Council
Agenda item:

General Purposes Committee On 12 January 2010

Report Title.	**Treasury Management Strategy Statement (TMSS) and Investment Strategy 2010/11 to 2012/13; and Treasury Management 3rd Quarter Performance update for the period ended 31 December 2009**
Report of: Signed :	**Chief Financial Officer** **Gerald Almeroth**
Contact Officer :	**Kevin Bartle, Head of Corporate Finance** **Telephone 020 8489 3743**
Wards(s) affected: **All**	Report for: **Non Key Decision**

1. Purpose of the report

1.1. To present the Treasury Management Strategy Statement 2010/11 to 2012/13 to be adopted by the Cabinet and the Council.

1.2. To update the committee on the Council's treasury management activities for the third quarter and period ended 31 December 2009.

2. Recommendations

2.1 That the Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13 is agreed and recommended to the Cabinet and Council for approval.

2.2 That Members endorse in principle the changes to the Council's Constitution described in section 8 of the report and request the Constitution Review Working Group to recommend them, once set out in more detail, to the full Council for adoption.

2.2 That Members note the Treasury Management activity undertaken for the third quarter and period ended 31 December 2009.

3. Reason for recommendation(s)

3.1. To agree a Treasury Management Strategy Statement for 2010/11 to 2012/13 for approval by Cabinet and Council and to seek members endorsement in principle of the proposed changes to the Council's constitution.

3.2. To ensure members are aware of the Treasury Management activities undertaken in the third quarter of 2009/10 and to report on performance.

4. Summary

4.1. This report sets out the Council's Treasury Management Strategy Statement for 2010/11 to 2012/13 and provides a performance review for the third quarter and period ended 31 December 2009.

5. Head of Legal Services Comments

5.1 The Head of Legal Services has been consulted on the content of this report and comments that the recommendations are within the policy agreed by Council and consistent with the purposes of Financial Regulations. In considering the recommendations Members must take into account the expert financial advice available in the report and any further advice given at the meeting of the Committee in relation to the level of risk inherent in the proposals. Certain of the matters described in section 8 of the report will require changes to the Council's Constitution, principally in the Financial Regulations, and these changes will be the subject of a more detailed report to the Constitution Review Working Group and a resulting report to full Council.

6. Use of appendices

- Appendix A (shown as Appendix K to the Financial Planning Report to Cabinet on 26 January 2010) – Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13;
- Appendix B – Investments Performance Indicator.

7. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

- Financial Planning Report for 2009/10 to 2011/12 reported to Council and agreed on 23 February 2009.
- Reports to General Purposes Committee dated 7 July 2009 and 22 October 2009.

For access to the background papers or any further information please contact Kevin Bartle, Head of Corporate Finance, on 0208 489 3743.

8. Treasury Management Strategy Statement and Investment Strategy 2010/11 to 20112/13

8.1 The Council is required to consider an annual Treasury Management Strategy (TMSS) under the CIPFA Code of Practice on Treasury Management, which was adopted by the Council in May 2002. CIPFA has recently issued a revised Code of Practice in response to the turmoil in financial markets which was caused by the 'Credit Crunch'. The Council's revised TMSS attached as Appendix A to this report contains a number of amendments principally concerning scrutiny and reporting requirements. The revised TMSS is recommended to the Cabinet and Council for approval.

The Revised CIPFA Code of Practice on Treasury Management 2009

8.2 There are a number of changes within the new Code which are concerned principally with the status of the Code within Public Service organisations and reporting and scrutiny requirements as follows:

Standing Orders

8.3 CIPFA recommends that local authorities adopt, as part of their standing orders/ financial regulations, the following four clauses:

8.3.1 This organisation (the Council) will create and maintain, as the cornerstones for effective treasury management: -

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- suitable treasury management practices (TMP), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- the content of the policy statement and TMP will follow the recommendation contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

8.3.2 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP.

8.3.3 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the General Purposes Committee, and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMP and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.

8.3.4 The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

8.4 The effect of adopting the above clauses will lead to the following changes to the current reporting arrangements.

8.4.1 **The Council** in addition to agreeing the TMSS and receiving an annual report following closure of the accounts, it is now a requirement of the Code that a mid year review of Treasury Management operations be submitted for consideration.

8.4.2 **The General Purposes Committee** will continue to receive quarterly reports on the implementation and regular monitoring of the treasury management policies and practices. In addition, it will now formulate the TMSS prior to its scrutiny by the Audit Committee and subsequent adoption by the Council.

8.4.3 **The Audit Committee** will assume responsibility for ensuring effective scrutiny of the TMSS prior to its consideration by the Council.

8.5 The Local Government Act 2003 also requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

8.6 The Local Government Act 2003 and the CIPFA Prudential Code introduced a new prudential system for local authority capital finance and came into effect on 1 April 2004. The key objectives of the code are to ensure:

- capital investment plans are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with good professional practice; and,
- fulfilment of the above objectives by setting out prudential indicators that must be set and monitored.

8.7 In line with the suggestion in the ODPM investment guidance, the Treasury Management Strategy Statement and Annual Investment Strategy have been combined into one document. This is set out in full in Appendix A and includes the proposed prudential indicators for 20010/11 to 2012/13.

8.8 The strategy is based upon the Council's Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's external treasury advisor, Arlingclose. The strategy covers:

- background information on the treasury management operation;
- the balance sheet and treasury position;
- the outlook for interest rates;
- borrowing requirement and strategy;
- investment policy and strategy;

- balanced budget requirements;
- the 2010/11 minimum revenue provision (MRP) statement;
- reporting, and,
- other items.

Investment Policy and Strategy

8.9 The annual investment policy forms part of the TMSS set out in the appendix. There are some changes proposed and to be considered which reflect the signs of improvement seen in the financial sector post the 'credit crunch'.

8.10 At present, investments in banks and building societies (on a term, at call or on a certificate of deposit basis) are limited to UK banks and building societies that have a minimum AA- long-term credit rating and F1+ short-term rating and are participants in the UK Government's Credit Guarantee Scheme. This currently limits activity to seven UK institutions all of which have maximum investment limits of £20m at group level and term durations of a maximum of 12 months.

8.11 Following an improvement in market conditions in the financial sector, the Council's treasury advisors, Arlingclose, are presently recommending that in order to diversify the counterparty list, the use of comparable non-UK banks should now be considered for investment.

8.12 The sovereign states whose banks are recommended for inclusion are Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US. The banks selected by Arlingclose have been considered after analysis and careful monitoring of:

- Credit Ratings (minimum long-term AA-)
- Credit Default Swaps
- GDP, net debt as a percentage of GDP
- Sovereign Support Mechanism/potential support from a well resourced parent institution; and,
- Share price.

8.13 Arlingclose has taken into account information on corporate developments and market sentiment towards the counterparties. However, given that these recommendations have only very recently been provided to the Council, officers have not had the opportunity to undertake due diligence into these institutions and consequently are unable to recommend that any of these proposed institutions be added to the counterparty list at present.

8.14 It is anticipated that in-house due diligence will be completed by April 2010, and that subject to a satisfactory outcome to this process, some or all of the potential counterparties be added, potentially on the following cautionary bases:-

- Minimum credit rating AA Long-term F1+ Short Term. This compares to the existing UK Institutions where the Council currently requires a long-term credit rating of a minimum of AA-.

- Maximum exposure to any one institution (or group) of £10m. This compares with the existing UK counterparty limit of £20m per institution (or group).

8.15 At present, the Council has approved investment limits of up to £10m in Money Market Funds with a maximum exposure limit to any one fund of £5m. In accordance with his delegated authority, the Chief Financial Officer, in consultation and with the agreement of the General Purposes Committee, has recently appointed three firms of Money Market Fund managers. These funds have proved particularly useful in the management of the treasury operation in terms of security (short-term high quality paper and deposits), liquidity (immediate recall of cash), thereby reducing external borrowing on a number of occasions, and yield (typically 20 basis points higher than placements with the DMO). It is recommended, therefore, that the maximum total investment in Money Market Funds be increased from £10m to £45m subject to a maximum exposure to any one fund of £15m.

Icelandic Investments

8.16 The administration process for the Icelandic banks in which Council deposits are held is continuing. It is now reported that two interim payments have been received in respect of Heritable Bank amounting to £5,726,195.44 (equivalent to circa 29p in the pound of the deposits with that bank). The position with investments in respect of those held in Glitnir Bank has changed in that the Glitnir Winding Up Board recently decided not to allow priority status to local authorities' deposit claims. A formal objection to this decision has been filed. Further information will be provided to General Purposes Committee and Cabinet once the position is clearer. The position in relation to Landsbanki Bank remains unchanged.

8.17 The government has issued a regulation to allow authorities to defer accounting for the net loss until 2010/11. The latest estimate of the impairment to be charged to the Council's accounts assumes an estimated recovery of 80.6% of the total capital sum invested in all Council Icelandic investments. This amounts to £7.1m and will need to be written off in 2010/11. This can be funded from the capital redemption reserve of £10m. The Council has, however, accounted for interest not received in relation to these investments in 2008/09.

8.18 The DCLG has recently advised that Authorities can request permission to capitalise the losses that may result from the Icelandic investments. Haringey Council has applied for permission to capitalise the costs which would mean that the loss could be financed over a period of up to 20 years from 2009/10.

9. Performance Update – 3rd Quarter and Period ended 31 December 2009

9.1 In accordance with the recommendations contained in the Treasury Management Strategy Statement (TMSS) and approved by the Council on 23 February 2009, there is a requirement to report to members the Treasury Management activity on a half yearly basis. However, reports are now made to GP Committee on a quarterly basis on all significant matters affecting the operation of the TMSS. This third report outlines the Council's treasury management activities for the period ended December 2009.

10. Treasury Management Activities for the Quarter Ended 31 December 2009

10.1 In October 2008, the Chief Financial Officer undertook a risk assessment into the institutions holding council deposits, the results of which prompted a move to revise the Council's approved counterparty list.

10.2 The revised counterparty list was included in the 2009/10 TMSS, was ratified by full Council in February 2009 and incorporates the following:

'The Council will only invest (on a term or certificate basis) in UK banks and building societies that have a minimum AA- long term and F1+ short term credit rating AND are participants in the UK Government's Credit Guarantee Scheme (CGS).'

10.3 This formalised the action already taken to limit the Council's investment activity to the following banks:-

- Abbey National;
- Barclays;
- HSBC;
- Lloyds Banking Group;
- Royal Bank of Scotland; and the following Building Society;
- Nationwide.

In addition investments in the above institutions are restricted to a maximum limit of £20m per institution with a maximum duration of 12 months. Furthermore, investment activity, and thus the counterparty limit, is also limited to the Group concerned. The Council, could not, for example invest £20m in each of Lloyds Bank and the Bank of Scotland given their group relationship.

10.4 The effect of adopting this lending list is set out in Table 1 below which compares the investment portfolio reported by the Chief Financial Officer in October 2008 to the current portfolio profile at 29 December 2009 as follows:

Table 1

Institution	Value Oct 2008 £m	Maturity dates	Value 29 Dec 2009 £m	Maturity dates
UK Banks	1.5	Oct 08	64.9	Dec 09 – Apr 10
UK Building Societies	58.7	Oct 08 – Aug 09	10.0	Nov 09
Irish Banks	61.1	Oct 08 – Jun 09	0	n/a
Irish Building Societies	12.0	Oct 08 – Feb 09	0	n/a
Other Non – UK Banks	23.4	Oct 08 – Nov 09	0	n/a
Money Market Funds	0		10.0	30 Dec 09
Debt Management Office	0		6.3	30 Dec 09
TOTAL	**156.7**		**91.2**	

Note: This table includes Pension Fund but excludes Icelandic investments.

10.5 It can be seen from the table, the significant impact that the revisions to the TMSS has had. This includes eliminating the exposure to Irish building societies and banks and other non-UK banks. In addition, investments in UK building societies have been reduced by £48.7m to £10m. These reductions have been matched by compensating increases in the exposure to UK banks, money market funds and the government's Debt Management Office (DMO). The DMO is an investment facility operated by the UK government which has the highest security rating but conversely pays a very low interest rate in comparison to other institutions. A list of all outstanding deposits is set out at Appendix B.

10.6 The security of investments remains the principal investment objective for this authority. Appendix B sets out a performance indicator, which has been developed in conjunction with the treasury management advisors, and provides a credit rating based objective scoring analysis.

10.7 The credit risk scores of 3.5 (value weighted average) and 4.0 (time weighted average) indicate a low level of security risk based on the methodology adopted by our treasury advisors as set out at the foot of the table as follows:

Above target (AAA to AA+, Score 0-2)
Target score (AA to A+, Score 3-5)
Below target (below A+, Score over 5)

Credit risk scores 2009/2010

	1st quarter as at 30 Jun 09	2nd quarter as at 30 Sep 09	3rd quarter as at 31 Dec 09
Value Weighted	4.3	3.5	3.5
Time Weighted	4.3	4.0	4.0

10.8 On this basis, Haringey is within the target range. The scores achieved in this quarter are similar to those reported in quarter 2 but show an improvement over those reported in quarter I of 4.3 and 4.3 respectively.

10.9 Although the Council has adopted a more prudent stance in respect of the treasury management function it has still been possible to out perform the investment performance indicator over the eight months (ended November) of 2009/10 as follows:

Target:	0.5% above Base Rate
Actual Investment performance:	0.6338% above Base Rate

Interest Rate Outlook

10.10 The TMSS is predicated on interest rate forecasts provided by the Council's Treasury Management advisors, currently Arlingclose. The latest forecast compared to the version used in the estimates is shown as Annex 3 to Appendix A (Appendix K to the Cabinet Financial Planning report). It can be seen that the base rate is now forecast to remain constant at 0.5% until September 2010 but could rise by a series of phased increases to 4% by December 2011. The interest rate outlook is important because it affects borrowing decisions and the term of future investments and hence the capacity to maximise interest earned. The Council would not, for example, want to invest for periods in excess 12 months given that the rates are likely to increase in the medium term.

Interest Earned in the period ended 30 September 2009

10.11 The interest earnings in the third quarter are forecast to amount to £0.135m, making £1.275m for the year to date. The budget for investment income in 2009/10 is £2 million. Based on a forecast of earnings for the fourth quarter to 31 March 2010 it is likely that the total investment income for 2009/10 will amount to approximately £1.35m. The shortfall of £0.65m (compared to the estimate of £2m) is due to the pattern of investment replacement, i.e. new deposits are being made at lower rates than those maturing and capital expenditure which is currently being financed by revenue balances pending long-term borrowing.

11. Recommendations

11.1 That the Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13 is agreed and recommended to the Cabinet and Council for approval.

11.2 That Members endorse in principle the changes to the Council's Constitution described in section 8 of the report and request the Constitution Review Working Group to recommend them, once set out in detail, to the full Council for adoption.

11.3 That Members note the Treasury Management activity undertaken for the third quarter and period ended 31 December 2009.

Appendix A

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

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drivers of Treasury Management Activity. The estimates, based on the current Revenue budget and Capital Programmes, are set out below:

	31 Mar 10 Estimate £000	31 Mar 11 Estimate £000	31 Mar 12 Estimate £000	31 Mar 13 Estimate £000
CFR	677,587	718,766	777,471	822,697
Balances & Reserves	18,025	15,687	16,076	16,076
Net Balance Sheet Position	659,562	703,079	761,395	806,621

2.2. The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Annex 1. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position.

2.3. As the CFR represents the level of borrowing for capital purposes and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of its invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements.

2.4. The move to International Financial Reporting Standards (IFRS) has implications for the Capital Financing Requirement components on the Balance Sheet. Analysis of the Council's Private Finance Initiative (PFI) schemes and Operating leases against IFRS requirements may result in the related long term assets and liabilities being brought onto the Council's Balance Sheet. The estimates for the CFR and Long Term Liabilities will therefore need to take into account such items. This will influence the determination of the Council's Affordable Borrowing Limit and Operational Boundary.

2.5. The Department for Communities and Local Government has recently consulted on proposals to reform the council housing subsidy system. The proposed Self-financing option would require a one-off reallocation of housing debt. As the consultation period has only recently ended and the mechanism for debt transfer has not been determined, the estimates set out in this strategy do not take into account any potential debt transfer that may arise in future years.

3. Outlook for Interest Rates

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Annex 3. Financial markets remain reasonably volatile as the structural changes necessary within economies and the banking system evolve. This volatility provides opportunities for active treasury management. The Council will reappraise its strategy from time to time and, if

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

4.5. The Council's strategy is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

4.6. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources identified in the Treasury Management Practices Schedules – up to the available capacity within its CFR and Affordable Borrowing Limit (defined by CIPFA as the Authorised Limit).

The outlook for borrowing rates:

4.7. Short-dated gilt yields are forecast to be lower than medium and long-dated gilt yields during the financial year. Despite additional gilt issuance to fund the UK government's support to the banking industry, short-dated gilts are expected to benefit from expectations of lower interest rates as the economy struggles through a recession. Yields for these maturities will fall as expectations for lower interest rates mount.

4.8. The differential between investment earnings and debt costs, despite long term borrowing rates being around historically low levels, remains acute and this is expected to remain a feature during 2010/11. The so-called 'cost of carry' associated with long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short-term costs. It is not surprising that the use of internal resources in lieu of borrowing has been the most cost effective means of financing capital expenditure but, at some stage, internal resources will become depleted and require topping up.

4.9. PWLB variable rates have fallen below 1%. They are expected to remain low as the Bank Rate is maintained at historically low levels to enable the struggling economy emerge from the recession. Against a backdrop of interest rates remaining lower for longer and a continuation of the 'cost of carry' backdrop, then a passive borrowing strategy i.e. borrow long term funds as they are required, may remain appropriate. Equally, variable rate funds (that avoid the cost of carry) or EIP (equal instalments of principal) that mitigate the impact are both active considerations.

4.10. Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. When longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.

4.11. The PWLB remains the preferred source of borrowing given the transparency and control that its facilities continue to provide.

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.
- The CLG's recent (draft) revised Guidance on investments, reiterates security and liquidity as the primary objectives of a prudent investment policy.

The speculative procedure of borrowing purely in order to invest is unlawful.

6.3. Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Potential instruments for the Council's use within its investment strategy are contained in Annex 4.

6.4. The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength including monitoring of credit default swaps, share price movements and press comment.

6.5. The Council's current level of investments is presented at Annex 1.

Investment Strategy

6.6. The global financial market storm in 2008 and 2009 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget.

6.7. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income. The Council's strategy must however be geared towards this development whilst adhering to the principal objective of security of invested monies.

6.8. The Chief Financial Officer under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the General Purposes Committee on a quarterly basis.

Investments managed in-house:

6.9. The Council's shorter term cash flow investments are made with reference to the outlook for the UK Bank Rate and money market rates.

6.10. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Agency Deposit Facility.

6.11. Currently the Council has restricted its investment activity to:

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure)
- AAA rated Money Market Funds with a Constant Net Asset Value (CNAV)

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recently appointed three firms of Money Market Fund managers. These funds have proved particularly useful in the management of the treasury operation in terms of security (short-term high quality paper and deposits), liquidity (immediate recall of cash), thereby reducing external borrowing on a number of occasions, and yield (typically 20 basis points higher than placements with the DMO). **The maximum total investment in Money Market Funds is increased from £10m to £45m subject to a maximum exposure to any one fund of £15m. Annex 4 reflects this change.**

6.18. To protect against a prolonged period of low interest rates, 1-year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Annex 4). The longer-term investments will be likely to include:

- **Supranational bonds (bonds issued by multilateral development banks):** The joint and individual pan-European government guarantees in place on these bonds provide security of the principal invested. Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.

- UK government guaranteed bonds and debt instruments issued by banks/building **societies**: The UK Government's 2008 Credit Guarantee Scheme permits specific UK institutions to issue short-dated bonds with an explicit government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option.

Investments which constitute capital expenditure

6.19. Investments meeting the definition of capital expenditure can be financed from capital or revenue resources. They are also subject to the CLG's Guidance on "non-specified investments". Placing of such investments has accounting, financing and budgetary implications. Whilst it is permissible to fund capital investments by increasing the underlying need to borrow, it should be noted that under the CLG's MRP Guidance, MRP must be applied over a 20 year period.

6.20. The Council has determined a maximum of £60m limit to investments which constitute capital expenditure.

6.21. All investment activity will comply with the accounting requirements of the local authority SORP.

7. Balanced Budget Requirement

7.1. The Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

8. 2010/11 MRP Statement

8.1. For many years local authorities have been required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP).

each year, or

(b) Annuity: where the principal repayments increase over the life of the asset

8.9. MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.

8.10. The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

8.11. If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.

8.12. In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made.

Option 4 - Depreciation Method

8.13. The deprecation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.

Conditions of Use

8.14. The CLG Guidance puts the following conditions on the use of the four options:

Options 1 and 2 can be used on all capital expenditure incurred before 1 April 2008 and on Supported Capital Expenditure on or after that date.

Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1 April 2008.These options can also be used for Supported Capital Expenditure whenever incurred.

Policy

8.15. The policy will be to use **Option 1** (Regulatory Method) for supported borrowing and **Option 3** (Asset Life Method) for unsupported borrowing.

9. Reporting on the Treasury Outturn

The Chief Financial Officer will report on treasury management activity/ performance as follows:

(a) Quarterly to the General Purposes Committee against the strategy approved for the year.
(b) The Council will receive a mid-year report and an outturn report on its treasury

Appendix A

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

ANNEX 1

EXISTING PORTFOLIO PROJECTED FORWARD

	Portfolio at 31 March 09 £000	31 Mar 10 Estimate £000
External Borrowing:		
Fixed Rate – PWLB	508,611	543,902
Fixed Rate – Market	125,000	125,000
Variable Rate – PWLB	-	-
Variable Rate – Market	-	-
Other long-term liabilities	42,984	38,403
Total External Debt	676,595	707,305
Investments:		
Managed in-house		
Deposits and monies on call	109,457	65,000
Total Investments	109,457	65,000
Net Borrowing position	567,138	642,305

Appendix A

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code.

4.2 The ratio is based on costs net of investment income.

No. 3	Ratio of Financing Costs to Net Revenue Stream	2009/10 Approved %	2009/10 Revised %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
	Non-HRA	5.20	5.35	4.67	4.35	4.37
	HRA	33.59	32.77	33.39	32.47	30.85

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure.

No. 3	Capital Financing Requirement	2009/10 Approved £000	2009/10 Revised £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000
	Non-HRA	226,850	228,256	229,702	238,874	242,600
	HRA	449,242	449,331	489,064	538,597	580,186
	Total CFR	**676,092**	**677,587**	**718,766**	**777,471**	**822,786**

5.2 The year–on-year change in the CFR is due to the following

Capital Financing Requirement	2009/10 Revised £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000
Balance B/F	642,926	677,587	718,766	777,471
Capital expenditure financed from borrowing (per 3.2)	43,898	50,309	67,893	54,870
Revenue provision for debt Redemption.	(9,237)	(9,130)	(9,188)	(9,555)
Other items				
Balance C/F	**677,587**	**718,766**	**777,471**	**822,786**

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Chief Financial Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet and Council.

No.7	Operational Boundary for External Debt	2009/10 Approved £000	2009/10 Revised £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000
	Borrowing	870,419	870,870	871,046	871,232	871,428
	Other Long-term Liabilities	4,581	4,130	3,954	3,768	3,572
	Total	**875,000**	**875,000**	**875,000**	**875,000**	**875,000**

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted and will continue to adopt the principles of best practice.

No. 8	Adoption of the CIPFA Code of Practice in Treasury Management
	The Council approved and will adopt the new CIPFA Treasury Management Code 2009 at its meeting in February 2010.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on a net interest paid basis (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments)

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

		2009/10 Approved %	2009/10 Revised %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
No. 9	Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100
No. 10	Upper Limit for Variable Interest Rate Exposure	40	40	40	40	40

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

Appendix A

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Official Bank Rate										
Upside risk				+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**0.50**	**0.50**	**0.50**	**0.50**	**1.00**	**1.50**	**2.25**	**3.00**	**4.00**	**4.00**
Downside risk					-0.50	-0.50	-0.50	-0.25	-0.25	-0.25
1-yr LIBID										
Upside risk				+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**1.25**	**1.25**	**1.25**	**1.50**	**2.00**	**2.75**	**3.50**	**4.00**	**4.25**	**4.25**
Downside risk					-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**2.60**	**2.70**	**2.80**	**2.90**	**3.00**	**3.25**	**3.50**	**3.75**	**4.00**	**4.25**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
10-yr gilt										
Upside risk			+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	**3.60**	**3.75**	**3.75**	**4.00**	**4.00**	**4.25**	**4.25**	**4.50**	**4.50**	**4.75**
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
20-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25	+0.25
Central case	**4.10**	**4.25**	**4.50**	**4.75**	**4.75**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Downside risk		-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
50-yr gilt										
Upside risk	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	**4.00**	**4.25**	**4.50**	**4.50**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- The recession has taken a toll on global economies which are past the worst but still vulnerable. The recovery in growth is likely to be hesitant and uneven, more "W" than "V" shaped.
- The pace and sustainability of UK recovery is still very uncertain; policy rates will remain low for some while. Gilt yields are increasingly volatile and will remain so.
- The Federal Reserve will keep policy rates on hold for an extended period. The ECB will only hike rates after a durable upturn in growth.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

ANNEX 4

Specified and Non Specified Investments

Specified Investments identified for use by the Council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the "high" credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

For credit rated counterparties, the minimum criteria will be the short-term / long-term ratings assigned by:

Long Term Minimum	AA-
Short term	FI+

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

Appendix A

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

Non-Specified Investments determined for use by the Council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	In-house use	Maximum maturity	Capital expenditure?	Maximum Counterparty Limit
Gilts and bonds ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government, e.g. GEFCO ▪ Sterling denominated bonds by non-UK sovereign governments	✓ (on advice from treasury advisor)	*6 years*	No	£60m
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies (e.g. govt bonds issued by HBOS / RBS / Nationwide, etc)	✓	*6 years*	Yes	£60m

Note: In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

Appendix B

29/12/2009

INSTITUTION:	Group	Principal	Matures	Days to maturity	Rate	**Credit rating** (source Bloomberg)	**Credit Risk Score**
(a) Outstanding deposits							
Abbey Time Deposits	Santander	£5,125,000.00	04/01/2010	6	0.54%	AA-	4
Abbey -call account	Santander	£770,000.00	30/12/2009	1	0.80%	AA-	4
Abbey -call account	Santander	£525,000.00	30/12/2009	1	0.80%	AA-	4
Abbey -call account	Santander	£13,500,000.00	30/12/2009	1	0.80%	AA-	4
Lloyds	Lloyds Banking Group	£5,000,000.00	06/04/2010	98	1.32%	AA-	4
Lloyds	Lloyds Banking Group	£5,000,000.00	30/04/2010	122	1.33%	AA-	4
Lloyds	Lloyds Banking Group	£5,000,000.00	08/01/2010	10	1.65%	AA-	4
Lloyds	Lloyds Banking Group	£5,000,000.00	27/01/2010	29	0.50%	AA-	4
Nationwide Building Society		£6,750,000.00	04/01/2010	6	0.41%	AA-	4
Nationwide Building Society		£3,200,000.00	18/01/2010	20	0.41%	AA-	4
Goldman Sachs Money Market Fund		£5,000,000.00	30/12/2009	1	0.50%	AAA	1
Hendersons Money Market Fund		£5,000,000.00	30/12/2009	1	0.50%	AAA	1
RBS	RBS	£5,000,000.00	03/03/2010	64	0.98%	AA-	4
Barclays	Barclays	£5,500,000.00	18/01/2010	20	0.53%	AA-	4
Barclays	Barclays	£4,500,000.00	29/01/2010	31	1.09%	AA-	4
Barclays	Barclays	£10,000,000.00	15/01/2010	17	1.25%	AA-	4
DMO		£6,349,000.00	30/12/2009	1	0.25%	AAA	1
Total		**£ 91,219,000**		22/01/2010	0.817%		
Number of deposits		**17**					
Value Weighted Average		£ 5,365,824				AA	3.5
Time Weighted Average				24		AA-	4.0

Credit risk scored 1 - 10 : 1 = strongest rating lowest risk, i.e. AAA, through to 15 = lowest credit rating, highest risk, i.e. D
Non-rated. non-guaranteed institutions score 11

Above target (AAA to AA+ Score 0-2)
Target (AA to AA+ Score 3-5)
Below target (Anything less than A+ Score above 5)
On this basis, Haringey is in the middle of the tagret range

Agenda Item 7

Haringey Council

General Purposes Committee **On 12 January 2010**

Report Title. **Fixed Rate Overtime for School Site Managers – Review**

Report of: **Ian Bailey, Deputy Director, Business Support and Development, The Children and Young People's Service**

Date 16 December 2009

Contact Officer : **Carmelina Tona, Head of Schools' Personnel, 020 8489 3259**

Wards(s) affected: **ALL**	Report for: **Key decision**

1. **Purpose of the report**

   1.1. To agree a revised fixed overtime rate from 1 April 2009, for school site managers.

2. **State link(s) with Council Plan Priorities and actions and /or other Strategies:**

   2.1. Links with People Strategy – Ways of Working theme to get the best out of our people and support continued and sustained improvement in our schools

3. **Recommendations**

   3.1. That the committee agrees to the rate retrospectively increasing from 1 April 2009 to £7.70 and £10.50 respectively and thereafter will be increased in line with pay awards.

4. **Reason for recommendation(s)**

   4.1. This rate has not been reviewed in line with any cost of living increases since 2005

5. Other options considered

5.1. Leaving the rates unchanged, but as this is contractual overtime there may be a possibility of claims being made for not fully implementing the pay awards since 2005.

6. Summary

6.1. School Site Managers have had a long established fixed overtime rate which covers the work associated with opening and closing school premises, when they are let out to other organisations outside normal school hours.

6.2. The rate is currently £7 an hour for Monday to Saturday and £9.50 for Sunday.

6.3. This will affect all School Site Managers across Haringey Schools.

6.4. The increase would mean an average increase in the claims over a year of approximately £90 for those claiming the lower rate and £38 for those claiming the higher rate.

7. Chief Financial Officer Comments

7.1 The Chief Finance Officer has been consulted in the preparation of this report and comments that schools have delegated budget shares that cover the payment of salaries, including site-managers' overtime, when incurred on a school's core activities.

7.2 Site-managers' may also work overtime when an external party hires school buildings. Section 5.1 of Haringey Council's Scheme for Financing Schools requires that costs associated with such external hires are not charged to a school's budget share but are fully recovered from the income levied. The proposed backdated increase may lead to a situation where the cost of a hire is now, in retrospect, not covered by the income recovered and as such there is a risk that a central provision is necessary to meet the cost of any claims made, given that this change is being proposed by the authority.

8. Head of Legal Services Comments

8.1 The Head of Legal Services has been consulted on the content of this report and has no specific comment to make concerning the proposed changes to the fixed overtime rate, other than to note that the new rate has been agreed with the trade unions.

9. Head of Procurement Comments –[Required for Procurement Committee]

9.1. Not applicable.

10. Equalities &Community Cohesion Comments

10.1. These changes proposed arise out of discussions with unions and staff following the single status agreement. It is felt that the overtime rate should change to more closely align and keep track with pay changes, following the single status equal pay agreement.

11. Consultation

11.1. The relevant unions have been consulted and the new rates agreed with them

12. Service Financial Comments

12.1. There are no direct financial implications arising from this report for the CYPS service.

13. Use of appendices /Tables and photographs

13.1. None

14. Local Government (Access to Information) Act 1985

No documents that require to be listed were used in the preparation of this report

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Haringey Council

General Purposes Committee **On 12 January 2010**

Report Title. **Restructure and Redeployment Policy Update**

Report of **Assistant Chief Executive (People & OD)**

Signed :

Contact Officer : Steve Davies, x3172, steve.davies@haringey.gov.uk

1. Purpose of the report

1.1. To approve the principles of change to the Redeployment and Restructuring policies that will be discussed with the unions and delegate authority to negotiate the changes to the Head of Human Resources.

2. Introduction by Cabinet Member (if necessary)

2.1. (Not necessary)

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. Not applicable.

4. Recommendations

4.1. To delegate authority to the Head of HR to negotiate changes to the Restructuring and Redeployment policies with the trade unions.

5. Summary

5.1. The main principles of the redeployment policy update will include

- A variable approach to managing the redeployment search period and redundancy notice periods for redeployees.
- Redeployees will be skills matched to posts and placed into a post for a trial period. If this is unsuccessful they will be redundant.
- Trial periods may last between 8 – 16 weeks depending on the complexity of the job.

5.2 The main principles of the restructure policy update will include

- All requests for redundancy will be managed and there will be no wide spread calls for volunteers for redundancy.
- Whilst every effort will be made to retain displaced staff, it is recognised that it may not be possible to do so in the current climate.
- Employees who do not co-operate in the redeployment process jeopardise elements of their redundancy payment.
- Job families will be created to improve the flexibility of staff movement.

6. Chief Financial Officer Comments

6.1. The Chief Financial Officer has been consulted over the contents of this report and has no additional comments to make.

7. Head of Legal Services Comments

7.1. The Head of Legal Services has been consulted on the contents of this update report and has no specific comments to make other than to note that there are ongoing negotiations with the Trade Unions with a view to agreeing final changes to the policy.

8. Equalities &Community Cohesion Comments

8.1. Equalities impact assessments are currently being undertaken. Information from the assessment will be fed into the final review and negotiations

9. Consultation

9.1 The Head of HR has already met with the trade unions in order to open discussions on changes to the Restructuring and Redeployment policies, and these will continue.

10. Service Financial Comments

10.1. At this point in negotiations it is difficult to predict if there will be any savings resulting from the changes, although there may be some arising from changes to redundancy payments if people do not co-operate with the redeployment process.

11. Local Government (Access to Information) Act 1985

No documents that require to be listed were used in the preparation of this report.

12. Principles to be included in the new Redeployment Policy

Introduction

1. Budget cuts are likely to result in an increased number of restructures resulting in posts being cut and therefore an increased number of employees being referred for redeployment.

2. There is also likely to be reduction in the number of vacancies being advertised and therefore fewer opportunities for redeployment.

3. The current redeployment policy allows between 4 – 12 weeks redeployment followed by a notice period of up to 12 weeks depending on length of service. Therefore up to 6 months between the job being lost and the member of staff leaving the organisation if redeployment is unsuccessful.

4. The current focus of the policy is to match redeployees to internal vacancies. With less recruitment and more redeployees, the focus should shift to maximising opportunities from vacancies by using trial periods. Some additional outplacement support may also be required.

Principles of new policy

1. The redeployment search period will be made more flexible. At present it last up to 12 weeks, although in practice 12 weeks is nearly always given. It is proposed to make the period more flexible according to likelihood of placement and to align it more closely with the redundancy notice.

2. An extension to the agreed redeployment/notice period may only be requested once for sound business reasons and be for a defined period. The Head of HR will decide whether to agree the request.

3. Employees should only be referred for central redeployment once all ring fence interviews have been held and decisions made (the completion of a reorganisation).

4. It is proposed to pro-actively match redeployees to posts based on skills assessment. At present the redeployee applies for posts they think they are suited for and they are then interviewed, although are not always successful. Instead matched redeployees will be given a trial period of between 8 – 16 weeks

depending on the complexity of the job. A final decision regarding suitability of redeployee to post will be made by the line manager at the end of the assessment.

5. Where a vacancy requires a Criminal Records Bureau (CRB) disclosure and the redeployee does not have one, the line manager must undertake to closely monitor and supervise the redeployee during his/her period of assessment. A Waiver Form may be completed to cover the assessment period and duties amended accordingly. If the assessment period is successful and a Haringey CRB is applied for, the period of assessment must be extended until the CRB is received and is considered satisfactory.

6. If an Independent Safeguarding Authority check is required, this must be requested and received before the period of assessment can begin.

7. If two or more redeployees are matched to a vacancy, a competitive interview will be arranged to determine which undertakes the trial period.

8. A factual Statement of Employment History prepared by HR which will be given to managers when the assessment period begins. The Statement will contain sickness information and "unspent" disciplinary information and will be for information only.

9. The redeployee will be closely monitored (with assessment following along similar lines to probation) during their assessment period to enable an informed decision about whether to redeploy on a permanent basis.

10. The redeployee will have a right of appeal against a decision to fail their trial period.

11. In the cases of medical redeployees or redeployees who have a disability, Occupational Health must confirm that any adjustments identified are reasonable & can be implemented in the new role before the placement begins.

12. Additional job search skills workshops will be available for redeployees to help them find work outside the council.

13. Currently, if a redeployee is successful in being seconded to a post or secures a temporary post for up to 12 months, their substantive business unit is responsible for meeting redundancy costs. If the temporary post lasts for 12 months or more redundancy costs are met by the new business unit.

14. If an employee has been suspended for gross misconduct they are temporarily suspended from the redeployment register and remain in their substantive post (or an alternative identified by their substantive business unit) until the formal action is concluded. The redeployment period will recommence if they return to work.

13. Principles to be included in the new Restructuring Policy

Introduction

The Organisational Change / Redundancy policy (to be called Restructuring Policy) was last updated in November 1997 and is now in need of revision.

The new policy has not substantially changed the spirit of the original document, instead it seeks to bring it up to date, and where necessary, make amendments in line with legislative changes and changes which have taken place within the council in the past 12 years.

Principles of the Restructuring Policy

1. In the current climate and for the foreseeable future, budgets will be tightened and business units will be seeking efficiency savings. Restructuring is a method of achieving these aims, although it is recognised that it may have an impact on the job security of some employees. The council will not seek volunteers for redundancy but it can no longer aim to avoid compulsory redundancies, instead it aims to minimise the effect of redundancies by employing a variety of methods including redeployment, freezing recruitment, or reducing or restricting non-essential overtime and the need for agency staff where appropriate.

2. It is proposed to utilise a variety of methods for selecting people for posts and redundancy including interviews, management assessment, psychometric tests and practical job related tests.

3. To carry out the assessments, at least two managers will be involved, one being the line manager of the assessed and the second to be another manager who is unconnected with the process. Advice on assessments will be provided by HR in all cases.

4. Due to changes to the pension scheme, the council no longer offers added years in the case of redundancy.

5. It is proposed to look at the redundancy payment calculation. At present redundancy payments are based on continuous service, up to a maximum of 20 years and are based on the weekly rate of pay. The council currently use the statutory redundancy calculation and also give one additional weeks pay for each year of continuous local government service (up to a maximum of 20 weeks). It is proposed that where a redeployee has not co-operated with the redeployment process they will jeopardise their redundancy payment.

6. The position of employees in 'Acting up' situations will be clarified. It is proposed

that regardless of how long an employee has been 'Acting up' they will be included in a ring fence with other staff based on their substantive grade (i.e. not their 'acting up' grade).

7. We intend to create job families for certain jobs/ occupations to allow greater flexibility of movement of staff within certain job families, e.g. accountancy, administrative.

Agenda Item 9

Haringey Council

General Purposes Committee **On 12 January 2010**

Report Title. **Recruitment Policy Update**
Report of **Assistant Chief Executive (People & OD)** Signed :
Contact Officer : Steve Davies, x3172, steve.davies@haringey.gov.uk
1. Purpose of the report 1.1. To approve the principles of change to the Recruitment policy that will be discussed with the unions and delegate authority to negotiate the changes to the Head of Human Resources.
2. Introduction by Cabinet Member (if necessary) 2.1. (Not necessary)
3. State link(s) with Council Plan Priorities and actions and /or other Strategies: 3.1. Part of Haringey Value for Money review of recruitment advertising.
4. Recommendations 4.1. To delegate authority to the Head of HR to negotiate changes to the Recruitment policy with the trade unions.

5. Summary

5.1 The recruitment policy is being updated to incorporate a number of changes to make the recruitment process easier and more cost effective to manage. By pushing more advertising on line the council can save at least £200k per annum, and by pushing more on line applications approx £70k can be saved in response handling costs.

5.2 It is proposed to make it easier for managers to access training, and improved safeguarding arrangements have been incorporated in the policy. Requesting one employment reference will reduce the recruitment timescale which will benefit both the applicants wishing to start with the council and managers wanting them to start as soon as possible.

6. Chief Financial Officer Comments

6.1. The Chief Financial Officer confirms that directorate budgets have been reduced pro-rata by £200k following the decision to move to on-line advertising. It is expected that the estimated £70k saving from avoiding response handling costs once all applications are made on line, will be achieved as of April 2010 by further reducing directorate budgets pro-rata.

7. Head of Legal Services Comments

7.1. The Head of Legal Services has been consulted on the contents of this report and has no comments to make concerning the proposed changes to the recruitment policy.

8. Equalities &Community Cohesion Comments

8.1. An equalities impact assessment is currently being undertaken. Information from this will be fed into the review of the policy and the final negotiations.

9. Consultation

9.1. The Head of HR has already met with the trade unions in order to open discussions on changes to the Recruitment policy, and these will continue

10. Service Financial Comments

10.1. Recruitment Advertising analysis has been carried out with a view to reducing the spend on advertising by at least £200K per annum across the council. In order to help achieve this Chief Executive Management Board have agreed that from 1 October 2009 advertising campaigns will primarily be on line only, with exceptions subject to Director level approval.

10.2. By pushing applications on line the council can save approx £70k per annum in response handling costs.

11. Local Government (Access to Information) Act 1985

No documents that require to be listed were used in preparation of this report.

12. Principles of the Recruitment Policy Update

Introduction

Modernising recruitment was identified as part of the recent value for money review. Recruitment is traditionally a resource intensive process, reviewing the process will produce considerable cost savings and will also improve the candidate experience and make it better for managers to use. The aim will be to make the process user friendly, easier & quicker to complete.

The main changes to the policy are outlined below.

Policy Principles

1. Advertising

1.1 The recruitment process has traditionally been paper based in terms of both advertising and applying. As more organisations move their advertising online, the decline in print advertising is increasing the cost of using print media for recruitment advertising. Therefore it is proposed to push more advertising to online media only and utilise print media more for generic attraction to the Haringey website for jobs. This will include regular adverts in Haringey People. Exceptions to online advertising will need to be signed off by the Director with an appropriate business case.

2. Job Search Vacancy Bulletin

2.1 The current Job Search bulletin carries the full text of each vacancy along with reply details. The bulletin is produced fortnightly and paper copies are sent to public council offices. The average annual cost of producing the bulletin is £24,000 (average £1,000 per copy for printing and distribution) and is resource intensive in paper and time taken each fortnight to produce it. It is proposed to replace the full bulletin with a shortened jobs listing that will identify the job title, pay and brief 2-3 line job description. This will be produced and distributed to council offices & libraries as it is now, but because it will be a shorter document this will save on printing and environmental costs. A full bulletin will be available on the council's website for applicants.

3. Application Forms

3.1 The majority of applications are already received online (over 96%) and therefore it is proposed to push more applications to online. Applicants can still request postal applications if they wish and they will still be handed out to potential applicants at job fairs and specific recruitment events for multiple jobs e.g. cleaners, homecarers.

3.2 This proposal will also help to meet the council's objective of becoming greener and more cost effective.

3.3 Paper application forms can still be provided in an alternative format for any disabled candidates who request them.

3.4 The closing date for normal recruitment vacancies will be on Sunday. This will give applicants additional time to compete their form (paper based application forms usually had to be received by Friday). Managers will be able to access applications on Monday morning rather than wait for 48 hours after the closing date for paper applications to be uploaded to the system.

4. Employment References

4.1 In general, only one employment reference will be required from the candidate's current (or last employer if not currently working). The reference should cover a continuous period of 12 months and a second employment or other reference should be sought to cover this period if necessary. Where employment references are currently sought which cover a 5 year period (i.e. Social Workers), the process will not change.

4.2 Where applicants do not have a current or previous employer (e.g. college or school leavers, those returning to work after a period of time caring for children or relatives, or apprentices) a personal or similar reference can be accepted. For example, this may be either from an employment advisor, from a school or college tutor or from someone who knows the candidate well.

4.3 If the recruiting manager believes that it is prudent to do so, one or more additional references may be sought before a final appointment decision is confirmed.

5. Safeguarding Initiatives

5.1 Additional safeguarding measures have been introduced in the Directorate of Children & Young People. All short listed candidates complete a Safeguarding Form which is handed to the chair of the interview panel; any items which cause concern are discussed with the candidate who is told that written follow up enquiries will be made with the authority concerned. If the candidate is the preferred candidate, the appointment decision is delayed until further information is received and discussed with the candidate concerned.

5.2 The form asks candidates various details including whether or not they have had any child or children in their household or their care subject to an investigation; or placed on a child protection register or taken into care. It also asks if they have been involved in an adult protection case. The form also seeks confirmation of whether or not the candidate has ever been disqualified from working with children or whether they have been involved in a disciplinary investigation or had an employment contract terminated or been disqualified for any professional body.

5.3 In addition, following the receipt of a reference, the recruiting manager is expected to make verbal contact with the writer to verify their status and relationship to the candidate and to check that the information provided is the information which they gave. Verbal verification also gives the opportunity to clarify any points if necessary. A written note is kept of the conversation and a copy retained on the candidate's personal file.

6. Recruitment & Selection Training

6.1 In house training relating to recruitment and selection is providing by the OD team. As a minimum requirement the Chair of the panel must have received recruitment & selection training from Haringey. This training may take the form of either a Haringey training course; or the Haringey E-recruitment course may be undertaken if the Chair has already received public sector recruitment & selection training elsewhere. A list of trained recruiters will be kept.

7. Composition of the Interview Panel

7.1 Where possible, the panel should be balanced in terms of gender and ethnicity. However, it is recognised that due to the availability of managers that this may not always be achievable. The most important aspect is that the recruitment panel should be committed to and understand the council's equal opportunities policy.

7.2 An interview panel should comprise 3 people where possible, a Chair with the authority to appoint, the line manager for the vacancy and one other. In exceptional circumstances, interviews may go ahead with a Chair and one other but two is the minimum allowable. If one panel member has to withdraw part way through the process (i.e due to illness or unforeseen business emergency), the interviews should proceed with only 2 panel members rather than cause unnecessary delays to the process and inconvenience to candidates by spending time finding a replacement.

8. Overseas Applicants.

8.1 This section of the policy will be updated in line with the recent legislative changes regarding employment of overseas workers and the introduction of the system of employer sponsorship.

8.2 The new legislation requires the employer to sponsor the migrant worker before they enter the UK. Once the sponsorship certificate has been issued by the employer, the migrant worker applies for leave to work in the UK before leaving their own country. A decision is made based on a points system and if a visa is granted the worker will be given leave to enter and work in the UK for a time limited period. Only certain jobs are eligible to be considered under this scheme, e.g professional jobs in shortage areas such as social workers.

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Haringey Council

General Purposes Committee **On 12 January 2010**

Report Title. **Disciplinary Procedure update in accordance with recent employment Case Law**

Report of **Stuart Young, Assistant Chief Executive (People & OD)**

Date

Contact Officer : **Steve Davies, Head of Human Resources, 020 8489 3172**

Wards(s) affected: **ALL**	Report for: **Key decision**

1. Purpose of the report

1.1. To approve the update of the Disciplinary Procedure in light of changes to employment case law.

2. Introduction by Cabinet Member – Cllr Bob Harris

I concur with the recommendations.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. Links with People Strategy – Ways of Working theme to get the best out of our people and support continued and sustained improvement in performance and reviewing HR Policies and Procedures.

4. Recommendations

4.1. To agree the changes to page 6, para 3.8 and page 7 para 3.14 of the Disciplinary Procedure with immediate effect which are highlighted in bold as follows:

Para 3.8 - Following initial fact finding, when an employee is requested to attend an investigatory interview he/she will be given notice of that interview. A trade union official or workplace colleague can also accompany him/her **(in exceptional circumstances an employee may have legal representation – see para 3.14).**

Para 3.14 - At all stages of the procedure, except the initial fact finding interview and suspension stage, an employee will have the right to be accompanied, by a trade union official or work colleague. ~~**This excludes legal representatives.**~~ **Where there is potentially a serious ongoing consequence of a disciplinary decision in respect of future employment or career of the employee then the employee may choose to have legal representation. This consequence would need to be much greater than, for example a finding of gross misconduct. The consequence must be one where a further restriction in employment would flow from the disciplinary decision such as de-registration from a professional body. All requests for legal representation will be considered by the Head of Human Resources. Legal representation for the employee may mean that both the person hearing the case and the person presenting it should consider whether they require a legal advisor or some form of legal support. One outcome of such an arrangement is that of a greater formality in the proceedings.**

5. Reason for recommendation(s)

5.1. Following a recent High Court decision it has been necessary to update the Council's Disciplinary Procedure to allow an employee to have legal representation during the disciplinary process where there is potentially a serious ongoing consequence of a disciplinary decision in respect of future employment or career of the employee such as deregistration from a professional body.

5.2. Where an employee has legal representation then the person hearing the case and the person presenting the case should consider whether they require a legal advisor/support.

6. Other options considered

6.1. The council need to implement this update to the Disciplinary Procedure to mitigate any risk of unfair dismissal claims in this circumstance. There is no viable alternative.

7. Summary

7.1. The Council's current Disciplinary Procedure only allows for an employee to be represented by a trade union official or work colleague during the process.

7.2. A recent High Court decision outlined that an employee should be allowed to have legal representation where there is potentially a serious ongoing consequence of a disciplinary decision in respect of future employment or career of the employee such as de-registration from a professional body.

7.3. Where an employee has legal representation then the person hearing the case and the person presenting the case should consider whether they require a legal advisor/support.

7.4. Paragraph 3.8 & 3.14 of the Disciplinary Procedure have been updated to take account of the High Court decision – (as in point 4 above).

7.5. The trade unions are in agreement with this update to the disciplinary procedure.

8. Chief Financial Officer Comments

8.1. There should be limited financial implications arising from the proposed changes as the changes should apply to very few cases as set out in paragraph 3.14. For any case where the employee chooses legal representation, the Council should factor in the costs of legal support for those officers hearing and presenting the case.

9. Head of Legal Services Comments

9.1 The Head of Legal Services has been consulted on the content of this report. The proposed change to the Disciplinary Procedure is necessary to take into account recent changes in employment case law and it is noted that the trade unions have agreed to the update to the procedure.

10. Head of Procurement Comments –[Required for Procurement Committee]

10.1. Not applicable.

11. Equalities &Community Cohesion Comments

11.1. There are no equalities implications

12. Consultation

12.1. This update to the Disciplinary Procedure was presented at the Council's Corporate Industrial Relations meeting and was agreed by the Trade Unions.

13. Service Financial Comments

13.1. There are no direct financial implications arising from this report

14. Use of appendices /Tables and photographs

14.1. None

15. Local Government (Access to Information) Act 1985

No documents that require to be listed were used in the preparation of this report

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