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**BEST ACHIEVING**  
COUNCIL OF THE YEAR



**Barry Keel**  
Chief Executive

Plymouth City Council  
Civic Centre  
Plymouth PL1 2AA

[www.plymouth.gov.uk/democracy](http://www.plymouth.gov.uk/democracy)

Date: 21-11-2011

Please ask for: Nicola Kirby, Senior Democratic Support Officer (Cabinet)  
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## **CABINET**

**Date:** Tuesday 29 November 2011  
**Time:** 2.00 pm  
**Venue:** COUNCIL HOUSE, PLYMOUTH

**Members:**

Councillor Mrs Pengelly, Chair

Councillor Fry, Vice Chair

Councillors Ball, Bowyer, Jordan, Michael Leaves, Sam Leaves, Monahan, Ricketts and Wigans.

Members are invited to attend the above meeting to consider the items of business overleaf.

Members and officers are requested to sign the attendance list at the meeting.

Please note that unless the chair of the meeting agrees, mobile phones should be switched off and speech, video and photographic equipment should not be used in meetings.

**Barry Keel**  
Chief Executive

# **CABINET**

## **AGENDA**

### **PART I – PUBLIC MEETING**

#### **1. APOLOGIES**

To receive apologies for non-attendance submitted by Cabinet Members.

#### **2. DECLARATIONS OF INTEREST**

Cabinet Members will be asked to make any declarations of interest in respect of items on this agenda.

#### **3. CHAIR'S URGENT BUSINESS**

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

### **CABINET MEMBER: COUNCILLOR BOWYER**

#### **4. TREASURY MANAGEMENT STRATEGY UPDATE (Pages 1 - 6)**

The Director for Corporate Support will submit a written report on proposed amendments to the current treasury management strategy.

### **CABINET MEMBERS: COUNCILLORS BOWYER, SAM LEAVES AND JORDAN**

#### **5. HISTORY CENTRE AND UNIVERSITY TECHNICAL COLLEGE (Pages 7 - 10)**

The Director for Corporate Support will submit a written report on proposals to relocate the History Centre to the Factory Cooperage building within the Royal William Yard, the University Technical College to Parkside Community College and to amend the Accommodation Strategy Phase 2.

#### **6. EXEMPT BUSINESS**

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

## **PART II (PRIVATE MEETING)**

### **AGENDA**

#### **MEMBERS OF THE PUBLIC TO NOTE**

that under the law, members are entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

#### **CABINET MEMBER: COUNCILLOR JORDAN**

#### **7. SALE OF PICKLECOMBE COTTAGE - MOUNT EDGCUMBE (E3) (Pages 11 - 14)**

The Director for Community Services will submit a written report on a proposal to sell Picklecombe Cottage.

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**Subject:** Treasury Management Strategy Update  
**Committee:** Cabinet  
**Date:** 29 November 2011  
**Cabinet Member:** Councillor Bowyer  
**CMT Member:** Director for Corporate Support  
**Author:** David Northey, Head of Finance  
**Contact:** Tel: 01752 304942  
e-mail: david.northey@plymouth.gov.uk  
**Ref:** fin/djn1111/A  
**Key Decision:** No  
**Part:** 1

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### **Executive Summary:**

This report sets out proposed amendments to our current treasury management strategy, and incorporates an update on current economic influences on world banking institutions, and the most recent advice from our independent treasury management advisors, Arlingclose.

Under our current policy, we only have four UK banks where we can place deposits. These banks are:

- Barclays
- HSBC
- Standard Chartered
- Santander UK PLC

This means consolidating the council available cash in very few banks with only two of these, Barclays and Santander UK PLC, readily in the market with call account and fixed term deposit options. Several other UK banks have recently dropped off of our approved list due to downgrading of credit rating linked to the wider European economic situation.

Following advice from our independent treasury management advisors, Arlingclose, in order to give greater flexibility, whilst maintaining the agreed investment strategy of first considering security, second liquidity and finally the yield of investments, it is proposed that the minimum long-term rating for new investments be reduced to A-, (or equivalent), for deposits. This will give the Director for Corporate Support the flexibility to react to changing credit conditions.

Our current strategy enables us to deposit money up to a maximum of two years with approved organisations within defined limits. Due to recent instability in the European markets, the maximum duration for deposits is regularly updated and reviewed upon the advice of Arlingclose. Whereas our formal duration limits within our strategy remain, operationally we will often apply a shorter duration limit for new deposits complying with the professional advice relevant at the point in time.

The Co-operative Bank Plc is the Council's bankers for all operational banking activity and transactional business. Due to recent changes in credit ratings, transactions with the Co-operative would no longer be allowable within our current Treasury Management Strategy. We therefore need to approve a relevant amendment to continue to use this bank on a day to day basis. Arlingclose support this action. Our contract with the Co-operative bank runs to 31<sup>st</sup> March 2013 and Council officers are currently in the process of reviewing bank services with the option to go out to tender.

A fully revised treasury management strategy, incorporating the changes recommended within this report, will be submitted for approval by the Audit Committee, meeting in January 2012.

**Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

N/A

**Recommendations & Reasons for recommended action:**

That Cabinet approve:-

1. The Reduction in the minimum long term rating to be used for investments from A+ or equivalent to A- or equivalent.
2. The continued use of Co-op bank as the Council's Bankers for short term liquidity and business continuity arrangements.

**Alternative options considered and reasons for recommended action:**

If we do nothing we would be using Co-operative Bank even though this does not meet our investment strategy. We would not be complying with the Cipfa code of practice and would receive a negative report from Audit.

For deposits we would have complete inflexibility and be consolidating our credit risk into just two available UK banks. Any further downgrades would mean we could lose the Santander and Barclays options leaving us with other Local Authorities and the Government's DMO as our only options with only a minimal sum that could be invested in MMF's. The return on deposits would be cut having implication on the Council's revenue budget.

**Background papers:**

- Treasury Management Strategy 2011/12
- Performance and Finance Report (including Capital Programme update) November 2011

**Sign off:**

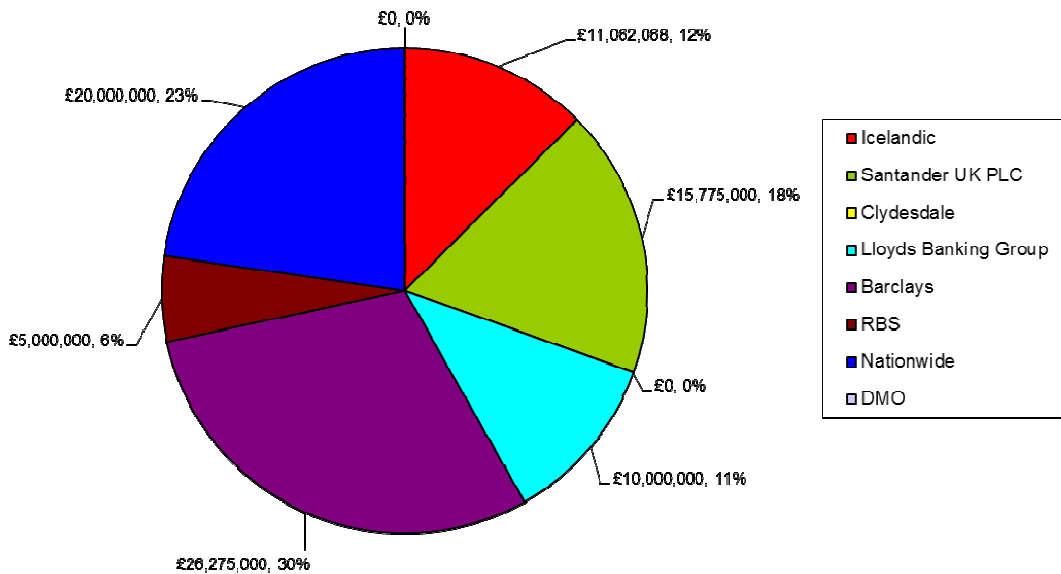
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Originating SMT Member M Coe											

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**Plymouth City Council**  
**Supplement to:-**  
**Treasury Management Strategy Update**

**1. Background**

- 1.1 When setting the strategy for 2011-12, based on the advice of our treasury management advisors (Arlingclose), a minimum long-term credit rating of A+ or equivalent was approved as the minimum criteria for depositing funds with Banks and Building Societies.
- 1.2 Since setting the strategy, credit conditions have deteriorated with problems with sovereign debt in the Eurozone and credit rating downgrades for a number of banks. As a result of this the decision was made to reduce credit risk by using available cash flow to repay short-term borrowing on maturity. At 30 September 2011 the Council's borrowing stood at £213.598 (compared to £261.408 at 30 June 2011). All borrowing activity during the year has remained within the approved borrowing limits.
- 1.3 Investment at 30 September 2011 stood at £95.913m down from £162,109m at 30 June 2011. At 18 November this has further fallen to £88.112m. Our current breakdown of investments can be analysed as:

**DEPOSITS BY BANK/GROUP AT 18th NOVEMBER 2011**  
**- Total Deposits £88,112,068.46**



- 1.4 Following advice from Arlinclose, in order to give greater flexibility, whilst maintaining the agreed investment strategy of first considering security, second liquidity and finally the yield of investments, it is proposed that the minimum long-term rating for new investments be reduced to A- or equivalent for deposits. This will give the Director for Corporate Support the flexibility to react to changing credit conditions.

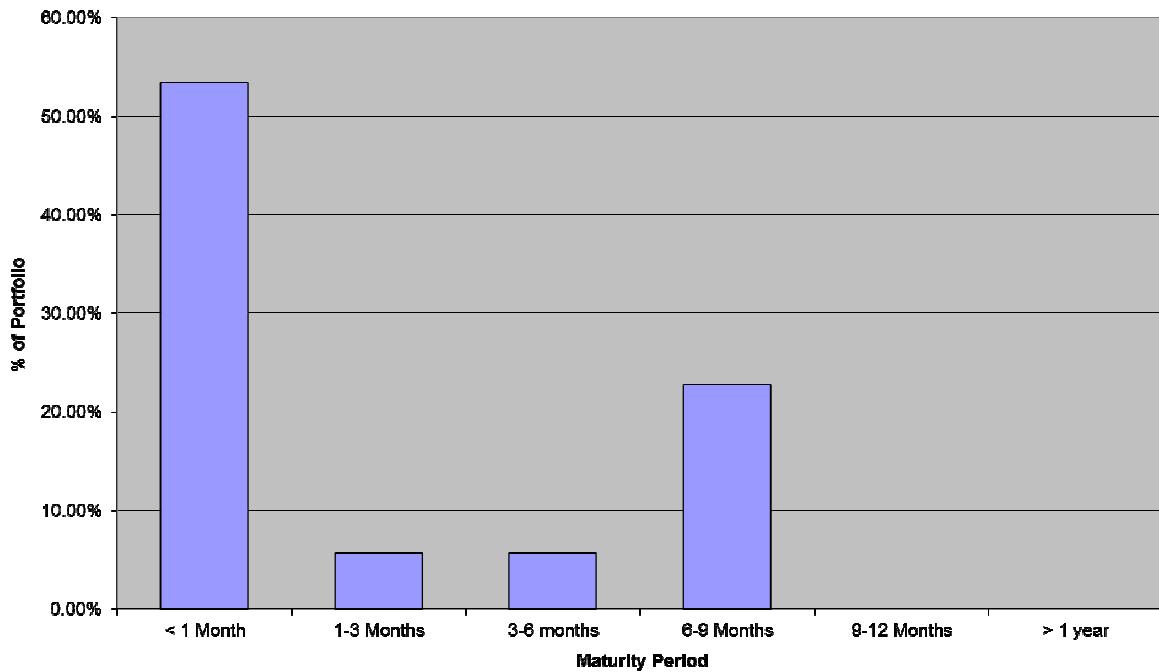
1.5 Adopting the revised credit ratings will enable the council to formally re-instate the following banks to its list of institutions for placing new deposits

- Clydesdale Bank
- Lloyds Banking Group including Lloyds TSB and Bank of Scotland
- Nationwide Building Societies
- Royal Bank of Scotland Group including RBS and NatWest

1.6 The Director for Corporate Support will manage investments within these proposed limits reacting to any changes in credit conditions. The Treasury Management Board continues to meet regularly to discuss the actions in respect of borrowing and investments in accordance with the approved strategy.

1.7 Maturity limits on Investments have also reduced with the majority of deposits made in liquid call accounts in order to minimise risk. Although our existing strategy enables us to deposit money up to a maximum of two years, operationally, based on professional advice at a given time, we work to much shorter duration limits. The current maturity profile of our investments is as follows:

**Plymouth City Council Investment Maturity Profile 18th November 2011**



1.8 A full revision of the Council’s Treasury Management Strategy will be presented to the audit committee in January 2012.

**2. OPERATIONAL BANK**

2.1 The Co-operative Bank Plc is the Council’s bankers for all operational banking activity and transactional business. Our contract with the Co-operative bank runs to 31<sup>st</sup> March 2013 and Council officers are in the process of reviewing bank services with the option to go out to tender.



- 2.2 The recent credit rating in UK banks also included the downgrading of the Co-operative Bank Plc by Moody's credit rating agency to - A3 long-term; P-2 short-term. This is equivalent to its Fitch rating of A- long-term F2 short-term.
- 2.3 As the Co-operative bank Plc is the Council's operational banker, although it does not meet the current minimum credit rating of A+ (or equivalent) long term or the proposed new limit of A- long term and F1 short term, it will still need to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements. This use needs to be classified as a non-specified investment as it does not meet the credit rating criteria considered "high credit quality" in the proposed update to the Treasury Management Strategy Statement.

### **3. COUNTERPARTY RISK MANAGEMENT**

- 3.1 The Director for Corporate Support is responsible for setting a prudent criteria and the Council's treasury advisors will provide guidance and assistance in setting this criteria for assessing and monitoring the credit risk of investment counterparties.
- 3.2 The Council's treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will 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 consideration of credit ratings and other alternative assessment of credit strength including statements of potential government support, Credit Default Swap information for Countries and individual banks. The Council will also take account of information on corporate developments of and market sentiment towards investment counterparties.
- 3.3 Credit ratings will be used as supplied from one or more of the following agencies: -
  - Fitch Ratings
  - Moody's Investors Services
  - Stander & Poors

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	History Centre and University Technical College
<b>Committee:</b>	Cabinet
<b>Date:</b>	29 November 2011
<b>Cabinet Member:</b>	Councillor Bowyer, Councillor Sam Leaves, and Councillor Jordan,
<b>CMT Member:</b>	Director for Corporate Support
<b>Author:</b>	Tony Hopwood, Programmes Director
<b>Contact:</b>	Tel: 01752 30 4879 e-mail: tony.hopwood@plymouth.gov.uk
<b>Ref:</b>	
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Executive Summary:**

Given the transfer of the Royal William Yard estate to Plymouth City Council as part of the transfer of assets from the South West Regional Development Agency it was deemed prudent to consider the most appropriate use of the vacant buildings within the yard.

Given the historical context of the yard and the heritage value associated with the buildings the opportunity to relocate the History Centre from its previously proposed location as part of the second phase of the Accommodation Strategy at the vacant Parkside Community College site is being developed.

The Factory Cooperage building in the Royal William Yard lends itself particularly well for development as a History Centre with space available for other uses including possible artists' studios, display space, and a number of other complimentary uses.

To make better use of Council resources the Schools Library Service and Library can be re-located to the Skills Centre at Camels Head. This building is presently leased to City College Plymouth however they are in the process of vacating the building such that it can be used for this purpose.

This change of direction requires a change to the decision made previously by Council.

Above the benefits that this change will bring to the History Centre scheme and other cultural and artistic partners in the city there are added benefits with respect to greater patronage within the Royal William Yard.

A further and wider reaching benefit facilitated by this change is the freeing up of the former Parkside Community College site for its use as a University Technical College (UTC).

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**Corporate Plan 2011 – 2014:**

This programme aligns with and supports the following Corporate Priorities:

- **Deliver growth:** The delivery of a cultural facility such as the History Centre at the Royal William Yard will significantly assist in the development of the Yard and the resultant creation of jobs and opportunities for business in the city.

- **Raise aspirations:** Promote Plymouth and encourage people to aim higher and take pride in the city and its heritage
  - **Provide value for communities:** The scheme will lever investment in the arts and cultural sector in the city whilst providing cost effective protection of the historical collections housed within the city as an attractor to the tourism market.
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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The costs for the History Centre scheme at the Royal William Yard are being developed. Engagement with partners will enable significant funding to be secured from funding agencies that should enable the scheme's delivery.

The £2m council funding presently allocated to the scheme as part of the Accommodation Strategy Phase 2 will to need remain allocated to the History Centre scheme and be required to match fund other grant streams.

There will be a budget pressure of £28.5k per annum in relation to the loss of rental income at Camels Head that will need to be addressed.

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### **Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:**

The relocation of the Plymouth and West Devon Records Office and South West Film & Television Archive will ensure both their physical protection and mitigate the risk of them being relocated out of the city.

Relocation of the Schools Library Service to modern facilities at Camels Head will facilitate the service vacating its existing accommodation which is in a poor condition with significant outstanding maintenance and health & safety liabilities.

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### **Recommendations & Reasons for recommended action:**

Council is recommended to amend the second phase of the Accommodation Strategy Phase 2 to:

- (1) approve the development of proposals to locate the History Centre at the Factory Cooperage building within the Royal William Yard. This requires that the £2m funding presently allocated to the History Centre scheme remains allocated to the scheme in its new location, and
  - (2) approve the use of Parkside Community College as a University Technical College (UTC)
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### **Alternative options considered and reasons for recommended action:**

To continue with the Parkside Community College site would, whilst still delivering a History Centre, mean losing the opportunity to develop a more expansive cultural hub in a building with a much greater historical context and with the engagement of partners in the city.

Continuing with the Parkside site would also negate the opportunity to host a University Technical College in the city.

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**Background papers:**

None

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**Sign off:**

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Originating SMT Member Tony Hopwood											

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