



Bob Coomber
Interim Chief Executive

Plymouth City Council
Civic Centre
Plymouth PL1 2AA

www.plymouth.gov.uk/democracy

Date: 14 September 2012

Please ask for: Judith Shore, Democratic and Member Support Manager
T: 01752 304494 E: Judith.shore@plymouth.gov.uk

CITY COUNCIL

Date: Monday 24 September 2012

Time: 2pm

Venue: COUNCIL HOUSE, PLYMOUTH (next to the Civic Centre)

Members:

Councillor Wright, Chair

Councillor Singh, Vice Chair

Councillors Mrs Aspinall, Ball, Mrs Beer, Bowie, Bowyer, Mrs Bowyer, Browne, Casey, Churchill, Coker, Damarell, Darcy, Philippa Davey, Sam Davey, Mrs Dolan, Drean, Evans, K Foster, Mrs Foster, Fox, Fry, Gordon, Haydon, James, Jarvis, Jordan, Martin Leaves, Michael Leaves, Sam Leaves, Lowry, Dr. Mahony, McDonald, Monahan, Murphy, Mrs Nelder, Nicholson, Mrs Nicholson, Parker, Penberthy, Mrs Pengelly, Rennie, Ricketts, Dr. Salter, John Smith, Peter Smith, Stark, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler, Wigans and Williams.

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.

This meeting will be broadcast live to the internet and will be capable of subsequent repeated viewing. By entering the Council Chamber and during the course of the meeting, Councillors are consenting to being filmed and to the use of those recordings for webcasting.

Although the public seating areas are not filmed, by entering the meeting room and using the public seating area, the public are consenting to being filmed and to the use of those recordings for webcasting.

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Bob Coomber
Interim Chief Executive

CITY COUNCIL

AGENDA

PART I – PUBLIC MEETING

1. APOLOGIES

To receive apologies for non attendance submitted by councillors.

2. MINUTES (Pages 1 - 14)

To approve and sign as a correct record the minutes of the meeting held on 30 July 2012.

3. DECLARATIONS OF INTEREST (Pages 15 - 16)

Councillors will be asked to make declarations of interest in respect of items on this agenda. A flowchart providing guidance on member interests is attached to assist councillors.

4. APPOINTMENTS TO COMMITTEES, OUTSIDE BODIES ETC (Pages 17 - 18)

The Director of Corporate Services will submit a schedule of vacancies on committees, outside bodies etc and of changes to committees that have been made.

5. ANNOUNCEMENTS

- (a) To receive announcements from the Lord Mayor, Chief Executive, Director of Corporate Services or Assistant Director of Democracy and Governance;
- (b) To receive announcements from the Leader, Cabinet Members or Committee Chairs.

6. PLYMOUTH CITY AIRPORT PETITION (Pages 19 - 20)

To receive and debate a petition submitted by Mrs Lynn Fearon on 23 August 2012 which states 'Plymouth City Airport is a vital hub for the South West, but it is due to close, like so many other UK airports, to satisfy property developers. We need flexibility as well as investment in our transport infrastructure. Regional airports offer much greater flexibility than trains for both domestic and international travel. With investment and the right management, Plymouth City Airport would be profitable. The state should take ownership.'

7. QUESTIONS BY THE PUBLIC

To receive questions from and provide answers to the public in relation to matters which, in the opinion of the Lord Mayor, are about something the Council is responsible for or something that directly affects people in the city, in accordance with Part B, paragraph 11 of the Constitution.

Questions, of no longer than 50 words, can be submitted to the Democratic Support Unit, Corporate Services Department, Plymouth City Council, Civic Centre, Plymouth, PL1 2AA, or email to democraticsupport@plymouth.gov.uk. Any questions must be received at least five complete working days before the meeting.

TO DETERMINE RECOMMENDATIONS FROM CABINET, OVERVIEW AND SCRUTINY MANAGEMENT BOARD AND AUDIT COMMITTEE

8. PERFORMANCE AND FINANCE REPORT (INCLUDING CAPITAL PROGRAMME UPDATE) (Pages 21 - 48)

Cabinet Member: Councillor Lowry

The City Council will be asked to consider the Cabinet recommendations. Minute 60 (of the Cabinet meeting held on 11 September 2012 refers) and the report of the Corporate Management Team on the Performance and Finance Report.

9. THEATRE ROYAL REGENERATION PROJECT (Pages 49 - 60)

Cabinet Member: Councillors Lowry and Peter Smith

The City Council will be asked to consider the Cabinet recommendations. Minute 62 (of the Cabinet meeting held on 11 September 2012 refers) and the report of the Director for Place on the Theatre Royal Regeneration Project.

10. INVESTMENT IN CUSTOMER TRANSFORMATION AND ICT CORE INFRASTRUCTURE (Pages 61 - 94)

Cabinet Member: Councillors Lowry and Peter Smith

The City Council will be asked to consider the Cabinet recommendations. Minute 63 (of the Cabinet meeting held on 11 September 2012 refers) and the report of the Director for Corporate Services on the Investment in Customer Transformation and ICT Core Infrastructure.

11. THE LOCAL AUTHORITIES (EXECUTIVE ARRANGEMENTS) (MEETINGS AND ACCESS TO INFORMATION) (ENGLAND) REGULATIONS 2012 (Pages 95 - 102)

The City Council will be asked to consider the Cabinet recommendations. Minute 65 (of the Cabinet meeting held on 11 September 2012 refers) and the report of the Monitoring Officer on the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

12. TERMS OF REFERENCE FOR THE OVERVIEW AND SCRUTINY MANAGEMENT BOARD AND PANELS (Pages 103 - 120)

The City Council will be asked to consider the Overview and Scrutiny Management Board recommendations. Minute 24 (of the Overview and Scrutiny Management Board meeting held on 25 July 2012 refers) and the panel's terms of reference.

13. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2011/12 (Pages 121 - 218)

The City Council will be asked to consider the Audit Committee recommendations. Minute 10 (of the Audit Committee meeting held on 21 June 2012 refers) and the Annual Report on Treasury Management Activities for 2011/12.

14. MOTIONS ON NOTICE

To consider motions from councillors in accordance with Part B, paragraph 14 of the Constitution.

15. POLLING PLACE, POLLING DISTRICT AND POLLING STATION ALTERATIONS (Pages 219 - 230)

The Assistant Director for Democracy and Governance will submit a written report on Polling Place, Polling District and Polling Station alterations, following a review, in accordance with the Representation of People Act 1983 and Electoral Administration Act 2006.

16. QUESTIONS BY COUNCILLORS

Questions to the Leader, Cabinet Members and Committee Chairs covering aspects for their areas of responsibility or concern by councillors in accordance with Part B, paragraph 12 of the Constitution.

17. 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(s) of business on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in paragraph(s) of Part I 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, Council is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

NIL.

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City Council

Monday 30 July 2012

PRESENT:

Councillor Wright, in the Chair.

Councillor Singh, Vice Chair.

Councillors Mrs Aspinall, Ball, Mrs Beer, Bowie, Bowyer, Mrs Bowyer, Browne, Casey, Churchill, Coker, Damarell, Darcy, Philippa Davey, Mrs Dolan, Drean, Evans, K Foster, Mrs Foster, Fox, Fry, Gordon, Haydon, James, Jarvis, Martin Leaves, Michael Leaves, Sam Leaves, Lowry, Dr. Mahony, McDonald, Monahan, Murphy, Mrs Nelder, Mrs Nicholson, Parker, Penberthy, Mrs Pengelly, Rennie, Dr. Salter, John Smith, Peter Smith, Stark, Stevens, Jon Taylor, Kate Taylor, Tuffin, Tuohy, Vincent, Wheeler and Wiggins.

Apologies for absence: Councillors Sam Davey, Jordan, Nicholson, Ricketts and Williams

The meeting started at 2.00 pm and finished at 7.15 pm.

Note: At a future meeting, the Council will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

23. MINUTES

Agreed that the minutes of the Ordinary Meeting of the City Council held on 25 June 2012 are confirmed as a correct record.

24. DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the code of conduct in relation to items under consideration at the meeting –

Councillor	Minute	Reason	Interest
Councillor Lowry	31 Combined Heat and Power Plants	Employee of Babcock International	Personal
Councillor J Taylor	34 Regional Pay	Public sector employee	Personal
Councillor Parker	34 Regional Pay	Member of the GMB National Public Services Committee	Personal
Councillor Damarell	30 Local Development Framework: Adoption of Shopping Centres Supplementary Planning Document	Employee of Plymouth Community Homes	Personal
Councillor Damarell	33 Local Development	Employee of Plymouth Community Homes	Personal

	Framework: Adoption of Planning Obligations and Affordable Housing Supplementary Planning Document		
Councillor Fox	34 Regional Pay	User and contributor to the National Health Service	Personal
Councillor Sam Leaves	34 Regional Pay	NHS Employee	Personal

25. **APPOINTMENTS TO COMMITTEES, OUTSIDE BODIES ETC**

The report of the Director for Corporate Services was submitted on current vacancies on committees, outside bodies etc. and changes to committees that have been made.

Following the resignation of Councillor Mrs Dolan from the Conservative group the council noted that –

- (a) the Conservative Group had agreed to give up a seat on the Licensing Committee which will be offered to Councillor Mrs Dolan;
- (b) Councillor Mrs Pengelly will take the seat (previously held by Councillor Mrs Dolan) on the Mount Edgcumbe Joint Committee;
- (c) Councillor Nicholson will take the seat on the Tamar Bridge and Torpoint Ferry Joint Committee;
- (d) Councillor Mrs Dolan will continue to represent the Council on the Olford Bequest (an outside body).

Agreed that the following changes notified to the Assistant Director for Democracy and Governance are noted –

Committee, Outside Body etc	Membership
Devon Audit Partnership	Councillor Stevens will replace Councillor Lowry
Wolseley Trust	Councillor Martin Leaves
Ballard Trust	Councillor Mrs Nicholson
Plymouth City Centre Company	Councillor Lowry to replace Councillor Evans

26. **ANNOUNCEMENTS**

- (i) **The Late Former Deputy Lord Mayor Len Hill**
The Lord Mayor informed Councillors of the death of Len Hill on 11 July 2012. Mr Hill was born on 28 May 1924. He was a Plymouth City Councillor, representing the Labour Party from 1961-68 and 1970-74 and was Deputy Lord Mayor in 1966 to Lord Mayor Stanbury.

The Council stood in silence for one minute as a mark of respect.

- (ii) **Large housing development of the year, UK Housing Awards**
The Lord Mayor congratulated Matt Garrett and the Housing Options Team on winning large housing development of the year at the prestigious UK Housing Awards.

George House was commissioned by Plymouth City Council, with the design and development led by Bournemouth Churches Housing Association. It was opened in August last year to provide vital temporary accommodation to Plymouth's most vulnerable people.

- (iii) **Howard League award relating to Youth Offending Service allotments**
The Lord Mayor congratulated the Youth Offending Service for winning the award for their work with young offenders through their allotment project. The service achieved the Howard League for Penal Reforms Community Programme Award 2012 under the category of Unpaid Work for its allotment project.

Young offenders ordered by the courts to carry out work in the community are assigned to the allotment project which plays a big part in efforts to prevent young people from reoffending and to repair damage to the community.

- (iv) **Lesbian, Gay, Bisexual and Transgender Archive Award**
The Lord Mayor congratulated the Community Archives and Heritage Group for being awarded the Plymouth LGBT Archive the title of 'Most Inspirational Community Archive'.

The 'Pride in our Past' project uncovered and celebrated the lesbian, gay, bisexual and transgender history of Plymouth. The project team undertook oral history interviews and collected memorabilia and artefacts to help tell the story.

- (v) **Green Flag Awards**
The Lord Mayor congratulated Street Scene Services for achieving success with all entries gaining a Green Flag award this year.

Devonport Park was a new entry and West Hoe Park, The Hoe and Freedom Fields Park all retained the award.

- (vi) **Olympic Diving**
The Leader informed the Council that, following agreement with the leader of the opposition, there would be an early break in the meeting to allow members to watch Tom Daley compete alongside Peter Waterfield in the Olympic

Games.

The Leader informed the Council that a contingent of athletes who lived worked or studied in Plymouth were competing in the Olympic and Paralympic games. The Leader wished all the competitors success in their efforts at the games.

The Leader invited members of the Council to watch the competition during the adjournment, on the 'Big Screen' on the Piazza.

(vii) Plymouth Airport

The leader announced that the closed airport operation at Roborough would be subject to further debate. The leader would be inviting private sector solutions which met the following five tests –

- It must acquire ownership of the airport and associated infrastructure.
- There must be no need for public subsidy.
- It must have an on-going commitment to airport services.
- It must have a fully funded business plan.
- It must be able to provide clear evidence of demand for Plymouth air services.

The land remained protected as an airport, but should there be no private sector solution, consideration would be given to how the land could be used for jobs and the growth of Plymouth as part of the Plymouth Plan.

27. **QUESTIONS BY THE PUBLIC**

One question had been received from a member of the public in relation to a matter which in the opinion of the Lord Mayor, was relevant to the business of the meeting, in accordance with paragraph 10 of the Constitution

Question No	Question By	Cabinet Member	Subject
Q3/12-13	Mr Sharpe	Councillor Smith, Deputy Leader	Plymstock Swimming Pool – consultation with residents
Please could it be disclosed when Plymstock residents were consulted by the City Council regarding having a possible Plymstock Swimming Pool connected to Sherford?			
A suggestion Councillors view comments on web site http://www.petition.co.uk/plymstock-swimming-pool-site/			

Response:

1) The local planning policy document for this area clearly sets out the need for Sherford to provide a Sports Hub north of Elburton incorporating a swimming pool and the policy document was the subject of extensive public consultations for three years between 2005 and 2007 during which a range of public comments were carefully considered.

- The local planning policy is the North Plymstock Area Action Plan and the issues and Options public consultation on the required planning policies for the area took place between the 7th March and 18th April 2005.
- Having considered public comments the next stage was to invite public comment on the Preferred Options version This took place in the period July- September 2005. The result of the public response to the question relating to the possible provision of the sports centre/swimming pool, outdoor pitches etc here to meet needs of Sherford residents and to offset any loss of playing field land due to transport proposals was 20% Strongly agree, 6% agree, 59% nil response or no opinion, 4% disagree and 11% strongly disagree.
- An Elburton EDRA public presentation and exhibition took place on 19th May 2006 and the public consultation on the Action Plan ran for a period of 6 weeks from 22 August and ending on 3 October 2006.
- The planning policy was adopted in August 2007, following public examination. Hearings held on the 13 February and 28 March 2007.

It is evident that the local planning policy was adopted following consideration of public opinion and following extensive public consultations.

2) The planning applications for the development of this area with a Sports Hub north of Elburton incorporating a swimming pool was the subject of extensive public consultations for five years between 2006 and 2011 during which a range of public comments were carefully considered by the relevant Planning Committees.

- The planning applications for the Sherford development submitted in 2006 reflected the need for the Sports Hub north of Elburton. All the statutory publicity and public notices required for an application accompanied by an Environmental Statement were carried out in association with the two local planning authorities (SHDC and PCC). In addition 3 local public exhibitions on the applications were held in October 2007.
- In 2008/2009/2012 The applicant's submitted additional information and these were the subject of public consultation and comment. The Planning Committees of both authorities considered the public views and the merits of the planning applications in 2008 and 2009. The PCC

Planning Committee again met to consider the latest situation in March 2012 when the views of local people were again considered together with those of consultees (the report is available to see on the PCC planning website for 06/02036).

- The Planning Committees of the two local planning authorities (together with Devon County Council) have agreed the framework for a possible legal agreement –a Section 106 Agreement. The required S106 would ensure (amongst other things) that there would be the phased delivery of community facilities including the sports centre (of a minimum of 2,140 square metres) north of Elburton and this would incorporate a 4 lane heated swimming pool.

It is evident that the Planning Committee's decision was made following consideration of public opinion and following extensive public consultations.

In the absence of the questioner, the question and response were circulated and a written response would be sent to Mr Sharpe.

28. **TO DEAL WITH ANY BUSINESS FROM THE LAST COUNCIL MEETING, IF ANY**

There was no outstanding business from the last meeting of the Council.

(Due to the adjournment the agenda was reordered. Items were taken in the order noted below)

29. **APPOINTMENT OF THE CHIEF EXECUTIVE**

Councillor Evans submitted a report of the Chief Officer Appointments Panel to full council and recommended to appoint the Chief Executive and designate her as Head of Paid Service.

Councillor Mrs Pengelly seconded the motion.

Agreed to -

- (1) appoint Tracey Lee as the Chief Executive of Plymouth City Council;
- (2) designate Tracey Lee as Head of Paid Service on commencing her employment with the Council;
- (3) designate Tracey Lee as the electoral registration officer and returning officer with effect from 16 November 2012.

(This item was moved up the agenda to enable good management of the meeting.)

30. **Local Development Framework: Adoption of Shopping Centres Supplementary Planning Document**

Councillor Vincent submitted a report on the Local Development Framework: Adoption of Shopping Centres Supplementary Planning Document and recommended its adoption to Council (Cabinet minute 24 referred).

Councillor Lowry seconded the motion.

During summing up, Councillor Vincent requested any Ward Member who wished that their local shopping centres to be considered for inclusion in the document, to contact him directly and their requests would be discussed with officers.

Agreed –

- (1) that the Shopping Centres Supplementary Planning Document First Review be formally adopted;
- (2) to delegate authority to the Assistant Director of Development (Planning Services) to approve the final publication version of the Supplementary Planning Document;
- (3) to instruct the officers to implement as soon as practicable all the statutory procedures associated with the adoption process;
- (4) that officers from the Economic Development Service be encouraged to work on the development of shopping centres in vulnerable communities in order to maximise regeneration opportunities.

31. **MOTION ON NOTICE - Combined Heat and Power Plants**

Councillor Evans moved the following motion on notice –

COMBINED HEAT AND POWER PLANTS

In view of the on-going, serious and deeply felt concerns of many residents regarding the location of the proposed waste plant at North Yard, the Council should fully investigate the options available which would prevent the plant being constructed in its current location. To this end the Council instructs the Interim Chief Executive to seek independent legal advice on the implications of the Council terminating the current contractual arrangements and revoking the current planning consent and for this advice to be considered by Cabinet and the Planning Committee respectively as a matter of urgency.

Irrespective as to the outcome of this review, the Council remains committed to acting in the best long term interests of all our residents – particularly where public health and the environment is concerned. We, therefore, ask that scrutiny should undertake a review of all the most recent evidence regarding the health and environmental impact of CHP plants on local communities in built up areas with the aim of advising the Cabinet on any action which might be appropriate.

The motion was seconded by Councillor Damarell.

Issues raised during the debate included that –

- (a) the administration would be seeking the best possible advice on what options were available regarding the waste incinerator;
- (b) joint work with other local authorities had been excellent and work of officers had been exemplary; they had however reached the wrong conclusion;
- (c) The Incinerator was suitably located on an industrial site, secured the future of HM Dockyard and was a good deal for the people of Plymouth;
- (d) of most concern was the health implications of the plant, in particular the health impact of particulates which were not adequately monitored in the United Kingdom;
- (e) the environment agency had issued an environmental permit and the plant would reduce the city's carbon footprint;
- (f) seeking further legal advice would be a significant cost to the authority and was a waste of public money;
- (g) observers at the South West Devon Waste Partnership were not permitted to consider all of the information available, scrutiny committees had only been provided with redacted information and the process had not been open and transparent.

Following a request from ten councillors for a recorded vote, there voted –

For the motion (29)

Councillors Mrs Aspinall, Bowie, Casey, Coker, Damarell, P. Davey, Mrs Dolan, Evans, Fox, Gordon, Haydon, Jarvis, McDonald, Murphy, Nelder, Parker, Penberthy, Rennie, Singh, J. Smith, P. Smith, Stevens, J. Taylor, K. Taylor, Tuffin, Tuohy, Vincent, Wheeler and Lowry

Against the motion (21)

Councillors Ball, Mrs Beer, Bowyer, Mrs Bowyer, Churchill, Darcy, Drean, Foster, Mrs Foster, Fry, James, Martin Leaves, Michael Leaves, Sam Leaves, Dr Mahony, Monahan, Mrs Nicholson, Mrs Pengelly, Dr Salter, Stark, Wiggins.

Abstentions (1)

The Lord Mayor

The following members were absent (5)

Councillor S. Davey, Jordan, Nicholson, Ricketts and Williams.

Following the vote the motion was carried.

32. **Revised Corporate Plan 2012 - 2015**

Councillor Evans submitted the report on the revised Corporate Plan and recommended its adoption to Council.

Councillor Penberthy seconded the motion.

Agreed the adoption of the revised Corporate Plan 2012-15.

33. **Local Development Framework: Adoption of Planning Obligations and Affordable Housing Supplementary Planning Document**

Councillor Vincent submitted a report on the Local Development Framework: Adoption of Planning Obligations and Affordable Housing Supplementary Planning Document and recommended its adoption to Council (Cabinet minute 25 referred).

Councillor Lowry seconded the motion.

Agreed to –

- (1) formally adopt the Planning Obligations & Affordable Housing Supplementary Planning Document;
- (2) delegate authority to the Assistant Director for Planning to approve the final publication version of the SPD;
- (3) instruct officers to implement as soon as practicable all the statutory procedures associated with the adoption process.

34. **MOTION ON NOTICE - Regional Pay**

Councillor Peter Smith proposed the following motion on notice –

REGIONAL PAY

Plymouth City Council notes the announcement by George Osborne of plans to widen the system of local public sector pay structures and his request to pay review bodies to report on the issue from June 2012.

The Chancellor has stated that public sector pay should mimic the private sector and be more reflective of local economies.

Plymouth City Council believes that a move to regional or local pay schemes will lead to a large reduction in pay and spending power and ultimately a skills drain out of Plymouth. For highly skilled people Plymouth will become a less attractive destination and this will inevitably make it more difficult for local organisations to recruit the talent required to lead and overcome the huge and immediate challenges facing the public sector.

With Plymouth highly dependent on the public sector for employment, any attempt to drive down wages in local public sector organisations can only be considered counterproductive and will have profound consequences for the local economy. Limiting people's spending power will reduce demand in the economy and will come as a bitter blow to local businesses.

Plymouth City Council therefore resolves to resist any attempts to introduce local or regional pay schemes and ask the Leader of the Council to write to the Prime Minister, the Chancellor, Plymouth's MPs, pay review bodies and local public sector employers setting out the council's opposition to a regionalised pay and the severe consequences that any such scheme will have on the economy of Plymouth.

Councillor Jon Taylor seconded the motion.

During the debate issues raised included that –

- (a) regional pay undermined national agreements;
- (b) regional pay would be damaging for the economy and would have economic consequences for the people of Plymouth;
- (c) this was part of the Chancellor's plan to externalise the public sector and would result in a "brain drain" from the south west.

Following a request from ten councillors for a recorded vote, there voted –

For the motion –

Councillors Mrs Aspinall, Ball, Mrs Beer, Bowie, Bowyer, Mrs Bowyer, Browne, Casey, Churchill, Coker, Damarell, Darcy, P Davey, Mrs Dolan, Drean, Evans, Foster, Mrs Foster, Fox, Fry, Gordon, Haydon, James, Jarvis, Michael Leaves, Sam Leaves, Lowry, Dr Mahony, McDonald, Monahan, Murphy, Mrs Nelder, Nicholson, Mrs Nicholson, Parker, Penberthy, Mrs Pengelly, Rennie, Dr Salter, Singh, John Smith, Peter Smith, Stark, Stevens, J Taylor, K Taylor, Tuffin, Tuohy, Vincent, Wheeler and Wiggins.

Abstentions (1)

The Lord Mayor

The following members were absent (6)

Councillor S. Davey, Jordan, Martin Leaves, Nicholson, Ricketts and Williams.

Following the vote the motion was carried.

35. **PROBITY IN PLANNING: PLANNING COMMITTEE CODE OF PRACTICE AND MATTERS SPECIFICALLY DELEGATED TO THE PLANNING COMMITTEE**

Councillor Peter Smith submitted the report on Probity in Planning and the Planning Committee Code of Practice and matters specifically delegated to the Planning Committee.

Councillor Penberthy seconded the motion.

Agreed that -

- (1) the City Council incorporates the “Probity in Planning” Code of Practice within Part G of the City Council Constitution as set out in Appendix 1 of the report;
- (2) paragraph 2.2.2 (d) in Planning and the Planning Committee Part E of the City Council Constitution be amended as set out in Appendix 2 of the report.

36. **QUESTIONS BY COUNCILLORS**

In accordance with Part B, paragraph 12 of the Constitution, the following questions were asked of the Leader, Cabinet members and Committee Chairs covering aspects for their area of responsibility –

	From	To	Subject
1	Councillor Sam Leaves	Councillor Evans	Will you undertake to publish minutes of Cabinet Planning meetings and invite the public to attend?
	Councillor Evans explained that Cabinet Planning was a pre-meeting with Council Officers before the Cabinet Meeting to plan the agenda. These were not public meetings and as such meeting notes were not provided.		
2	Councillor Mike Leaves	Councillor Vincent	Can you confirm that you wish to extend the Garden Waste collection pilot into November?
	Councillor Vincent advised that once an evaluation was complete Councillor would report the results to Council.		
3	Councillor Mrs Bowyer	Councillor McDonald	Do you propose to implement your pledge to encourage the voluntary sector to provide independent advocacy services to vulnerable customers?
	Councillor McDonald reported that this was part of encouraging all sectors across the city to contribute to advice, information and advocacy focused on vulnerable people. We will encourage independent advocacy from the best providers. The tendering exercise will soon be complete. The budget earmarked for advice and information would be in the region of £550,000.		
4	Councillor Browne	Councillor McDonald	How will the Older People’s Charter add value to safeguarding adults in the city?
	The Older People’s Charter was a statement setting out what the council would do for older people so there was clarity in expectations. Older people had been invited to contribute through a consultation process. It was hoped that the Charter would be presented to Cabinet in October.		
5	Councillor Darcy	Councillor Coker	Are you satisfied that you are achieving your pledge to keep streets clean and drains clear?
	Councillor Coker explained that a review was underway to look at how drainage was maintained. A schedule of maintenance works would soon be published on the council’s website.		

6	Councillor Beer	Councillor Lowry	How far have we got in transferring Plympton St Maurice Guildhall to a Board of Trustees made up of local residents?
	Councillor Lowry was not aware of the request for a community asset transfer and requested that Councillor Mrs Beer forwarded more details to him.		
7	Councillor Bowyer	Councillor Smith	Given the experiences in Stoke-on-Trent and Coventry with webcasting would you take more time to consider this issue before deciding to confirm or extend the current network in Plymouth?
	Councillor Smith explained that this was the first webcast and there had already been 600 people viewing. Councillor Smith confirmed that the Council would not pay the amounts Councillor Bowyer quoted from Stoke-on-Trent Council and that webcasting costs would be met within current budgets.		
8	Councillor Churchill	Councillor Vincent	You have not invited the waste project team to this meeting to be recognised for their work, why is that?
	Councillor Vincent informed the Council that officers were on holiday and could not attend the City Council meeting. Councillor Vincent had arranged for a presentation to the team by the Lord Mayor at the last South West Devon Waste Partnership Meeting.		
9	Councillor Mrs Pengelly	Councillor Evans	When will the bid for Central Park to be a Jubilee Park be submitted?
	Councillor Evans responded that nobody was aware of the bid for a Jubilee Park. Councillor Evans referred to letter written by Councillor Mrs Pengelly which offered Central Park to the 'Fields In Trust' group. There was no bid going forward to designate Central Park as a Jubilee Park.		
10	Councillor Monahan	Councillor McDonald	How will you deliver more support for people to stay in their own home?
	Councillor McDonald informed the council that the policy of keeping people in their homes includes supporting carers and the extension of information and advice services. The adult social care restructure was complete, staff were fully trained on the personalisation agenda and feedback from users was good. Councillor McDonald was confident that they could deliver on the pledge to help support people to stay in their own homes despite the ageing demographic and reducing budgets.		
11	Councillor Michael Leaves	Councillor Lowry	Could you confirm that you have received £500,000 from the £2,000,000 for a district heating system provided through planning obligations relating to the Energy from Waste Plant?
	Councillor Lowry informed the Council that the money had not been received due to applications for judicial review. The money when received would be used for a district heating system as required in the section 106 agreement.		
12	Councillor Churchill	Councillor Vincent	Had there been a reduction in the amount of grass cutting in the city? Please could you arrange

			the removal of the dangerous Ragwort plant from the verge of Novorossik Road?
	Councillor Vincent asked to be informed of any issue relating to dangerous plants immediately, and that he would arrange the removal of the plant immediately after the meeting. There had been some redeployment of staff that would normally cut grass to deal with the back log of tree maintenance.		
13	Councillor Darcy	Councillor Coker	When will you update us on what is being done to alleviate of congestion on Cot Hill?
	Councillor Coker would provide Councillor Darcy with a written response.		
14	Councillor Bowyer	Councillor Lowry	Have Cabinet agreed capital investment in ICT and customer service improvements business cases within three month deadline that you set in your amendment of 16 April 2012?
	Councillor Lowry confirmed that the business cases had not been agreed. This was because further work had been requested to identify tangible savings and benefits, business cases will go to Cabinet in September. When agreed, work would be frontloaded to deliver improvements as soon as possible.		
15	Councillor Parker	Councillor Evans	What would have been the consequences to the community of Plymouth and the financial impact, had the designation of Central Park as a Jubilee Park taken place?
	Councillor Evans responded that the community would have suffered a negative impact as the council would have lost control of Central Park and the financial implications would have been incalculable.		
16	Councillor Stark	Councillor Coker	What number or proportion of parking contravention notices (PCN) have resulted in formal representations and of those representations which have resulted in PCNs being cancelled? Was Councillor Coker aware that Plymouth City Council is not following guidance on the enforcement of the Traffic Management Act 2004 and what did he propose to do about it?
	Councillor Coker understood that guidance was being followed. Councillor Coker undertook to provide Councillor Stark with a written response and invited Councillor Stark to join him in a meeting with officers to discuss the matter.		
17	Councillor Ball	Councillor Vincent	Is it a policy to keep pavements clear of wheelie bins? If so why does one of your officers say that this policy will not be enforced?
	Councillor Vincent responded it remained a policy of the council to keep pavements clear of wheelie bins and requested that Councillor Ball provided details of the officer concerned.		

37. **EXEMPT BUSINESS**

There were no items of exempt business.

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

What matters are being discussed?

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Does the business relate to or is it likely to affect a disclosable pecuniary interest. These will include the interests of a spouse or civil partner (and co-habitees):

- any employment, office, trade, profession or vocation that they carry on for profit or gain;
- any sponsorship that they receive including contributions to their expenses as a councillor; or the councillor's election expenses from a Trade Union;
- any land licence or tenancy they have in Plymouth;
- any current contracts leases or tenancies between the Council and them;
- any current contracts leases or tenancies between the Council and any organisation with land in Plymouth in they are a partner, a paid Director, or have a relevant interest in its shares and securities;
- any organisation which has land or a place of business in Plymouth and in which they have a relevant interest in its shares or its securities.

No ↓

Yes →

Declare interest and leave

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Might a decision in relation to that business be reasonably be regarded as affecting (to a greater extent than the majority of other Council Tax payers, ratepayers or inhabitants of ward affected by the decision)

- Your well-being or financial position; or
- The well-being or financial position of:
 - A member of your family or any person with whom you have a close association; or
 - Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
 - Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
 - Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your Authority; or
 - Any body exercising functions of a public nature, directed to charitable purposes or whose principal includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management?

Yes

You must disclose the existence and nature of your personal interests

No

Would a member of the public, with knowledge of the relevant facts, reasonably regard your personal interest to be so significant that it is likely to prejudice your judgement of the public interest?

No →

You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

Yes

- Does the matter affect your financial position or the financial position of any person or body through whom you have a personal interest?
- Does the matter relate to an approval, consent, licence, permission or registration that affects you or any person or body with which you have a personal interest?
- Does the matter not fall within one of the exempt categories of decisions?

No ↗

Yes

Speak to Monitoring Officer in advance of the meeting to avoid allegations of corruption or bias

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CITY COUNCIL

24 September 2012



APPOINTMENTS TO COMMITTEES, OUTSIDE BODIES ETC.

Report of the Director for Corporate Support.

The City Council is asked to consider the following vacancies and further details relating to the requests as set out below -

	Committee	Membership	Appointments
1.	Emma Stirling Bequest	Councillors Lowry, Peter Smith and Williams and one vacancy.	Councillor McDonald to fill the vacant position.
Three of the four councillors must be the three Honicknowle Ward representatives.			
2.	Plymouth Schools Forum	Three councillors: Councillors Bowie, Stark and Williams.	Councillor Williams to be replaced by Councillor Parker.

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PLYMOUTH CITY AIRPORT PETITION

City Council – 24 September 2012



The petition says:

'Plymouth City Airport is a vital hub for the South West, but it is due to close, like so many other UK airports, to satisfy property developers. We need flexibility as well as investment in our transport infrastructure. Regional airports offer much greater flexibility than trains for both domestic and international travel. With investment and the right management, Plymouth City Airport would be profitable. The state should take ownership.'

Plymouth City Council's Petition Scheme

Plymouth City Council welcomes petitions and understands that they are one way in which people's concerns can be expressed.

If a petition receives 5,000 signatures it automatically triggers a debate at the next ordinary council meeting. The Plymouth City Airport petition was received on 23 August 2012 and the council was advised that it contained around 38,000 signatures.

Process for petition debate at council

The petition organiser will be given 5 minutes to present the petition at the meeting.

The Leader will propose a response from the Council and this will be debated by councillors.

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CABINET MINUTE 60 OF 11 SEPTEMBER 2012

PERFORMANCE AND FINANCE REPORT (INCLUDING CAPITAL PROGRAMME UPDATE)

The Corporate Management Team submitted a report outlining the performance and finance monitoring position of the Council as at the end of June 2012. Cabinet Members heard that the report was the last in its current format and would be replaced by a shorter more focussed version linked to the new administration pledges. In addition, Councillor Lowry raised concerns about the time taken to process housing benefit claims and sought members' approval to the inclusion of an additional recommendation to the report to ensure regular monitoring.

Alternative options considered and reasons for decision:

Recommendations 1 – 5 as set out in the report.

Additional Recommendation 6 as set out in the minute above.

Agreed to –

- (1) note the forecasted overspend for the year against budget of £1.789m and the performance contents of this report, and ensure portfolio holders and officers continue to work closely together to improve performance and take corrective action to deliver a balanced budget;
- (2) approve the re-profiling and variations (reductions) of (£2.945)m in 2012/13 and (£8.576)m for future years to capital spend as detailed in Table 3;
- (3) **RECOMMEND TO FULL COUNCIL** the new capital schemes over £0.500m for investment as detailed in Table 4 amounting to £4.450m in 2012/13 and £4.450m for future years;
- (4) approve the budget virements as detailed in Table 15 of the report;
- (5) approve the move to a revised, more focused finance report, clearly linking the finance position to the new administration pledges, and setting out the countermeasures for any significant variances;

- (6) receive monthly updates on processing times in respect of housing benefit claims and changes in housing benefit circumstances.
-

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

CITY OF PLYMOUTH

Subject: Performance and Finance Report (including Capital Programme update)

Committee: Cabinet

Date: 11 September 2012

Cabinet Member: Councillor Lowry

CMT Member: CMT

Author: David Northey, Head of Finance
Patrick Hartop, Policy and Performance Officer

Contact: Tel: (01752) (30)4942
e-mail: david.northey@plymouth.gov.uk
patrick.hartop@plymouth.gov.uk

Ref: fin/djn07/12

Key Decision: No

Part: 1

Executive Summary:

This report is the first monitoring report for 2012/13 and outlines the performance and finance monitoring position of the Council as at the end of June 2012.

This report is also the first under the new Administration, and the last in its current format. It will be replaced by a shorter, more focused report. It will continue to focus on the overall financial position for the Council, but will clearly link the financial position relative to the new administration pledges. The report will set out the variances to the budget; explain the impact of the variances on the full year financial position; and most importantly set out the countermeasures.

The primary purpose of this report is to detail how the Council is delivering against its key indicators in terms of performance, and its financial measures using its capital and revenue resources. It is deliberately strategic in focussing on key areas of performance, expenditure, and risk.

Performance summary

Performance indicators used in this report represent Plymouth City Council's contribution to delivering the citywide priorities of Growth, Aspiration, Inequalities and Value for Communities.

The overall performance position at the end of the first quarter is as follows; 50% of our performance indicators monitored in year are on track, with a further 25% just off track. Therefore, despite the difficult circumstances we are currently facing, we can report 75% of our performance indicators are there or there about on target.

Finance summary - Revenue

The Council is currently forecasting a revenue over spend at year end of £1.789m against a net revenue budget of £203.765m. This equates to a net spend of £205.554m which is a variance of 0.9%. This assumes no corrective action, in fact officers have been tasked with working with the relevant portfolio holders to identify options for delivering a balanced budget

Table 1 End of year revenue forecast

	Latest Approved Budget £000	Forecast Outturn £000	Variance £000
Total General Fund Budget	203,765	205,554	1,789

Finance summary – Revenue Delivery Plans

Work continues to progress the revenue delivery plans set out for 2012/13, with details within each directorate section of the report.

Finance summary - Capital

In the budget report taken to full Council in Feb 2012, the 2012/13 Capital Programme stood at £51.121m. Following approval of new schemes, re-profiling and variations at Full Council in April and June 2012, the capital programme for 2012/13 was £58.379m however the latest forecast at the end of June 2012, is now £59.943m. Full details are contained in Section 3.5 and Table 5.

Corporate Plan 2012-2015:

This quarterly report is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Robust and accurate financial monitoring underpins the Council's Medium Term Financial Plan. The Council's Medium Term Financial Forecast is updated regularly based on on-going monitoring information.

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

The reducing revenue and capital resources across the public sector has been identified as a key risk within our Strategic Risk register. Equality Impact Assessments have been undertaken on the Delivery Plans that underpin the 2012 13 budget.

Recommendations & Reasons for recommended action:

That Cabinet:-

1. Note the forecasted overspend for the year against budget of £1.789m and the performance contents of this report, and ensure Portfolio Holders and Officers continue to work closely together to improve performance and take corrective action to deliver a balanced budget position.
2. Approve the re-profiling and variations (reductions) of (£2.945)m in 2012/13 and (£8.576)m for future years to capital spend as detailed in Table 3
3. Recommend to Full Council the new capital schemes over £0.500m for investment as detailed in Table 4 amounting to £4.450m in 2012/13 and £4.450m for future years.
4. Approve the budget virements as detailed in Table 15 of the report
5. Approve the move to a revised, more focused finance report, clearly linking the finance position to the new administration pledges, and setting out the countermeasures for any significant variances.

Alternative options considered and reasons for recommended action:

Actions are recommended in response to specific variances in either performance and / or finances identified throughout the report.

Background papers:

- 2012 Plymouth City Council Corporate Plan
 - 2012/13 Budget Setting papers published in December 2011
 - 2012/13 Revenue & Capital Budget – February 2012
 - Joint Performance and Finance Report – June 2012
-

Sign off:

Fin	Mc121 3.008	Leg	TH0 050	HR	MG1213/0 8001	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member M Coe											

Plymouth City Council
Performance and Finance Monitoring – 2012/13
Quarter 1 to 30 June 2012

I. Introduction

- I.1 With diminishing financial resources, it is fundamentally important that the Council maintains a clear focus on delivering progress against the identified corporate and city priorities, and the new administration pledges.
- I.2 Performance and Finance information, and associated Delivery Plans, are owned by Directors and their Management Teams. Much progress has been made in recent years to ensure that cross cutting priorities are delivered and that finance is allocated to areas of most importance to the public (e.g. protecting the delivery of front line services)
- I.3 This report outlines the progress against key performance indicators, forecasts the year end revenue position, provides details of progress against delivery plans and recommends updates to the council's capital programme. This is the first quarterly report of the year, and the period of this report covers April to the end of June 2012.
- I.4 This report contains the following sections and Appendices:-

Section 'A' – Executive Summary – Finance

- Revenue
- Capital

Section 'B' – Departmental Performance & Finance Report

Section 'C' - Concluding Remarks

Appendices

- Appendix A – Finance Monitoring Summary Graph.

SECTION A - EXECUTIVE SUMMARY – FINANCE

2. General Fund Revenue Budget

- 2.1 Council approved a net revenue budget of £203.765m for 2012/13 at its meeting on 27 February 2012. At the end of this first quarter, to the end of June 2012, we are reporting an over spend of £1.789m. Table 2 below shows the forecast year end position across directorates.

Table 2 End of year revenue forecasts

DIRECTORATE	Council Approved Budget Feb '12 £000	Budget Virements £000	Latest Approved Budget £000	Forecast Outturn £000	Monitoring Variation to 30 June 2012 £000
PEOPLE	122,620	1,210	123,830	124,419	589
PLACE	42,460	476	42,936	43,743	807
CORPORATE SERVICES	30,296	241	30,537	30,930	393
CHIEF EXECUTIVE'S OFFICE	1,901	366	2,267	2,267	0
CORPORATE ITEMS	6,488	(2,293)	4,195	4,195	0
TOTAL NET BUDGET	203,765	0	203,765	205,554	1,789

- 2.2 Further details of the variations are outlined in the individual Directors reports in Section B of this report.

Recommendation

- I. Cabinet note the forecasted overspend for the year against budget of £1.789m and the performance contents of this report, and ensure Portfolio Holders and Officers continue to work closely together to improve performance and take corrective action to deliver a balanced budget position.

2.3 Delivery Plans

In setting the budget for 2012/13, departmental delivery plans were agreed in order to achieve a balanced budget. Overall, progress has been made across the majority of these plans. The Red / Amber / Green (RAG) rating applied in this report have been robustly challenged.

Inevitably, throughout the year, original Delivery Plans will change due to changes in circumstances. Where such variations occur, initially it is the responsibility of the

sponsoring department to develop and implement alternative budget delivery plans and actions. Only where there is no planned remedial action to address a non performing delivery plan will a forecasted overspend be reported.

Major variations to delivery plans will be reported within individual departmental sections. It is imperative that Cabinet Members continue to challenge all Directors.

3. Capital Programme

- 3.1 In the budget report taken to full Council in Feb 2012, the 2012/13 Capital Programme stood at £51.121m. Following approval of new schemes, re-profiling and variations at Full Council in April and June 2012, the capital programme for 2012/13 was £58.379m however the latest forecast at the end of June 2012, is now £59.943m. These figures do not include the Tamar Bridge & Torpoint Ferry capital schemes of £1.626m that were approved by the Joint Committee and taken to PCC Full Council in January 2012.
- 3.2 Due to timing around the delivery of capital spend, and variations due to programme slippage, changes in priorities, contractor performance, ability to achieve capital receipt etc. we are now reporting the following changes to the timing of capital spend over the next four financial years:

Table 3 – Recommended Re-profiling and Variations to Capital Programme

2012/13	2013/14	2014/15	2015/16	Re-Profiling / Other Variations
£000	£000	£000	£000	
				Re-profiling
(800)	800	0	0	Plymouth Life Centre - Ice Provision
(1,000)	1,000	0	0	Pilgrim- Basic Need
(1,092)	1,092	0	0	Mercury abatement equipment in Crematoria
(1,600)	400	1,200	0	History Centre (see 3.3 below)
30	(30)	0	0	Laira Green- Basic Need
79	(79)	0	0	Marine Academy Plymouth
				Other Variations
0	0	893	0	Disabled Facilities – projection of funding for 2014/15
242	0	0	0	Marine Academy Plymouth – additional works funded by schools
348	0	0	0	All Saints Academy Plymouth – additional works funded by schools
118	228	120	0	Plymouth Station Phase 3 – additional grant funding awarded
0	0	(1,000)	(13,200)	Eastern Corridor – changes to availability of future funding for block schemes
730	0	0	0	Other Variations (see 3.3 below)
(2,945)	3,411	1,213	(13,200)	Total Re-Profiling / Other Variations

- 3.3 The History Centre project is subject to option appraisal work, currently on-going, which is considering the suitability of the location, building etc. Other variations include potential additional costs associated with the on-going works at West Hoe Pier as additional voids have been found in phase one works and removal of soil bund within Central Park.

- 3.4 The Capital Delivery Board has recently considered, and prioritised, a number of other new capital investment projects that deliver outcomes against corporate priorities. These schemes will be presented for approval at the next Full Council meeting in September 2012.

Table 4 – New Schemes to the Capital Programme

£000	£000	£000	£000	
12/13	13/14	14/15	15/16	
5	0	0	0	Weston Mill Garden S106
24	0	0	0	Plymstock - SEN Provision
30	0	0	0	Flood defence works - Burniston Close
59	0	0	0	Schemes Approved Through Delegated Powers
500	500	0	0	Health Income to fund Disabled Facilities *
3,950	3,950	0	0	University Technical College
4,450	4,450	0	0	Schemes to be Approved at September 2012 Council
4,509	4,450	0	0	Total of new Schemes

* Programmed to go to August Capital Delivery Board

- 3.5 The Capital Programme is always subject to variations, due to a number of different factors and these are reviewed each month through a financial report to the Capital Delivery Board.

Table 5 – Revised 2012/13 Programme following approvals at Full Council (September 2012)

	£000
Programme following approvals at Full Council June 12	58,379
Re-profiling for approval at September Cabinet (Table 4)	(4,383)
Variations / Virements for approval at September Cabinet (Table 4)	1,438
New Schemes for approval at September Council (Table 5)	4,450
New schemes already approved through delegated powers	59
Revised (Latest Forecast)	59,943

Capital Expenditure to Date

- 3.6 To date, we have spent £5.477m which equates to 9.14% spend against the revised estimated annual spend of £59.943m. Directorates are confident that they will be able to deliver the majority of the approved capital programme in year. Further re-profiling will be considered by the Capital Delivery Board in consultation with the cabinet member for finance, submitted to Cabinet and recommended to Full Council at monitoring stages.

Recommendations:

2. Cabinet approve the re-profiling and variations (reductions) of (£2.945)m in 2012/13 and (£8.576)m for future years to capital spend as detailed in Table 3.
3. Cabinet recommend to Full Council the new capital schemes over £0.500m for investment as detailed in Table 4 amounting to £4.450m in 2012/13 and £4.450m for future years.

Capital Receipts

- 3.7 There has been a decline in the availability of capital receipts over the last couple of years due to falling property and land prices and the use of assets in delivering wider employment and growth. The current Medium Term capital programme assumes generation of £17.167m receipts up to, and including, 2015/16 although current valuations show an estimated value of £14.168m (see 3.8) giving a potential shortfall of £2.999m.
- 3.8 The capital receipts now available to fund the programme (RAG rated) from the disposal of land and buildings are as follows:

Disposal of Land / Buildings	£m
2011/12 B/fwd	2.176
2012/13 Estimated Receipts	5.678
2013/14 Estimated Receipts	3.657
2014/15 Estimated Receipts	2.618
2015/16 Estimated Receipts	0.039
Total	14.168

- 3.9 The Council uses capital receipts as part of its funding streams however the timing of when the capital receipts are paid into the Council and when the programme delivery is requiring the receipts will never be a balanced position. As such, any temporary shortfall of required capital receipts will need to be funded by short-term unsupported borrowing that would be financed from the Capital Finance Reserve or the working balance, until such time as additional capital receipts are generated.

Capital Medium Term Forecast

- 3.10 Projecting forward the above changes across the next three financial years provides a projected capital programme as detailed in Table 7. This is the programme based on known projects and predicted funding streams. The council will remain proactive at optimising external grant funding wherever possible in order to continue significant capital investment in the city. The Council has adopted a four year Capital MTFF aligning it with the number of years over which the revenue MTFF is based. The programme contains the predicted income lines from un-ringfenced government grants so is a stable prediction of the MTFF, however it is anticipated that this programme will grow in future years when we receive more certainty around future funding streams.

Table 6 – Capital Medium Term Forecast & Funding

	2012/13 Revised £000	2013/14 Revised £000	2014/15 Revised £000	2015/16 Revised £000	Total £000
People	37,992	23,498	7,612	1,982	71,084
Place	13,204	11,511	7,791	350	32,856
Corporate Services	8,747	1,346	750	500	11,343
Total	59,943	36,355	16,153	2,832	115,283

Funding Source	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	Total £000
Capital Receipts	9,615	6,352	1,200	0	17,167
Unsupported Borrowing	6,625	1,843	750	500	9,718
Supported Borrowing	107	0	0	0	107
Grants & Contributions	40,355	27,412	13,116	2,332	83,215
SI06 / Tariff	1,192	50	750	0	1,992
Revenue & Funds	2,049	698	337	0	3,084
Total	59,943	36,355	16,153	2,832	115,283

SECTION B – DEPARTMENTAL PERFORMANCE & FINANCE REPORT

4 People

4.1 Finance and Performance Summary; General Fund Revenue Forecast is an overspend £0.589m

Responsible Officers: Maggie Carter / John Searson / Dave Simpkins / Stuart Palmer

4.2 This report sets out the Finance position for the People Directorate, forecasting the year end position as at June 2012.

4.3 The revenue position is shown in the table below with the current year end forecast of £0.589m overspend (0.4% of net budget)

Table 7

Service	Latest Approved Budget £m	Forecast Year End Position £m	Variation at June 2012 £m
Children's Social Care	26.757	27.277	0.520
Joint Commissioning & Adult Health and Social Care	67.931	67.931	0.000
Education, Learning & Family Support	16.030	16.097	0.067
Homes & Communities	9.332	9.334	0.002
Programmes Director Projects	3.412	3.412	0.000
Management and Support	0.368	0.368	0.000
Total	123.830	124.419	0.589

4.4 People Context

Like the rest of the Council, services in the People Directorate are facing significant external challenges from welfare reform, the general state of the economy and the changing structure of the population which will see a continually ageing population on the one hand and, for the foreseeable future higher levels of young children. These demographic changes place high pressure on statutory social care services. In line with government policy the agenda for the Directorate is on strategic whole system transformation aiming to shift resources to spend more on:

- Really good, easy to access information, advice and advocacy to help more people to help themselves
- Accessible, low level practical help to avoid crisis and maintain independence
- Self- directed support through personal budgets and direct payments to reduce dependence on statutory services and achieve better outcomes for people and their families

All underpinned by high quality statutory services aimed at protecting the most vulnerable in society from harm and neglect and ensuring services are focused on delivering better outcomes for individuals.

Therefore our strategy is fourfold working with people, communities and partners to invest in:

- Universal services
- Early intervention and prevention
- Choice and control
- Social capital

4.5 **Children's Social Care**

Children's Social Care is projecting a year end adverse variation of £0.520m. The current overspend on Independent Sector Placements is being offset by savings within the In-House Foster Care Service. Plans are in place to reduce the Children in Care Service dependency on the Independent Sector as the number of In-House carers grow.

Delivery Plans have been reviewed with new plans put in place to address the shortfall in Children's Social Care. The Division are looking to reduce the remainder of the Delivery Plan £0.520m through additional savings identified by Service Managers within the financial year and this will continue to be monitored on a monthly basis.

Referrals to children's social care continue to rise. The 11/12 outturn number of 3609 was 20% higher than the 10/11 outturn. Numbers in the first quarter of this year are 20% higher than the same quarter last year. This has created workload pressures in our advice and assessment service. Action is being taken to mitigate this and our performance against initial assessment timescales despite an initial dip has now recovered and is holding steady, just below our annual target.

This increase in referral numbers has not, so far, led to a corresponding increase in the numbers of children subject to child protection plans or children in care that is often seen in such circumstances. This is likely due to the effectiveness of our family support services that are performing well in intervening to reduce need amongst these complex and vulnerable families. Currently child protection plans and children in care numbers are holding steady and we are therefore on track to meet our annual target. The issue however is that this could at any time change due to in year service demand and in meeting our statutory obligation to protect children. Caseload pressures are monitored weekly across all services. There is a particular focus on advice and assessment currently. We are reviewing the staffing establishment, addressing vacancies and utilisation of agency staff cover in this service.

A key dependency for children's social care in terms of stemming the increase in referral numbers is implementation of the early intervention and prevention strategy. This will increase family support capacity in the City to meet need earlier, improve outcomes and therefore reduce demand at the front door of social care. CAF activity is continuing to substantially increase with quarter one performance well over target. The early intervention programme plan will ensure deployment of resources such as the early intervention grant in specialist services for example, parent alcohol programme and domestic abuse services. This will address need at both the specialist and lower early intervention levels.

A high level of HR scrutiny has been in place to address attendance rates, including an attendance action plan. Specific issues identified include:

- a. high sickness levels within the Out of Hours service as various issues have been identified and addressed by a new service manager. Most issues are now resolved and attendance is improving.
- b. The I6+ team currently have a high level of employee issues impacting on attendance and absence case drift has been identified where managers need to work more closely with HR to improve the attendance.
- c. Monitoring caseloads, addressing vacancies and utilisation of agency staff cover, particularly within the Advice and Assessment service.

4.6 Joint Commissioning & Adult Health and Social Care

The department is divided into 3 distinct areas:

- Strategic Commissioning and contracting of a wide range of universal services, including information, advice, advocacy, early intervention and prevention for people who use services and their carers, and for residential care and housing related support.
- Direct service provision for vulnerable people eligible for Council support.
- Assessment and Care Management including statutory functions carried out through assessment and support planning services for individuals

The transformation programme covers everything we do and 2012/13 is a critical stage of implementation. The Assessment and Care Management Service completed the full implementation of the new personalised operating system in July which has involved a complete management restructure, introduction of a new IT system including the “paperless” office and mobile working for all front line staff; plus a new, free, up-front offer for all clients of a short term period of reablement to delay or avoid entry into long term care. The new systems offers personal budgets for all people eligible for on- going Council support.

The new service aims to operate without waiting lists: “doing today’s work today”. As all staff have undertaken a 6 day off line induction programme there have been anticipated reductions in performance due to reduced capacity over the last few months. An example of this has been a temporary increase in Delayed Transfers of Care during May. These figures are now improving. This has been mitigated by ensuring good communication with partners, particularly those in health.

The key national indicator that applies to the new operating system is NI 130 which requires councils to offer 100% of eligible service users a personal budget by March 2013. This is a stretch target for all Councils and the current trajectory is for Plymouth to reach 60% by March 2013 achieving 100% by September 2013. Currently we are on target to achieve this.

Throughout the period of the ASC restructure, which began in November 2011 there has been uncertainty for staff in terms of:

- the management recruitment and selection process,
- the new operating model
- line management arrangements

This period of major service change has for some staff manifested itself in a higher level of sickness. There will be a further period of bedding down the new structure, however the management arrangements that are now in place are focused on managing and maintaining staff attendance at work.

There is positive evidence across the service of the use of the Managing Attendance Policy with a number of cases progressing to capability hearings. In addition a number of high absentee staff continue to be managed effectively and in some cases this has resulted in dismissal.

4.7 Education, Learning and Family Support

Education, Learning and Family Support is projecting a year end adverse variation of £0.067m which relates to the Hoops 4 Health contract renewal. Hoops 4 Health is the Plymouth Raiders' basketball teams' community scheme, now in its third year and a £0.067m contract has been signed with Plymouth City Council for this financial year. It is anticipated that this and the red delivery plans for this area will be contained by maximising the use of grants and other budget reductions in this department which will be finalised in the next few months. NEET performance is on track to deliver the 2012/13 target of 7.9%. However, it will not be fully known whether this can be maintained until current school leavers enter the labour market and further education in September. Following rigorous support and challenge of primary schools failing to meet floor standards it is likely that the number falling below national expectations will be dramatically reduced. Provisional results will be available in September. Education, Learning and Family Support currently has the lowest absence rate within People Directorate. Average working days lost have been steadily reducing: 8.54 (April); 7.58 (May) to 7.22 (June) and the trend remains downwards. A comparison of long and short term sickness absence shows a slight increase in long term but a decrease in short term absences. However, there has been an increase in those cases entering the top 100. This issue is being addressed by managers who will be raising capability reports where appropriate. Recent appraisals have been used to ensure objectives secure better management of absence.

4.8 Homes & Communities

Homes and Communities is reporting a zero variation. Delivery Plans have been put in place in order achieve the target of £0.067m. Close monitoring of the high risk areas such as Bed & Breakfast payments and changes to income levels from Service Level Agreements to spot purchasing arrangements within the 'Family Intervention Service'. The direction of travel on sickness absence is downwards for this area with some long term sickness cases recently being resolved.

Across all Homes and Communities services we are reporting performance at on or above target for most indicators. Crime targets which were challenging have all come back into target with the exception of violent crime. However a concerted multi agency set of actions is in train led by ourselves and the police. ASB levels have been reduced by 30% on last year's figures

4.9 Programme Director Projects and Management & Support

There are no financial variations to report

4.10 Delivery Plans 2012/13

The People Directorate Delivery Plan totals **£7.044m** for 2012/13. The following table shows the summary position by Red Amber and Green rating (RAG).

Table 8

Service	£ 000's	£ 000's	£ 000's	£ 000's
	RED	AMBER	GREEN	Total
Adult Health & Social Care	0	3,651	950	4,601
Children Social Care	437	597	250	1,284
Education, Learning & Family Support	378	130	485	993
Homes & Communities - Safer Communities	0	0	27	27
Homes & Communities - Strategic Housing	0	0	39	39
Other	100	0	0	100
Grand Total	915	4,378	1,751	7,044

4.11 Schools

4.12 The Dedicated Schools Grant (DSG) position is reported to the Schools Forum each time that they meet. The latest reported position of May 2012/13 is attached.

4.13 The latest forecast shows a projected monitoring underspend of £0.252m for DSG funded activities which is in relation to Direct School Expenditure.

Savings reported on the Direct School Expenditure relates to:

1. The Department for Education has allowed local authorities to exclude insurance from the DSG recouped for academies. This is aimed at evening out inconsistencies across the country in the way insurance is treated. The saving is for one year only. From 2013/14 insurance will be included in the academies pupil led funding and recouped accordingly.

2. The adjustment of early years funding to reflect a higher number of children on the summer 2012 headcount.

4.14 Risks and Issues

1. Demographics and high cost packages in ASC
2. Income levels in sold services to schools and academies do not reach planned levels
3. Looked after children numbers increasing could result in higher costs of care if the early intervention and prevention strategy does not deliver change
4. Home Office transfer of financial responsibility for young offenders remanded to the local authority will have an impact on resources particularly around social worker and independent reviewing officer time.

5. Increasing cost pressures based on increasing demand and volume of people who are at risk of homeless or have significant housing needs
6. Transformation of ASC operational processes are in the transitional year which will need careful financial management
7. Utility costs relating to the Life Centre may be more than budgeted for and under the Leisure Management contract the Council would need to review performance.
8. Impact of Welfare reform on the ability to place homeless families is already starting to occur
9. Grants within the department need careful management to plan for potential reductions in future government spending reviews

4.15 Medium Term Issues

1. Reducing resources against raising expectations and demand
2. Changes to schools formula funding
3. The impact of Welfare reform
4. Level of grants available

5 Place

5.1 Finance and Performance Summary; General Fund Revenue Forecast is an overspend £0.807m

Responsible Officers: Jayne Donovan / David Draffan / Paul Barnard / Clive Perkin

- 5.2 This report sets out the Finance position for the Place Directorate, forecasting the year end position as at June 2012.
- 5.3 The revenue position is shown in the table below with the current year end forecast of £0.807m overspend (1.9% of net budget)

Table 9

Service	Latest Approved Budget £m	Forecast Year End Position £m	Variation at June 2012 £m
Economic Development	1.690	1.734	0.044
Planning	1.765	2.033	0.268
Transport & Infrastructure	14.496	14.976	0.480
Environmental Services	24.858	24.928	0.070
Strategic Waste	0.305	0.250	(0.055)
Business Support	(0.626)	(0.626)	0
Management and Support	0.548	0.548	0
Place Budget Savings	(0.100)	(0.100)	0
Total	42.936	43.743	0.807

5.4 Economic Development - £0.044m adverse variation

The first quarter has seen a sustained downward pressure on commercial rents with the continuing difficult economic climate and the double-dip recession. A number of tenants have ceased trading resulting in increased holding costs as well as reduced rental income. A number of rent reviews and lease renewals are currently under negotiation on west end retail units where final settlements of up to 30% reductions on current rental levels are expected, making current income targets unachievable as flagged up in budget preparation for 2012/13. There is also the additional pressure of £20,000 professional fees relating to the airport. The Land & Property Team continue to pro-actively manage the estate by seeking opportunities to maximise income from underutilised assets and offering competitive rentals and incentives to attract new occupiers to mitigate the current pressures.

A report on Youth Unemployment following a review by a scrutiny panel was taken to Cabinet in July. Cabinet approved all the recommendations including progressing work on an employability workshop, involving employers and education, later this year and to launch an initiative encouraging 1,000 companies in the city to take on at least 1 employee. A new Jobs Task Force was launched in July, which will produce a Plan for Jobs by December. It is chaired by the Leader, has a number of influential external members and is project managed by the Economic Development Team.

There is on-going support for city partners who are in dialogue with the LEP to access Growing Places Fund money for capital projects which support enterprise and new business creation.

Confirmation was received that our bid into the Coastal Communities Fund has successfully passed Stage 1. Stage 2 needs to be completed by September. Outcomes for Plymouth's Regional Growth Fund bids are expected in the autumn too.

In the private sector there have been a number of small-scale announcements of jobs being created and a major announcement of expansion by KPM [Kawasaki] which could create 100 jobs.

The Marine City Festival programme has been announced and it includes a business strand where as well as an Expo on the Hoe, the Economic Development Team will be arranging a visit by the Trade Minister to meet some of Plymouth's leading exporters and innovator companies.

A board has been formed to take forward the South West Marine Energy Park. The second edition of the Plymouth Economic Review was produced and published. The Council is in continued dialogue with the LEP about the how LEP can help bring more jobs and economic growth to the city. The ED Service is fully engaged with early internal discussions about the possibility of the Council pursuing a City Deal with Government in order to boost jobs and tackle deprivation.

5.5 Planning - £0.268m adverse variation

About £200K relates to costs associated with the North West Quadrant Public Inquiry. In addition, a shortfall of fees against budget of about £115K is currently projected given the continuation of the adverse economic climate, the impact of which is reduced by projected savings elsewhere.

5.6 Transport & Infrastructure - £0.480m adverse variation

The first few months has seen a number of increasing budget pressures, which include £150k from increased highway maintenance on pot hole repairs (additional DfT monies not forthcoming), £150k from rising street lighting energy costs, as well as c.£50k for CCTV due to loss of funding, following the end of the ten year funding for Devonport Regeneration Community Partnership. The period has also seen a drop in anticipated income from Parking of £100k due to poor economic climate and bad weather

5.7 Environmental Services - £0.070m adverse variation

This overspend, £70k external support costs for a procurement project, represents an unexpected pressure on the service and could therefore result in an overspend at year end. However the service will continue to try and offset this pressure with further efficiency savings.

The percentage of waste recycled, reused and composted this quarter (NI 191) is above target with cumulative performance at 34.05% against an annual target of 34%. The expanded garden waste scheme is providing results with compost tonnages 11% higher than the same period last year and the highest tonnage collected in this quarter since the service began.

There has been a positive downward trend in working days lost within Environmental services for the past year due to regular monitoring, wellbeing meetings etc. This has brought the average down from c18 days lost early in 2011 to just over 11 in the first quarter of 2012. Work is still ongoing to reduce this figure further

5.8 Delivery Plans 2012/13

The Place Directorate Delivery Plan totals **£1.4m** for 2012/13. The following table shows the summary position by Red Amber and Green rating (RAG).

Table 10

Service	£ 000's	£ 000's	£ 000's	£ 000's
	RED	AMBER	GREEN	Grand Total
Transport & infrastructure			300	300
Other	800		300	1,100
Grand Total	800	0	600	1,400

5.9 The following significant risks are assumed within the Delivery plan.

- The £0.700m red rated delivery plans against other refers to the Accommodation Strategy Phase I that includes Civic Centre. The Introduction of Phase 2 has reduced part of the pressure from delivery plan, The Council has set aside an accommodation reserve to cover maintenance issues around the Civic Centre and any pressures on the Accommodation Strategy project. It is likely this will need to be utilised to address at least some of this pressure.

- The other £0.100m red rated delivery plan refers to a new action to review Customer Contact Centre.

5.10 Risks and Issues

- The department is currently facing risks from achieving consistent levels of External Income from Car Parking, Planning Fee Income and commercial Rent. This is impacting on Service Delivery.
- There are also pressures from the Public Enquiry linked to North West Quadrant.
- Environmental Services are currently considering replacement mini-bus replacements and any delay in this could have a consequential effect on the amount of savings anticipated to achieve service delivery plans for the current year.
- The Accommodation Strategy also presents a risk for the department as highlighted above

5.11 Medium Term Issues

The economic climate provides continuing challenges to Income targets for the departments within Place, in order for it to achieve future commitments. Rising energy prices will continue to add pressures for street lighting, whilst premise costs continue to rise. Increasing waste disposal costs have been projected for the next few years as the cost of tonnage increases.

6. Corporate Services

6.1 Finance and Performance Summary; General Fund Revenue Forecast is an overspend £0.393m

Responsible Officers: Malcolm Coe / Dave Saunders / Mark Grimley / Tim Howes

- 6.2 This report sets out the Finance position for the Corporate Services Directorate, forecasting the year end position as at June 2012.
- 6.3 The revenue position is shown in the table below with the current year end forecast of £0.393m overspend (1.3% of net budget)

Table 11

Service	Latest Approved Budget £m	Forecast Year End Position £m	Variation at June 2012 £m
Finance, Efficiencies, Technology & Assets	19.267	19.267	0.000
Democracy & Governance	5.055	5.256	0.201
Customer Services	4.763	4.763	0.000
Human Resources & Organisational Development	3.226	3.428	0.192
Departmental Management	0.181	0.181	0.000
Corporate Services Budget Savings	(1.965)	(1.965)	0.000
Total	30.537	30.930	0.393

6.4 Finance, Efficiencies, Technology & Assets

The Procurement Delivery plan remains a challenge. The corporate buyer function is delivering revenue savings which is added to through re-negotiation of major contracts and developing specific areas of category management. We are forecasting delivery of the required £1m savings in 2012/13, but need to re-assess our ability to deliver the challenging targets set in future years.

At the end of the first quarter collection rates for Council Tax and NNDR are slightly off track. The cumulative collection rate for Council Tax at the end of June stood at 26.53% against a target of 27.06%. However, collection rates are slightly up when comparing the same period last year. The cumulative collection rate for NNDR stands at 36.11% against a target of 36.48%. However, collection rates are over £1m higher than the same period last year.

There was a reduction in processing days for new benefit claims to 22 days in June from 24 in May. Processing of new claims has now seen a month on month reduction since the end of the financial year when performance stood at 28 days. The service has been working on reducing a backlog of claims which has had some impact on processing changes of circumstances. This has been caused by needing to implement a new Department of Works and Pensions system. It is anticipated that the backlog will be significantly reduced over the next two months. A new online self-service and changed working practices along with an improvement plan will all contribute towards improving performance over the next quarter.

6.5 Democracy & Governance

The current estimate due to the additional police authority elections and the fact that the local elections didn't coincide with any national elections (allowing costs to be shared) is for a pressure of £0.2m

6.6 Human Resources and Organisational Development

The SAP replacement is budgeted to drive out savings and improvements which will cover the cost of borrowing. At this stage we are forecasting a pressure in the current year for borrowing costs of £0.192m. The next key date for phase I of the project is go-live in payroll in November 2012.

6.7 Customer Services

The target for library visitor numbers 2012/13 represents a 3% uplift on 2011/12 in anticipation of increased footfall to our libraries following the introduction of the Health and Social Care Hubs. The project is officially launched on October 1st and, although visitor numbers are down month on month to date, the significant increase in visitors during July from the previous months indicates a potential turn in this trend.

6.8 Delivery Plans 2012/13

The Corporate Services Directorate Delivery Plan totals **£3.257m** for 2012/13. The following table shows the summary position by Red Amber and Green rating (RAG).

Table 12

Service	£ 000's	£ 000's	£ 000's	£ 000's
	RED	AMBER	GREEN	Grand Total
Finance, Efficiencies, Technology & Assets		1,050	400	1,450
Customer Services			480	480
HR & OD	527		400	927
Change Office / Cross Cutting		300	100	400
Grand Total	527	1,350	1,380	3,257

6.9 The following significant risks are assumed within the Delivery plan.

- The £0.527m red rated delivery plan against 3rd and 4th Tier Management Restructure is subject to clear costings and implementation across Directorates. At this stage Corporate Management Team anticipate that some of this delivery plan will be achieved through restructures by the year end, but until consultations and final costings have been undertaken the exact amount in year is not known. The delivery plan will be achieved for future years, and officers are reviewing the level of vacancies that could offset this delivery plan in the current year.

6.10 Risks and Issues

- Welfare reforms
- Procurement delivery plans

6.11 Medium Term Issues

- Welfare reforms
- Changes to business rates and housing benefit administration
- Realisation of benefits from IT/Customer project

7. Chief Executive's Office

7.1 Finance and Performance Summary; General Fund Revenue Forecast is breakeven

Responsible Officers: Giles Perritt / Richard Longford

- 7.2 This report sets out the Finance position for the Chief Executive's Office, forecasting the year end position as at June 2012.
- 7.3 The revenue position is shown in the table below with the current year end forecast of breakeven.

Table 13

Service	Latest Approved Budget £m	Forecast Year End Position £m	Variation at June 2012 £m
Policy Performance and Partnerships	1.454	1.454	0.000
Corporate Communications	0.568	0.568	0.000
Departmental Management	0.346	0.346	0.000
Delivery Plans	(0.100)	(0.100)	0.000
Total	2.268	2.268	0.000

7.4 Executive Office Context

A new Chief Executive has now been recruited and will join the authority in the Autumn. The financial performance will be updated to reflect the actual implication of the change in Chief Executive in the second quarters report. The rationalisation of Policy, Performance and Partnerships is now completed and the service is now at full establishment.

The final financial position for the service will be reported in the second quarters report once all non-staffing costs have been established. The Executive Office continues to drive reductions in cross cutting costs such as consultations, print, publicity and advertising and the production of corporate publications.

Attendance gives no cause for concern at the current time. The Professional Assistants restructure is near completion. The Head of PPP will now take overall management responsibilities for the Assistants. A financial update for this area will be given in the next quarterly report

7.5 Delivery Plans 2012/13

The Executive Office Delivery Plan of **£0.100m** for 2012/13 is current rated Amber.

Table 14

Service	£ 000's	£ 000's	£ 000's	£ 000's
	RED	AMBER	GREEN	Grand Total
Executive Office (Rationalise Printing, Publicity and Advertising)	0	100	0	100
Grand Total	0	100	0	100

7.6 Risks and Issues

- Legacy commitments (particularly to Adult Social Care and Children's Services) continue to dominate our resource allocation
- No audit of statutory requirements for policies leaves PCC exposed for inspections
- Poor quality assurance and concerns about the accuracy of data undermine the confidence stakeholders have in reports
- Technology fails to automate manual data manipulation
- Delivery plans are unsuccessful at meeting the budget for FY 13/14

8. Corporate Items and Cross Cutting Issues

Revenue budget forecasted out-turn

- 8.1 For this first quarter report, we are reporting a nil variance against the budget for the year. Therefore, at this stage we are assuming that the £0.5m contingency budget will be fully utilised during the year.

Capital Financing Budget /Treasury Management

- 8.2 The Treasury Management Board continues to meet regularly to discuss the actions in respect of borrowing and investments in accordance with the approved strategy.

- **Debt Rescheduling**

Movements in gilts over in the year have reduced PWLB loan interest rates meaning that there have been no opportunities to date to achieve savings from the repayment or rescheduling of long-term debt. It is unlikely that in the current climate interest rates will move in a favourable direction but PWLB rates continue to be monitored by Council officers and our Treasury Management advisors Arlingclose to take any opportunity to make revenue savings as and when this occurs.

- **Investments**

Council Officers and Arlingclose will monitor credit conditions and further deposits will be made in line with the Council's Treasury Management strategy when conditions are appropriate for such investments.

- **Icelandic Bank Update**

The Council continues to receive regular dividend payments in respect of its investment in Heritable bank, with the TM Board continuing to monitor the position closely. We are also working in conjunction with other Local Authorities with similar outstanding claims. Monies received to date are:

Glitnir - received £5,033,247.31 (principal £4,742,018.12 and interest £291,229.19) amounting to 79.03% of our agreed claim leaving a balance yet to be recovered of £1,335,240.36.

Landsbanki – received £1,747,374.90 (principal £1,654,658.06 and interest £92,716.84) amounting to 41.37% of our agreed claim. The amount received includes £516,791.13 received in 12/13 (May) made up of £489,369.86 principal and £27,421.27 interest leaving a balance yet to be recovered of £2,476,760.44.

Heritable – received £2,350,910.81 (principal £2,236,861.87 and interest £114,048.94) amounting to 74.56% of our claim. This includes £209,365.25 received in 12-13 (April and July) made up of principal of £199,208.37 and interest of £10,156.88 leaving a balance of £802,047.56 yet to be recovered.

Budget Virements

- 8.3 The Council's net budget requirement was set by Council at its meeting on 27 February 2012 at £203.765m. Amendments to this overall budget can only be made by Full Council. During the year there will be several movements in budget allocations across services/departments as part of the delivery of the day to day business of the Council. Movements in the budget are continually tracked and an audit trail held for budget control purposes. In addition, Financial Regulations require all budget virements in excess of £100,000 to be approved by Cabinet.

- 8.4 Cabinet are now requested to approve the budget virements detailed in Table 8. All of these virements balance to zero with the overall council net revenue budget remaining at £203.765m

Table 15 – Virements over £100k for Cabinet Approval

Virements over £100k	£000's		
	Revenue Grant Carry Forward	Grant Allocations	Total virements >£100k
DIRECTORATE			
PEOPLE	694	711	1,405
PLACE	213	154	367
CORPORATE SERVICES	0	0	0
CHIEF EXECUTIVE'S OFFICE	366	0	366
CORPORATE ITEMS	(1,273)	(865)	(2,138)
TOTAL	0	0	0

A brief explanation of these virements is as follows:

Revenue Grant Carry Forward

- 8.5 Revenue Grant Carry-Forward as agreed by CMT including the Performance Reward Grant, Early Intervention Grant, Mortgage Rescue, New Homes Bonus and Local Services Support Grant - Homelessness.

Grant Allocations

- 8.6 Transfer of the LSSG budget re lead local flood authorities to Transport and Infrastructure, Preventing Homelessness Grant & the community safety fund grant to Homes and Communities from Corporate Items.

Virements per Table 2

- 8.7 The total virements shown in Table 2 of this report, although still netting to zero, include those adjustments which individually are <£100k and therefore do not require cabinet approval. In total they amount to £155k.

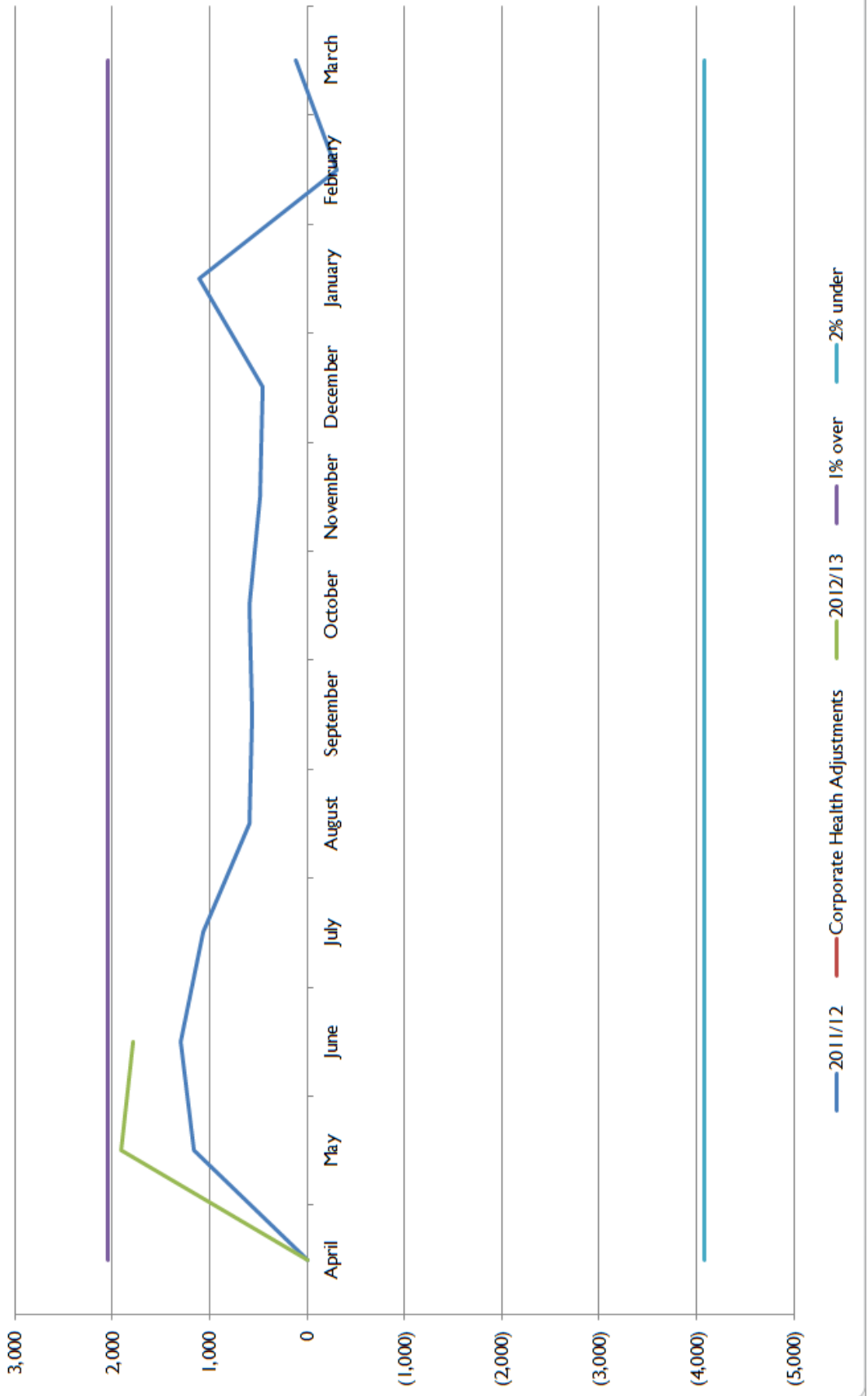
Recommendation

4. Cabinet approve the budget virements as detailed in Table 15.

SECTION C - CONCLUDING REMARKS

- 9.1 We are now reporting for year two of our three year budget, in which we set out our plans to achieve budget savings of £30m by 2013/14. Building on the achievements during 2011/12. It is imperative that the current year Delivery Plans are also achieved in-year as they too roll forward to underpin the budget for next year.
- 9.2 Despite reduced funding, the council remains committed to improving services and has revised its performance management framework to ensure that key focus is maintained on performance measures that contribute most towards the council and wider city's priorities.
- 9.3 Overall for the performance position at the end of the first quarter there are no critical indicators which would suggest there are no major areas of concern. However, with 50% of our performance indicators monitored in year on track, this leaves a further 50% which are not on track. As stated in the report, with 25% of indicators just off track, despite the difficult circumstances we are currently facing, we can report 75% of our performance indicators are there or there about on target.
- 9.4 Although there are no critical issues to report on finance this time around, there are some areas of variance within individual departments that require close scrutiny.
- 9.5 Revenue budgets are currently forecasting an end of year over spend of £1.789m. Departments will continue to address this overspend as we target an on-budget outturn in March 2013.
- 9.6 Officers are working closely with the new administration to ensure the Capital Programme meets the new administration pledges.
- 9.7 Officers are now working closely with Cabinet on the preparation of more detailed budgets for the next 3 financial years.

General Fund Monitoring Comparison 2011/12 & 2012/13



CABINET MINUTE 62 OF 11 SEPTEMBER 2012

THEATRE ROYAL REGENERATION PROJECT

The Director for Place submitted a report outlining proposals to facilitate £5m of external grant funding into a total £7m regeneration scheme for the Theatre Royal. Cabinet Members heard that the Theatre –

- was an ageing Council asset in need of refurbishment;
- contributed £26m to the city's economy;
- was a centre of artistic excellence providing social and cultural benefits to the City.

Alternative options considered and reasons decision:

As set out in the report.

Conditional on TRP Ltd successfully obtaining grant funding from ACE up to the sum of £5m it is agreed –

- (1) to accept a surrender of the existing lease and simultaneously;
- (2) to grant a new lease for a 30 year term at a peppercorn rental (on the basis of promoting the economic and social wellbeing of the City under Section 2 of the Local Government Act 2000) on similar terms to the lease surrendered;
- (3) to grant a comprehensive licence to alter in respect of the proposed major alteration works;
- (4) to incorporate in the new lease a right to assign the leasehold interest to ACE or to a performing arts organisation as directed by ACE;
- (5) to grant consent to a legal charge to be placed on the leasehold interest of the property in favour of ACE;
- (6) to confirm revenue support allocation to TRP Ltd at the current level of £665,000 per annum up to and including financial year 2014/15;

- (7) **TO RECOMMEND TO COUNCIL** the inclusion of a new capital scheme up to the value of £1,995,000. The scheme to be funded from the withholding of PCC revenue contributions approved in 6. above for a 3 year period (equating to £1,995,000), making the capital works cost neutral to the Council.
-

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

PLYMOUTH CITY COUNCIL

Subject:	Theatre Royal Regeneration Project
Committee:	Cabinet
Date:	11 th September 2012
Cabinet Member/s:	Councillor Mark Lowry & Councillor Peter Smith
CMT Member:	Anthony Payne
Author:	James Watt, Head of Commercial Estates
Contact:	Tel: 01752 304195 E-mail: james.watt@plymouth.gov.uk
Ref:	Theatre Royal
Key Decision:	Yes
Part:	Part 1

Purpose of the report:

This report provides Plymouth City Council the exciting opportunity to facilitate £5 million of external grant funding into a total £7 million regeneration scheme of one of Plymouth's most important physical assets, economic and cultural drivers – Theatre Royal Plymouth. Without the Council's intervention which will be on a cost neutral basis, this major capital investment simply will not proceed and the associated physical improvements, economic, social and cultural benefits to the City will be lost.

The freehold of the Theatre Royal Plymouth (built in 1982) is owned by the Council and the property is let to the operator; Theatre Royal Plymouth Ltd (TRP Ltd). As a centre of artistic excellence, the Theatre Royal is a cultural hub serving both Plymouth and the South West region. It has received national critical acclaim for both its artistic and community outreach programme work and is recognised as one of the most successful regional producing theatres in the UK. Research by the University of Sheffield on the UK theatre sector demonstrated that Theatre Royal Plymouth has the third highest economic impact of all theatres in the UK after the National Theatre and RSC, in leveraging in an annual £26 million benefit to the Plymouth City economy. As a result of the importance of the theatre to the city, and the viability gap of running such an operation, the Council currently provides revenue grant support of £665,000 per annum and leases the theatre premises on a peppercorn rental.

The Theatre Royal Regeneration Project will renovate an ageing Council asset by the refurbishment and redevelopment of the public areas making it fit for purpose for the next 30 years and in particular will:

- Create a third auditorium in the existing basement, allowing the theatre to develop its city centre outreach work for young people and community groups with overall targets for year one set at achieving 3,600 new attendances by young people of which 50% will be young people identified as vulnerable, at risk, or living in areas of the city with high levels of deprivation.
- Replace the existing aluminium cladding and windows dramatically improving the building's appearance and environmental performance to Building Research Establishment Environmental Assessment Method (BREEAM) very good, by reducing carbon emissions.
- Provide an extension to the main entrance area improving physical access by the removal of steps to the premises.

- Renovations and improvements to existing front of house areas including new catering facilities.
- Completely transform and modernise the existing exterior of the building and adjoining public realm areas acting as a catalyst to promote the regeneration of the west end of the City Centre and overall visitor offer.

The total cost of the above works is estimated at circa £7 million and £5 million of this amount has provisionally been allocated by Arts Council England (ACE) subject to the ability of TRP Ltd to demonstrate £2 million of match funding and the restructuring of the current leasing arrangements to meet ACE security of funding requirements. It is in these areas that the Council can act as enabling partner on a cost neutral basis and the following report sets out how.

Corporate Plan 2012 – 2015:

Deliver Growth:

The redevelopment and refurbishment project will ensure that Plymouth Theatre Royal maintains its position as one of the most successful and best attended regional producing theatres. Research by the University of Sheffield on the UK theatre sector demonstrated that Theatre Royal Plymouth has the third highest economic impact of all theatres in the UK after the National Theatre and RSC, in leveraging in an annual £26 million benefit to the Plymouth City economy. The successful delivery of the Theatre Royal Regeneration Project will serve to maintain and enhance this important economic benefit to the city.

Raise Aspirations:

The creation of a third auditorium in the existing basement dedicated to supporting the theatre's wide ranging community programme will also play a key role in raising aspirations within the city particularly in relation to culture and the arts.

Provide Value for Communities:

The Council acting as an enabler for the Theatre Royal Regeneration Project will reduce the Council's current external repair liabilities in respect of the Theatre's aluminium cladding and also lever in £5million of external grant monies for the overall benefit of the city. The improvement of the exterior of the Theatre building along with adjoining public realm areas will lift the west end of the city centre and enhance the overall visitor offer.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The current level of revenue funding to TRP Ltd of £665,000 per annum forms part of the Councils existing budget and MTFP. However, use of future years allocations up to and including 2014/15 requires Cabinet authorisation.

Subject to the above, payment of the three year revenue provision from 2012/13 to 2014/15 can be withheld and allocated to Council procured capital works on the theatre to an equivalent total value of £1,995,000 to act as match funding in relation to the grant application to ACE.

TRP Ltd have confirmed that any shortfall in their operational costs during this period will be met from a combination of existing reserves and fund raising.

In procuring works to the theatre which are the Council's area of responsibility under the leasing arrangements, VAT can be recovered by the Council.

It has been agreed that the arrangement will be cost neutral to the Council in terms of the project management of the capital works together with any unsupported borrowing costs in respect of the early advancement of the 2014/15 revenue grant allocation. Therefore, these costs will be met from within the Councils £1,995,000 contribution.

The granting of a new lease on the terms proposed will clearly provide a 30 year asset transfer of the theatre premises to TRP Ltd and the Council will only have restricted rights to obtain possession within this time period, for example in the event of tenant default of the terms and provisions within the lease. The current lease to be surrendered is a protected business tenancy under the Landlord and Tenant Act 1954 and TRP Ltd would have an automatic right to renewal on the expiry of the existing lease in 2027 unless the Council wished to redevelop the site or use the building for its own occupation or in other limited circumstances set out in the 1954 Act. In practice therefore, the surrendering of the existing protected lease and the granting of a new lease albeit for a longer term has little impact on the Council's ability to obtain possession of the premises. In any event, it is extremely unlikely that the Council would wish to obtain possession, TRP Ltd have successfully managed the Theatre Royal since 2002 and in not granting the new lease the proposed regeneration project would not proceed and the Council would be placing the future sustainability of the Theatre Royal at significant risk.

In the Council acting as an enabler to the Theatre Royal Regeneration Project (on a cost neutral basis) a £7million investment will be made into this Council owned asset. In addition, this investment will mitigate the Council's current external repair liabilities in respect of the aluminium cladding for a further circa 30 year period.

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

The improvement of the exterior of the theatre building and the adjoining public realm will help lift civic pride and promote community safety in the area.

TRP Ltd will continue to operate and manage the Theatre Royal premises including health and safety matters.

The environmental performance of the building will be improved to BREEAM *very good*, by the reduction of carbon emissions.

Improvement of physical access to the theatre building will promote equality.

The creation of a third auditorium dedicated to supporting the theatre's wide ranging community programme will aid in promoting diversity and community cohesion.

Recommendations & Reasons for recommended action:

Conditional on TRP Ltd successfully obtaining grant funding from ACE up to the sum of £5 million (outcome to be advised in early November 2012) it is therefore recommended that Cabinet approve:

1. To accept a surrender of the existing lease and simultaneously;
2. Grant a new lease for a 30 year term at a peppercorn rental (on the basis of promoting the economic and social wellbeing of the City under Section 2 of the Local Government Act 2000) on similar terms to the lease surrendered.

3. To grant a comprehensive licence to alter in respect of the proposed major alteration works.
4. To incorporate in the new lease a right to assign the leasehold interest to ACE or to a performing arts organisation as directed by ACE.
5. To grant consent to a legal charge to be placed on the leasehold interest of the property in favour of ACE.

Reason for 1-5 above: To meet Arts Council England funding requirements to enable up to £5 million of grant funding on a major capital project for Plymouth.

6. To confirm revenue support allocation to TRP Ltd at the current level of £665,000 per annum up to and including financial year 2014/15.
7. To recommend to Council the inclusion of a new capital scheme up to the value of £1,995,000. The scheme to be funded from the withholding of PCC revenue contributions approved in 6. above for a 3 year period (equating to £1,995,000), making the capital works cost neutral to the Council.

Reason for 6-7 above: To provide match funding in order to secure grant of up to £5million from Arts Council England, delivered as a tax efficient parcel of works under the Council's 2013/14 capital programme.

Alternative options considered and reasons for recommended action:

Alternative options include the following:

1. Granting new 30 year lease to TRP Ltd in accordance with ACE funding requirements.

Whilst satisfying ACE security of funding requirements, the above would leave TRP Ltd unable to demonstrate the level of match funding required by ACE, in this event the project would not proceed.

2. Granting new lease to TRP Ltd in accordance with ACE funding requirements and permitting the conversion of confirmed 3 year revenue allocation to capital as match funding for direct delivery by TRP Ltd.

Whilst meeting the security and match funding requirements of ACE in order to deliver the project, the above scenario would mean that TRP Ltd would be liable to pay VAT on the PCC match funded £1,995,000 parcel of construction works. This is not a tax efficient method of procuring the works and the financial benefits derived from PCC procuring the works can be utilised to further enhance the proposed scheme and addition to covering PCC's costs including unsupported borrowing for year 3 funding allocation if required.

The proposed option enables TRP Ltd to secure the ACE funding to facilitate the delivery of the regeneration project in the most tax efficient manner available.

Background papers:

Lease of Theatre Royal Plymouth dated 30th September 2002
Theatre Royal Property File held in the Economic Development Service
District Valuer – Market Value Report for Theatre Royal dated 17th July 2012

Sign off:

Fin	AF/P lace FED C12 130 01.0 9.08. 12	Leg	15361/ DVS	HR	N/A	Corp Prop	CJT/ 107/ 0908 12	IT	N/A	Strat Proc	N/A
Originating SMT Member: David Draffan											
Have you consulted the Cabinet Member(s) named on the report? Yes											

I. Introduction

- I.1** The freehold of the Theatre Royal Plymouth is owned by the Council and the property is let at a peppercorn rental to Theatre Royal Plymouth Ltd (TRP Ltd) on a 25 year lease dated 30th September 2002 expiring on the 29th September 2027. The lease is protected under Part 2 of the Landlord and Tenant Act 1954 which means that upon the expiry of the term TRP Ltd as tenant has an automatic right to renewal on the same terms as the current lease, which includes a tenant only option to break the lease every 3 years and repairing liabilities restricted to internal areas only. The Council is liable 'to keep the reinforced concrete core of the building together with any other exterior walls and the roof in good repair and condition'.
- I.2** TRP Ltd is a registered charity whose aim is to promote, maintain, improve & advance education particularly by the production & encouragement of the arts; including drama, mime, dance, singing and music. The Theatre Royal Plymouth is the UK's largest and best attended regional producing theatre in the UK. The Theatre is one of Plymouth's jewels and makes an invaluable contribution to education, culture and the arts within the City in addition to the associated economic benefits of a major regional visitor attraction. As a result of the cultural and economic importance of the theatre, and the viability gap of running such an operation, the Council currently provides revenue grant support of £665,000 per annum and leases the theatre premises on a peppercorn rental.

2. Proposal

- 2.1** TRP Ltd obtained planning permission in February 2012 for the Theatre Royal Regeneration Project which will renovate an ageing Council asset by the refurbishment and redevelopment of the public areas making it fit for purpose for the next 30 years and in particular will:
- Create a third auditorium in the existing basement, allowing the theatre to develop its city centre outreach work for young people and community groups with overall targets for year one set at achieving 3,600 new attendances by young people of which 50% will be young people identified as vulnerable, at risk, or living in areas of the city with high levels of deprivation.
 - Replace the existing aluminium cladding and windows dramatically improving the building's appearance and environmental performance to Building Research Establishment Environmental Assessment Method (BREEAM) *very good*, by reducing carbon emissions.
 - Provide an extension to the main entrance area improving physical access by the removal of steps to the premises.
 - Renovations and improvements to existing front of house areas including new catering facilities.
 - Completely transform and modernise the existing exterior of the building and adjoining public realm areas acting as a catalyst to promote the regeneration of the west end of the City Centre and overall visitor offer.
- 2.2** The total cost of the above works is estimated at circa £7 million and £5 million of this amount has provisionally been allocated by Arts Council England (ACE) subject to the ability of TRP Ltd to demonstrate £2 million of match funding.
- 2.3** In order to enable the proposed scheme TRP Ltd has requested the following:

- 1 That the Council accept a surrender of their existing lease and grant a new 30 year lease at a peppercorn rental which meets the funding requirements of ACE.
- 2 That the Council as landlord grants consent to the proposed alterations to the existing Theatre Royal building as shown on the attached plans.
- 3 That the Council ceases the revenue support to the Theatre for a three year period and undertakes capital works to the equivalent value i.e. £1,995,000 in lieu of the grant payment. The circa £2 million capital works will count as match funding to lever in the £5 million grant funding from ACE and is also a more tax efficient mechanism to procure some of the proposed works as TRP Ltd is unable to reclaim VAT on construction costs.

2.4 Without the Council's intervention to facilitate the above, TRP Ltd will be unable to meet the funding requirements of ACE and this major capital investment project for the City will not proceed.

3. Risk

3.1 The following risks and mitigation measures have been identified in connection with the above proposal:

- 1 TRP Ltd revenue viability as a result of the three year suspension of the revenue support grant from PCC to fund the £2 million capital works.

Mitigation: Three year fund raising campaign by TRP Ltd formally commencing on 18th September 2012 to raise £1.5 million with the £500,000 balance already allocated by the Theatre's Board from general funds. The fund raising campaign is based on a similar strategy to that used in 2007 when £1.2 million was raised via trusts and foundations, corporate sponsorship and individual donations to refurbish the main auditorium. TRP Ltd will provide a copy of their fund raising strategy and revenue funding statement for the three year period concerned.

- 2 Cost overrun and project delay.

Mitigation: TRP Ltd have in place a project management team with a good track record of delivering projects on time and within budget. TRP Ltd will fully indemnify the Council against any claims and liabilities associated with the works contract. Loss of TRP Ltd trading income resulting from a delay in the contract will be dealt with via a liquidated damages provision.

- 3 PCC Financial Risk – that VAT is ultimately payable on the Council's proposed parcel of works.

Mitigation: The Council's finance team will obtain advice from HMRC on the VAT implications of the proposal. Options include requesting HMRC to issue a ruling under S33 of the VAT Act 1994 that VAT will not be payable, or electing to tax on the Theatre Royal site which would provide for any future VAT payments becoming due to be reclaimed.

- 4 Disposal of lease at below market value – The Local Government Act 1972 General Disposal Consent (England) 2003 permits disposals of land by local authorities at below market value in the circumstances of promoting the social and economic wellbeing of its residents provided that any undervalue does not exceed £2 million. As the proposals are likely to promote the social and

economic wellbeing of Plymouth residents, Legal Services have advised that it will be necessary to demonstrate that the proposed undervalue is less than the £2 million threshold or a request to the Secretary of State for consent to the proposed transaction will be required.

Mitigation: The District Valuer has been instructed to provide the necessary valuations and confirmed that the disposal at below market value falls within the £2 million threshold and is therefore permitted under the LGA 1972 General Disposal Consent (England) 2003.

4. Recommendation and Reasons

- 4.1** The economic and cultural benefits of the Theatre to the city of Plymouth are well established. Research by the University of Sheffield on the UK theatre sector demonstrated that Theatre Royal Plymouth has the third highest economic impact of all theatres in the UK after the National Theatre and RSC, in leveraging in an annual £26 million benefit to the Plymouth City economy.
- 4.2** The Theatre Royal Regeneration Project will renovate an ageing Council asset to make it fit for purpose for the next 30 years and in doing so will reduce the carbon footprint of the building (with a targeted BREEAM rating of *very good*), improve physical access by the removal of steps to the premises and completely transform the existing exterior of the building and adjoining public realm areas to lift the west end of the City Centre and overall visitor offer. The enhanced catering and retail facilities will also improve the future financial viability and long term sustainability of the Theatre.
- 4.3** It should also be noted that in acting as an enabler to the Theatre Royal Regeneration Project (on a cost neutral basis) a £7million investment will be made into Council owned asset and mitigate the Council's current external repair liabilities in respect of the aluminium cladding for a further circa 30 year period.
- 4.4** Conditional on TRP Ltd successfully obtaining grant funding from ACE up to the sum of £5 million (outcome to be advised in early November 2012) it is therefore recommended that Cabinet approve:

- 1 To accept a surrender of the existing lease and simultaneously;
- 2 Grant a new lease for a 30 year term at a peppercorn rental (on the basis of promoting the economic and social wellbeing of the City under Section 2 of the Local Government Act 2000) on similar terms to the lease surrendered.
- 3 To grant a comprehensive licence to alter in respect of the proposed major alteration works.
- 4 To incorporate in the new lease a right to assign the leasehold interest to ACE or to a performing arts organisation as directed by ACE.
- 5 To grant consent to a legal charge to be placed on the leasehold interest of the property in favour of ACE.

Reason for 1-5 above: To meet Arts Council England funding requirements to enable up to £5 million of grant funding on a major capital project for Plymouth.

- 6 To confirm revenue support allocation to TRP Ltd at the current level of £665,000 per annum up to and including financial year 2014/15.
- 7 To recommend to Council the inclusion of a new capital scheme up to the value of £1,995,000. The scheme to be funded from the withholding of PCC revenue contributions approved in 6. above for a 3 year period (equating to £1,995,000), making the capital works cost neutral to the Council.

Reason for 6-7 above: To provide match funding in order to secure grant of up to £5million from Arts Council England, delivered as a tax efficient parcel of works under the Council's 2013/14 capital programme.

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CABINET MINUTE 63 OF 11 SEPTEMBER 2012

INVESTMENT IN CUSTOMER TRANSFORMATION AND ICT CORE INFRASTRUCTURE

The Director for Corporate Services submitted a report regarding the business case for the investment in the core ICT infrastructure and capacity to enable the Council to modernise working practices, transform how it reacted and worked with customers and drove efficiencies across the departments of the Council. Cabinet Members heard that –

- the initial cost of the project had been underestimated by 50 per cent as no business case had been produced;
- savings achieved from this project would repay capital borrowing within three years.

Alternative options considered and reasons for decision:

As set out in the report.

Agreed -

- (1) the Business Plan;
- (2) **TO RECOMMEND TO COUNCIL** that the capital programme is amended to include an additional £1.5m, making a total spend of £4.5m.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

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PLYMOUTH CITY COUNCIL

Subject: Investment in Customer Transformation and ICT core infrastructure
Committee: Cabinet
Date: 11 September 2012
Cabinet Member: Cllr Peter Smith, Deputy Leader
Cllr Mark Lowry, Cabinet Member for Finance
CMT Member: Adam Broome, Director for Corporate Services
Author: Mark Grimley, Assistant Director
Contact: Mark Grimley, Assistant Director for HR & OD
Ref:
Key Decision: Yes
Part: 1

Purpose of the report:

Following the capital approval at Full Council on 16 April 2012 (minute 132), this paper sets out in further detail to business case for the investment in the core ICT infrastructure and capacity to enable the Council to modernise working practises, transform how we interact and work with customers and drive out efficiencies across the departments of the council.

The report requested the release of capital funding approved by the City Council for £3.0million to invest in the core technology platform however a further £1.5million has been identified as needed for the migration of the financial information system that had previously not been included in calculations which would increase this scheme to £4.5m. The additional £1.5million will be subject to City Council approval.

Corporate Plan 2012 – 2015:

The Co-operative Council: Enables the improvement of services designed around the customer involving our communities about how and where services are delivered and provides the infrastructure to support improvements and flexibility in service delivery for customers.

Value for communities: An investment that will enable the Council to improve service efficiency, the quality of management information and speed of service.

Growth: The investment will create a platform that can be expanded for commercial use, increase traded and shared services.

Reducing inequalities: Services design with the customer will allow improvements in access for communities at a local level. Improved management information will allow the Council to take informed choices about resource allocations to where they are most needed and where we can meet our priorities.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Capital implications are set out within the report, committing £4.5million of unsupported borrowing to deliver the core technology platform and consolidate existing systems. This includes £3.0million already approved by City Council and a further £1.5 million to bring forward the integration of the Council's financial platform into this programme. . At this stage the assumption has been made that the full £4.5m is capitalisable, funded by unsupported borrowing and the business case has been based on this premise. Regardless of the final funding 'mix' the project will still represent a significant return on the investment and will deliver significant benefits for the organisation.

The £4.5million capital is funded through unsupported borrowing with total interest payable on this borrowing being £0.211million. Over the 5-year plan of borrowing this is projected to yield approximately £10.8million of revenue savings based on the current demand and customer access channels compared to other local authorities. As part of the development of the full transformation plan, detailed analysis of revenue spend and resources will be worked through to quantify the full savings and order of transformation throughout services.

The establishment of a small, central team (change management office) to provide programme support and capacity to deliver organisational change, service re-engineering and customer involvement in service re-design will ensure a consistency of approach and demonstrable achievements. This team will be funded through both capitalisation of salaries, as appropriate, and revenue funding within the Council's General Fund.

On-going revenue resources will be required within ICT services to maintain the additional capacity and services.

Additional staffing savings resulting through a reduction in headcount will be funded through the Council's reserves for which provision is made for the cost of potential redundancies.

Within the Council's current budget (medium term financial forecast) are savings predicated on this technology being in place to reduce overheads and costs.

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

Putting the customer at the heart of service design will assist in developing a greater participation rate from our communities in re-defining the Council's standards and services to meet and exceed expectations. As part of the Council's on-going commitment to greater community involvement in Council services through the Cooperative Council commitment in the Corporate Plan, we should seek to establish customer panels to help improve services and review standards and means of delivery.

Recommendations & Reasons for recommended action:

Cabinet are recommended to:

- (i) Agree the Business Plan
- (ii) Recommend to Council that the capital programme be amended to include an additional £1.5m, making a total spend of £4.5m.

Alternative options considered and reasons for recommended action:

Consideration was given to an incremental approach to changing how the Council works. The return on the investment would have taken longer and created a longer period of change that would be disruptive to the delivery of services and taken longer to deliver a balanced budget with immediate service pressures.

Consideration was given to outsourcing key services and / or taking on an external strategic partner to deliver the transformation agenda. Our current ICT services provide good value for money when compared to both the private and public sectors. The Council felt the need to develop in-house capability that was important for attaining and embedding change and improvements in services to create a culture of continuous improvement. It will also allow us to develop expertise in-house to further improve the Council and support any other service delivery models such as shared services.

Replacing existing systems like-for-like as the need arose was not considered feasible given the high overhead cost of maintaining multiple systems and the capital needed in some cases would have been greater cumulatively for this approach than a single capital investment to create a single platform and redesigning services around the customer.

Background papers:

[Capital. Programme Approvals Paper \(City Council 16 April 2012\)](#)

[City Council Approval \(Capital\) Minute 132 \(City Council 16 April 2012\)](#)

Sign off:

Fin	CDR/ Corp sF HCI 213 001/3 0.08. 12	Leg	LT 1550 I	HR	MG 1213/ 0800 I	Corp Prop		IT	PG 1213/ 001	Strat Proc	
Originating SMT Member: Mark Grimley Assistant Director for HR & OD											
Have you consulted the Cabinet Member(s) named on the report? Yes											

1.0 EXECUTIVE SUMMARY

1.1 During the Municipal Year 2011/12, the Cabinet (Minute 146) and Full Council (Minute 132) have agreed to:

“approve the new capital approval of £3.0m to design and implement modernised ways of working to enable delivery of customer service improvements and financial benefits. The Cabinet is requested within three months, to agree business cases which identify the specific benefits to be realised from these significant investments”

1.2 This report sets out the business cases to identify the investment requirements and business benefits from the investment as part of a wider transformation of Council services to create service efficiencies to meet budget demands and to improve customer access and their experience of the Council. It also asks for an increase of £1.5m to the current approved capital budget of £3.0m.

1.3 The purpose of this investment is to:

- (i) Reduce the overall costs of the Council through the consolidation of ICT infrastructure and the simplification of systems, additionally making better use through the extension of existing standard systems
- (ii) Improve accessibility to services and the speed of service delivery including 24 hour access to more services as set out in the Administration’s commitments through the Corporate Plan
- (iii) Provide a platform for more cost-effective services across all Council departments and improve the accuracy and timeliness of performance management information

1.4 Within the Corporate Plan, we have set out the type of Council we want to be and how we wish to operate. The investment in a core ICT platform will enable a faster move towards greater efficiencies and support to front line service delivery. Specifically the Corporate Plan sets out that:

- we will secure (for customers) the delivery of cost effective services to the satisfaction of our customers, interact with them in a way that suits their needs and ensure that they are able to influence and take greater control of the services they receive
- we will work with partners in implementing common aims, sharing facilities and services and making the best use of facilities to reduce costs and benefit the city
- we will ensure (for staff) they are empowered and encouraged to be innovative and to develop and realise their full potential within a stimulating and forever changing environment that gives them a real stake in delivery
- For delivery - we will be a ‘can-do’, problem solving organisation that is focused on having an impact and getting things done, with everyone working cooperatively towards common ends

1.5 In line with the Administration’s commitment to provide greater access to services, this proposal will allow more services to be accessed online 24/7 as well as more services and information being delivered closer to communities in libraries, enhancing their role and widening their service offer to the community.

- I.6 This business case supports the delivery of services more consistently closer to the point of need and through channels (such as the internet) more convenient to the customer and a more cost effective way of operating for us. A common platform will enable the Council to reduce overheads and inefficiency and provide a platform that could be more easily adopted by partners within the city and other local authorities. Work already carried out with our waste services and highways contract (Amey) are realising improved reporting of service delivery and simplified and consistent customer interaction. As we redesign services to migrate to the new platform, our staff as well as customers will be supported in developing new service approaches and allow innovation in service delivery. The platform will be an enabling tool to simplify what we do.
- I.7 The programme will have a wide-ranging impact on the delivery of services. The core ICT infrastructure will enable more services to be transferred into a customer services environment with a greater emphasis on resolving enquiries and actions at the first point of contact.
- I.8 The business case sets out how the Council currently structures its ICT systems and information and establishes a case to consolidate systems, reduce down the duplication of information and move more services onto a common platform to ensure we have a better and more consistent view and understanding of the needs of those who use our services. It will also better enable performance management reporting – something that has often been slow to produce – to ensure we can make informed choices to improve services at a faster rate.

2.0 BUSINESS CASE: ICT INFRASTRUCTURE

Existing method of operation (Systems)

- 2.1 Plymouth City Council has 277 line of business applications operating across all departments.
- 2.2 This current model of ICT infrastructure has grown through business needs and demands. Services tend to have fit-for-purpose applications to support their specific needs however there is a high overhead in maintaining such a broad architecture, often with complex interfaces and nearly always duplicating data and information between systems.
- 2.3 Analysis of the 277 applications indicated that, under the proposed infrastructure, nearly 30% of the existing applications could be consolidated into the proposed core infrastructure. This would reduce the need for hardware, licence costs and maintenance overheads. (Appendix A, Table A2)
- 2.4 Over the period of this investment, a number of the existing systems will be considered for major upgrades, replacements or new hardware requirements. Both options incur capital cost and have on-going revenue implications. The proposed solution puts in place a core infrastructure where migration of data to a single platform would provide better value for money as the time and development required would be considerably shorter, along with a reduced on-going capital need for hardware and licence costs.
- 2.5 System duplication in function also occurs between platforms for functions and information stored. This results in duplication of physical effort (input of data). Additionally, this essentially means the Council has a number of different ways of working such as document storage, performance reporting etc that results in increased overheads, variable data quality and duplication of maintenance costs. A common example is the number of applications that store customer information. A single source of customer information, including names, addresses and service use would provide a single place to maintain and greater customer information. This will also reduce the risk to the Council in respect of potential data breaches through greater control over personal information sets. Another example is the number of telephone systems being maintained through legacy systems and new ways of working. The proposal is to reduce these down to two core systems – a business system (Lync) and customer call system (Avaya, with the intention to move to Lync).
- 2.6 System gaps are also present in the current way of operating. A number of departments would benefit through the additional infrastructure proposed. At present there are a number of reporting tools attached to specific applications. This provides performance information from a single source but does not necessarily correspond or correlate performance information where data is held in different systems. Furthermore, common applications for electronic document storage and self-service (for employees, customers and managers) would provide greater efficiency and reduce overheads in processing time, storage costs and 'transportation' (the time taken between transactions until it is complete).
- 2.7 Total cost of ownership is the method of calculating the cost of adopting particular systems and ways of working. At present, multiple systems, often specialised for an area of work, require specific training programmes and knowledge. This means that the ICT training programme is required to design and deliver specific training for each package that the Council operates, including refresher courses for upgrades requiring further time-out from the workplace for employees. The proposed infrastructure will provide a core of applications

with a common way of operating, including look and feel, and a more cost-effective way to train staff through generic application training, online training and webinars with reduced out-of-work training requirements. For the ICT function, there will be less need for application-specific training required to maintain the system and upgrades due to the reduced number of systems being supported.

Existing method of operation (Information and data)

- 2.8 Information and data is an important part of the Council's operations. We capture significant amounts of information about our customers, transactions and performance. This is done across a number of systems, often with data duplicated such as addresses.
- 2.9 Data security is an area identified as a risk for the Council. The volume of data we hold in the large number of different places means it becomes a much more difficult task to ensure data accuracy, confidentiality and data security. Information and data includes paper-based records, as well as those held electronically. The Information Commissioners Office (ICO) is increasingly enforcing public bodies to take data security and integrity seriously. Recent examples include a fine of £90k for a breach in confidentiality linked to incorrect addresses of a child in care and their mother and a second breach for the disclosure of a foster parents' address. A second fine to a hospital trust for a breach of patient data held on paper files resulted in a £325k fine earlier this year.
- 2.10 There is currently no common system to store data or documents electronically in a single way. This increases the risk of breaches in information security through inappropriate access to information, accidental disclose, inaccurate information about an individual or duplication of information that results in information conflicts such as differing addresses for a single person.
- 2.11 Out of the 277 business applications, around 150 currently hold customer data. Of these, the customer name is duplicated 44 times across systems. There are 91 different places for holding an address exist. Customers have 72 unique yet different identifiers – between unconnected systems - and up to 65 different phone number fields. There is no single view of the customer, and therefore this makes planning around the needs of the customer more difficult and may result in multiple contacts from across the council to customers. This will not only seem confusing but also perceived as highly inefficient.
- 2.12 Paper storage of personnel records is estimated to cost the council nearly £250k through floor space required. Additionally archived files require regular maintenance with little value to the organisation other than good record keeping for legal requirements. Document recovery, particularly for freedom of information (FOI) and subject access requests (SAR's – information requests from individuals requiring a whole-organisation scan for electronic and paper copies of information held across the Council, sometimes back decades) is currently slow, manual and time intensive.
- 2.13 Internal information storage is also poor. There are currently estimated to be over 60 databases with employee records in relation to training records and professional development. This is being addressed through an investment in the Council's HR system. However, information about health and safety, buildings, resources, customers and partners are also in a similar position. Each requires resource to maintain and cleanse resulting in departmental overheads on data management.

- 2.14 There is no single place to consolidate information reporting, such as financial, performance, human resources in a timely manner. This provides slow decision making where there is a reliance for informed be trends and information.

Future method of operating (Systems, Information and Data)

- 2.15 The proposal is to establish a core operating infrastructure that becomes the platform to migrate services and information towards. This means a fewer applications requiring support, fewer instances of the same data being kept in different places and establishing ‘the golden record’ the one version of the truth.
- 2.16 As part of the core infrastructure (through the Corporate Accommodation Strategy and ICT Strategy) the following applications are already in place or being put in place already:

TABLE2a: Existing applications through the Corporate Accommodation Strategy

System / Application	Purpose
Microsoft Windows 7	Core operating system for all ICT users
Microsoft Lync Communications	Integrated communications system
Microsoft Office	Core applications (Word, Excel, Visio etc)
Microsoft Outlook	Email and calendar
Kofax	Intelligent Scanning
Microsoft Sharepoint	Front end collaboration and information presentation
Avaya	Customer Services telephone monitoring system (with plans to integrate into Lync)

- 2.17 Key systems are also being developed within departments that, under the future operating infrastructure could be expended and further integrated to maximise their potential and standardise (reduce) the number of applications across the Council to reduce maintenance overheads and licence requirements:

TABLE 2b: Core infrastructure investment

System / Application	Purpose
Customer Relationship Management (CRM)	Customer transaction and information system. Currently used only in Customer Services department. Will be expanded to provide a single view of the customer and create 'golden record)
SQL/SSRS (SQL Server Reporting Services)	To collate data from a number of different applications to drive 'real time' performance information
Workflow and business intelligence	Provides streamlined process management, automating transactions and providing
BizTalk	Server and system integration – enables different systems to 'talk' to each other reducing the need for multiple instances of data (e.g. addresses)
InfoPath Forms	Online form management integrated into back-end systems and workflow to create self-service and automation of transactions.
Citizen authenticated secure access	Enables secure log-on for self-service outside of the Council's network for customers and staff.
Windows External Connector	Allows external access to the Council's systems.
eDRMS / Wisdom	Electronic document management and document control.
Channel access management	Enables SMS and mobile device technology
Information Services GIS	Geographic information system – allows place-based / location activity, mapping and logging. (For use with mobile working for employees, and localisation of services for customers).
Web Content Management System (CMS)	Provides managed content for the Council's internet and intranet enabling simple update and dynamic (up to date) information driven by information held on back-end systems.
Scanning Services	Provides the scanning technology for electronic document management system.

- 2.18 The proposed costs for the capital and revenue implications (both cost and savings) over the 5-year programme are summarised as such:

Revenue Costs (inc. repayment of unsupported borrowing and interest	£7.0m
Revenue Savings	(£17.8m)
Total Revenue (Saving) / Cost	(£10.8m)

The detail of this is shown in Appendix A1.

- 2.19 The benefits of establishing a core infrastructure will be the ability to join up existing systems establish a common framework for all future systems and better manage customer and employee data with more timely performance management and business intelligence.

2.20 The core infrastructure will provide the platform to:

- Reduce transactions costs by migrating to a new operating model through channel shift
- Improve the speed and accuracy of responses to the customer
- Simplify the maintenance of Council information systems and provide better value for staff time through designing, planning and supporting a common set of systems
- Make better use of investment already made in systems such as CareFirst, Dynamics AX (HR and Payroll) by increasing their functionality and efficiency
- Reduce organisational overheads by reducing internal transactions and business operations
- Enable the delivery of the Council's transformation plans and efficiencies through the better use of technology. (The full plan for the Council's transformation is expected to be taken at the Cabinet on the 12 February 2013).

2.21 The core systems architecture will also put in place the improvement required for the ICT infrastructure for:

- Customer operations (see section 3.0)
- Achieving budget delivery plans and financial efficiencies (see section 4.0)

3.0 BUSINESS CASE: CUSTOMER OPERATIONS

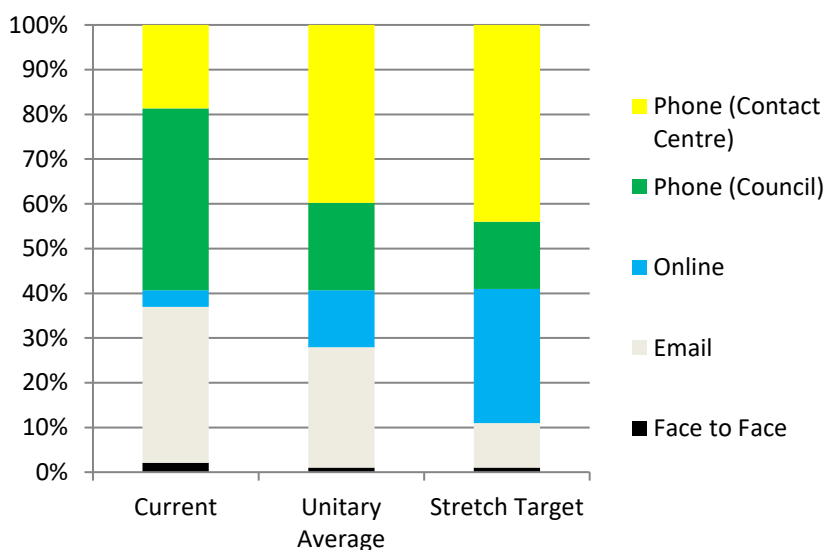
- 3.1 The outcomes for the customer will be improved efficiency, resilience, more responsive services, greater access to Council services with ease and a better understanding of customer needs, service demands and transactional efficiency.
- 3.2 As a cooperative council, as we redesign our services, involvement of our service users will ensure we provide the services to meet their needs within the resources we have available. This will form part of the Council's wider transformation plan.
- 3.3 The investment in a core infrastructure will allow the Council to exploit all 'channel shift' activities. Making the most effective channels such as self-service on the internet and telephone contact where ever possible to ensure where more intensive services are needed (face to face, individual needs) that we have sufficient resources to meet these more complex requirements.
- 3.4 At present, only 30 per cent of transactions in the Council are processed through Customer Services, this compares to 67 per cent nationally. This is in part due to the fragmented systems operating across the Council. The Customer Services department cannot operate on so many different systems efficiently. The core infrastructure investment will allow the migration of services onto a simplified operating system.
- 3.5 Additionally, performance data for customer activity is best measured in Customer Services. The data is the most accurate picture we have of universal access to council services. This is used to drive efficiency and manage resources. However this does mean that nearly 70 per cent of Council transactions operating outside of the customer services environment are not as robustly managed. By migrating more services to Customer Services we will provide the opportunity to create a more transparent Council, have greater visibility of customer demand and service use and enable a better use of our resources whilst continuing to drive down costs.
- 3.6 The council monitored over 2.8million contacts in 2011/12 through online, telephone, face to face and email channels. The business cost of administering these transactions is modelled at £28.9million, as shown in table 3a. This represents an estimated 30 per cent of all transactions undertaken within the Council. As part of the readiness preparation for the transformation of services, and channel shift of customer access channels, a more detailed analysis of costs across the council departments will be undertaken to quantify revenue savings in more detail.
- 3.7 More importantly, customer use of technology is changing rapidly with a wide variety of devices both within the market and in use by the Council. Greater emphasis should be placed on supporting multiple device use outside of the Council, and consider the needs of our employees who may wish to use their own devices at work (Bring Your Own Device – BYOD).

TABLE 3a: Financial cost of actual transactions through existing channels and volumes. (Unit costs based on actual cost of Plymouth City council transactions within the contact centre and salary cost averages for services outside of the contact centre).

	Unit Cost	Volumes Per Year	Percentage of Volumes	Cost Per Year (£)
Face to Face	£25.30	60,000	2.1	1,518,000
Email	£1.35	1,000,000	34.9	1,350,000
Online / Mobile Device	£0.25	106,000	3.7	26,500
Phone (Council)	£17.25	1,164,500	40.6	20,087,625
Phone (Contact Centre)	£11.10	535,500	18.7	5,944,050
		<u>2,866,000</u>	<u>100</u>	<u>28,926,175</u>

3.8 Our current method of delivering services indicates that compared to other local authorities and the best performing authorities, our delivery channels rely on the more expensive methods of delivery, particularly through telephone contact. This is set out in chart 3b.

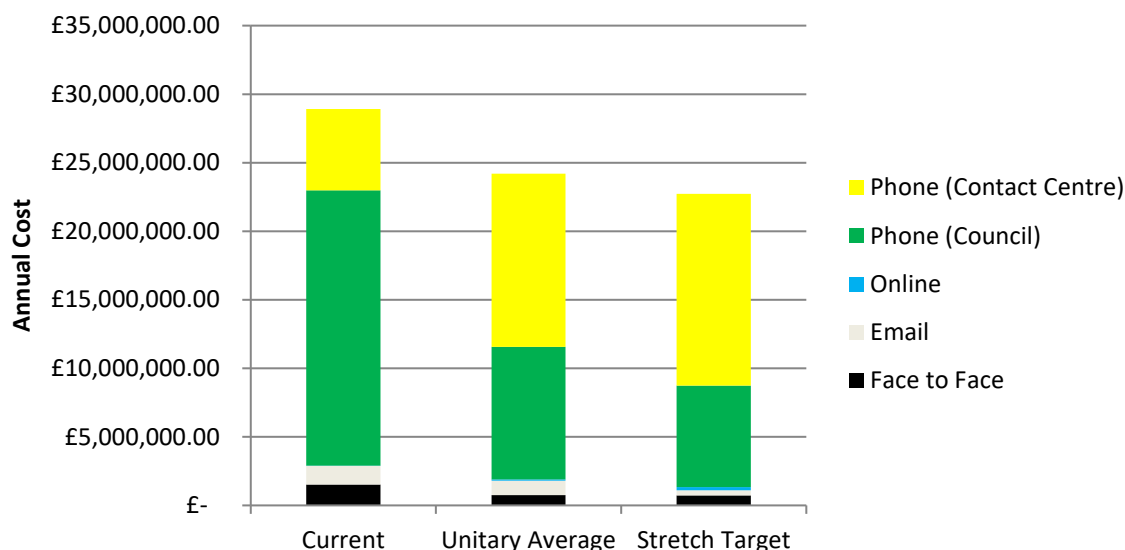
CHART 3b: Current channel usage compared to local authority average and upper quartile performance in England and Wales. (Percentage of transactions undertaken)



3.9 Benchmark data (SOCITM, PWC Local Government Benchmarking) from other local authorities suggests that Plymouth City Council has the potential to move transactions to different channels to provide efficiencies. For example, the number of transactions undertaken online currently is 3 per cent compared to a national average of 23 per cent. On the current volumes of transactions, if Plymouth were to meet the national average for the use of different channels the result could see a £4.7 million reduction in the cost of transaction handling based on the 30 per cent of transactions monitoring.

3.10 Using the national average as a target, as well as setting ‘stretch targets’ that are at the lower end of upper quartile performance nationally, the Council can model the potential for financial savings and benefits from its current position to one of the better performing authorities. The financial benefit is shown in chart 3c, below and in tables B1 to B5 in Appendix B.

CHART 3c: Cost comparison between current channel use and unitary average and upper performance (stretch target) potential.



3.11 However, the national average continues to see rapid changes in the activity of the use of different channels. Should Plymouth seek to meet the current national averages, this would then place the council behind in performance once again as others improve. Therefore stretch targets could be adopted to achieve the following distribution of channel usage and efficiency. This would result in a £6 million difference between current operations and future use of channels.

3.12 The estimated financial impact of different channel delivery and targets is set out in Appendix B and are subject to validation through greater analysis that will be undertaken in 2012/13 to quantify areas of transactions and average cost per transaction.

3.13 Appendix C (Table CI) sets out research undertaken with other local authorities who have reviewed and changed business support operations through:

- Economies of scale: combining operations into service / transaction centres and smoothing the demand of services, transferring internal resource to peak demand areas.
- Performance management: conscious management of where transactions are assigned to ensure channel shift, move towards defined service lists (menus) and service level agreements.
- Removal of work: ensuring non-value adding work (e.g. checking, duplication) is removed from processes.
- Standardisation / simplification: reducing the complexity of tasks, duplication of information collection and a move to universal service access with gateways to assess individual needs.

- 3.14 The average efficiency achieved was around 23 per cent of business support costs in both front line and back office services. For Plymouth City Council this would be calculated as cashable revenue savings within this business case – assumed within the channel shift savings.
- 3.15 To achieve this, investment in staff skills is required to ensure service re-engineering is done right first time, involving staff and customers and designing the future target operating model of the Council. Under the model used to project these savings, it is predicted that around a reduction 210 FTE (full time equivalent employees) would be achieved through this approach over a 3-year period. Initial workforce models indicate that this would be achievable through natural turnover in the first instance. Further consultation with trade unions about how this will be achieved are required given the potential numbers of staff involved.

4.0 BUSINESS CASE: FINANANCIAL INFORMATION

4.1 The total capital requirement for the investment is £4.5million, to be provided through unsupported borrowing. The breakdown of this is set out in table 5a, with further detail in Appendix A.

Table 5a: Summary of capital requirement

CAPITAL	2012/1						TOTAL
	3	2013/14	2014/15	2015/16	2016/17	2017/18	
Capital (Hardware & Licences)	-	1,785,000	735,000	160,000	-	-	2,680,000
Capital (Technical support - staff)	-	250,000	392,500	175,000	-	-	817,500
Capital (Platform Consolidation)	-	337,500	300,000	-	-	-	637,500
Capital (Re-engineering)	200,000	15,000	-	-	-	-	215,000
Capital (Contingency)	-	-	-	150,000	-	-	150,000
TOTAL CAPITAL	200,000	2,387,500	1,427,500	485,000	0	0	4,500,000

Notes:

1. Capital Hardware and Licences, includes the expansion of the Dynamics AX system to consolidate financials and procurement, resulting in the additional £1.5million to the original calculations.
2. Technical support staff: capitalised salaries for additional technical staff to configure test and migrate to business as usual.
3. Please note the contingency level is 3.3 per cent of the total capital programme value.
4. Revenue elements of the delivery, including activities that cannot be capitalised (salaries, training etc) will be met through the General Fund

4.2 The capital programme will deliver:

- Hardware and licences: The core infrastructure set out in table 5a. (above)
- Technical support staffing: ICT staff resource (in house with external expertise as required) to configure systems and architecture design and testing
- Platform consolidation: A migration from department specific platforms and consolidation on the core infrastructure (this will release an annual revenue saving of £0.25m by year 3 in licence and maintenance costs) as shown in table A2.
- Re-engineering: Business analysis and process re-engineering to transfer to automated platforms and improve business efficiencies at the point of transfer. This includes staff investment in training.
- Contingency: Allowed at 3 per cent of the capital allocation.

4.3 The current revenue operations are set out in the tables in Appendix A providing the revised costs following consolidation of existing systems onto the new core infrastructure. This realises an annual saving of £0.25 million on revenue costs through the reduction of licences and maintaining multiple systems. This represents the consolidation of around 23 of the Council's systems into the new core architecture (Appendix A, table 2). This represents a 4 per cent reduction in the number of systems within this business case. Once this has been achieved, a further consolidation plan to reduce by a further 15 per cent will provide greater efficiencies, funded through efficiencies achieved as part of this business case.

- 4.4 Existing budget delivery plans for 2013/14 and beyond are predicated on a better use of technologies to drive out efficiencies through services and transfer services in to the contact centre and online. For 2013/14 this is £600k rising to £970k in each year from 2014/15 as set out in the Budget Book. (Appendix E of the budget book). Where possible, these plans will be delivered through making best use of this technology and being incorporated into the overall savings targets for the transformation programme.

5.0 IMPLEMENTATION

- 5.1 The programme is to be supported through a co-ordinating Change Management Office (CMO). This will comprise of a small project management team to support the governance of the delivery of the programme and a small team of core experts to support identifying the opportunities within service areas for efficiencies, business process re-engineering and calculating the financial benefits, customer improvements and operational efficiency. Dedicated resource to involving staff and customers in service redesign will sit within the change management office to ensure consistency and a focus on delivery.
- 5.2 Resource's for the CMO will initial be found from existing revenue budgets across the Council. The CMO will self-fund during the lifetime of the programme over 5 years. The capitalisation of salaries will also part-fund the CMO, with revenue reserves covering any shortfall in resources resultant from activity profiling of resources requirements.
- 5.3 The first key milestone will be in February 2013, where Cabinet will receive the initial findings for the migration of services into the customer services department and onto the new platforms, along with the performance, financial and customer information for the rationale.
- 5.4 Programme governance and the delivery method will also be set out for Cabinet approval in February.
- 5.5 Due to existing programme commitments, it is realistic to expect the ICT infrastructure to be implemented from April 2013. Between September 2012 and April 2013, the business case and re-engineering of services will start to ensure an early migration of key services and quick wins for efficiency start to provide the return.
- 5.6 Full year benefits are expected to be delivered from 2016/17 of around £3.1m on-going revenue savings, rising to £4.5million annually once the capital has been rapid (from 2018/19). These will be quantified through the business analysis report to cabinet in February 2013.

6.0 PROGRAMME DEPENDENCIES AND RISKS

- 6.1 Programmes of this size and ambition carry a degree of risk given the number of dependencies and lessons learned from previous consolidation and improvements by other local authorities. The high level dependencies are identified as follows:

Customer dependencies

- 6.2 The proposals are modelled upon changes in customer behaviour in terms of the uptake of alternative channels of access to services. The current financial model is based on the experience of other local authorities. As part of the due diligence required for the full business case for customer transformation we have the ability to provide more detailed demographic information about likely take up of channels, as well as accessibility of services channels, in particular access to broadband internet and PC access to ensure the greatest use of cheaper channels with availability 24 hours a day.
- 6.3 There are also dependencies on the Council's on-going consultation about the future provision of services through our library network and the use of other locations from our public sector partners.
- 6.4 A full equality impact assessment (EIA) will need to be undertaken to ensure that any proposals for the changes in the provision of services includes provision for access to groups that may otherwise be excluded by the changes proposed.

Organisational dependencies

- 6.5 The proposals have an organisation-wide impact across every service area. This requires significant changes to how we work, the structure of the organisation, reprovision of services as well as the culture of the organisation.
- 6.6 The most significant effort required will be in the changes to how we work with the high number of volumes of work we undertake and the long-established working practises and organisational culture changes. This requires a high degree of involvement from staff and our service users.
- 6.7 The precursor to change and engagement is significant communication and clarity of direction and reasons for change, whilst the actual change requires a number of technical methodologies to re-engineer process, retrain staff and restructure teams. Following the implementation of change a period of embedding and continuous improvement requires continued interventions over a number of months.
- 6.8 A full workforce and organisational development plan will be key to mitigating the dependencies on staff and the large change programme required. There will be a requirement for

Financial dependencies

- 6.9 There are existing revenue savings proposals within 'budget delivery plans' that will fall under the financial assumptions of this business case. These plans will be subsumed into this overall piece of work to ensure these savings are accounted for once, and that the allocation of resources required delivering the savings is in place for this business case.

- 6.10 The Change Management Office (CMO), with exceptions for technical support through ICT, is not funded through this capital business case. The CMO will be set stretch targets for achieving efficiencies above and beyond those assumed from revenue savings to provide funding from existing revenue allocations within the Council – this means using existing resources and re-prioritising their work (e.g. project management, change management, workforce development) into this project.

External dependencies

- 6.11 There are a number of services that are affected by legislative changes and government policy that may put them out of scope for initial transformation. Services such as benefits, where legislation has changed and the potential for the transfer of services to other agencies will be left in situ until there is greater clarity.
- 6.12 There are opportunities for working closer with our public and voluntary sector partners, to reduce duplication – particularly in ‘back office’ functions and systems. However, the savings and opportunities identified from these have not been assumed within this business case. Opportunities will be considered as they present themselves as well as building on existing discussions about the potential for shared services across the public sector.

APPENDICES

APPENDIX A: CAPITAL AND REVENUE COSTS

APPENDIX B: CHANNEL SHIFT INFORMATION

APPENDIX C: BUSINESS OPERATIONS EFFICIENCIES TARGETS

APPENDIX D: EXISTING BUDGET SAVINGS PLANS (PUBLISHED IN MTFS)

APPENDIX A: CAPITAL AND REVENUE

TABLE AI: HIGH LEVEL SUMMARY OF BUSINESS CASE (CAPITAL & REVENUE)

This table sets out the summary of the capital requirement, borrowing repayment and revenue implications (both cost and savings) over the 5-year programme. (Table references highlight figures in supporting tables, below).

CAPITAL	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL	TABLE REF
Capital (Hardware & Licences)	-	1,785,000	735,000	160,000	-	-	2,680,000	A5
Capital (Technical support - staff)	-	250,000	392,500	175,000	-	-	817,500	
Capital (Platform Consolidation)	-	337,500	300,000	-	-	-	637,500	A2
Capital (Re-engineering)	200,000	15,000	-	-	-	-	215,000	
Capital (Contingency)	-	-	-	150,000	-	-	150,000	
TOTAL CAPITAL	200,000	2,387,500	1,427,500	485,000	0	0	4,500,000	
REVENUE								
Capital Borrowing Costs (Repayments)	-	42,124	669,595	1,166,034	1,416,566	1,416,566	4,710,885	A3
On-going Revenue Costs (Licences)	166,400	204,400	219,400	229,400	239,400	239,400	1,298,400	A4
Additional staffing requirement ICT	-	200,000	200,000	200,000	200,000	200,000	1,000,000	
Projected Revenue Savings (ICT)	-	(32,232)	(247,376)	(247,376)	(247,376)	(247,376)	(1,021,736)	A2
Projected Revenue Savings (Channel Shift)	-	(353,629)	(2,357,527)	(4,715,053)	(4,715,053)	(4,715,053)	(16,856,314)	B4
TOTAL REVENUE IMPACT	166,400	60,663	(1,515,908)	(3,366,995)	(3,106,463)	(3,106,463)	(10,868,765)	

Gower	15,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	30,000	5,000	3,000	3,000	3,000	3,000	3,000	3,000	20,000
LACHS	15,000	5,270	5,270	5,270	5,270	5,270	5,270	5,270	31,620	5,270	3,000	3,000	3,000	3,000	3,000	3,000	20,270
YOISOPlus	15,000	2,385	2,385	2,385	2,385	2,385	2,385	2,385	14,310	2,385	3,000	3,000	3,000	3,000	3,000	3,000	17,385
Civica APP (Flare)	15,000	19,144	19,144	19,144	19,144	19,144	19,144	19,144	114,864	19,144	19,144	3,000	3,000	3,000	3,000	3,000	50,288
Kirona	15,000	15,596	15,596	15,596	15,596	15,596	15,596	15,596	93,576	15,596	3,000	3,000	3,000	3,000	3,000	3,000	30,596
TOTAL																	
	637,500	389,376	389,376	389,376	389,376	389,376	389,376	2,336,256	389,376	357,144	142,000	142,000	142,000	142,000	142,000	142,000	1,314,520

Savings profile	-	32,232	247,376	247,376	247,376	247,376	1,021,736
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TABLE A3: COST OF BORROWING PROFILE

	12/13	13/14	14/15	15/16	16/17	17/18	Total
Capital Expenditure Profile (based on revised details from draft cabinet report)	200,000	2,387,500	1,427,500	485,000			4,500,000

Estimated costs of borrowing (based on expenditure profile above):

£200k required in 12/13 to be paid back over a 5 year period to start in 13/14 (1.75%)		42,124	42,124	42,124	42,124	42,124	210,620
£2,387k required in 13/14 to be paid back over a 4 year period to start in 14/15 2.03% (1.53%+0.5% assumed interest rate increase)			627,471	627,471	627,471	627,471	2,509,884
£1,427.5k required in 14/15 to be paid back over a 3 year period to start in 15/16 at 2.15% (1.35% interest rate plus 0.8% assumed rate increase)				496,439	496,439	496,439	1,489,317
£485k required in 14/15 to be paid back over a 2 year period to start in 16/17 at 2.2% (1.2% interest rate plus 1% assumed increase rate)					250,532	250,532	501,064
Total Estimated Cost of Borrowing *	0	42,124	669,595	1,166,034	1,416,566	1,416,566	4,710,885

Calculated so that borrowing changes will be complete in 2017/18

Cost of borrowing figures are estimated as interest rates are subject to change, and are set at the time of borrowing

TOTAL INTEREST PAYABLE = £210,885

TABLE A4: On-going licence costs

This table sets out the on-going revenue commitment for licence maintenance costs of expanded enterprise systems.

Item	Purpose	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
CRM	Expansion of current platform	86,000	86,000	86,000	86,000	86,000	86,000	516,000
SQL Licences		10,000	20,000	30,000	40,000	50,000	50,000	200,000
Workflow	Development time	-	-	-	-	-	-	-
BizTalk	Integration of systems	-	3,000	3,000	3,000	3,000	3,000	15,000
UAG	Remote access set up	-	-	-	-	-	-	-
Infopath	e-form standardisation	-	-	-	-	-	-	-
Authenticated Secure Access	Public self-service set up	-	-	-	-	-	-	-
Windows External Connector		400	400	400	400	400	400	2,400
EDRMS	Electronic document management	25,000	25,000	25,000	25,000	25,000	25,000	150,000
Multi- channel device access	SMS, apps etc	5,000	5,000	5,000	5,000	5,000	5,000	30,000
Information GIS	Location services	25,000	25,000	25,000	25,000	25,000	25,000	150,000
Web CMS	Content Management	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Document scanning		-	20,000	20,000	20,000	20,000	20,000	100,000
Server hardware	Capacity and resilience	-	5,000	10,000	10,000	10,000	10,000	45,000
TOTAL		166,400	204,400	219,400	229,400	239,400	239,400	1,298,400

TABLE A5: Capital distribution for hardware and software installation

Item	Purpose	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
CRM	Expansion of current platform	-	80,000	80,000	80,000	-	-	240,000
Dynamics AX	Expansion to procurement, financials etc	-	1,125,000	375,000	-	-	-	1,500,000
SQL Licences	Reporting tools	-	-	-	-	-	-	-
Workflow	Development time	-	80,000	80,000	80,000	-	-	240,000
BizTalk	Integration of systems	-	20,000	-	-	-	-	20,000
UAG	Remote access set up	-	20,000	-	-	-	-	20,000
Infopath	e-form standardisation	-	40,000	-	-	-	-	40,000
Authenticated Secure Access	Public self-service set up	-	15,000	-	-	-	-	15,000
Windows External Connector		-	10,000	-	-	-	-	10,000
EDRMS	Electronic document management	-	-	-	-	-	-	-
Mutli- channel device access	SMS, apps etc	-	20,000	-	-	-	-	20,000
Information GIS	Location services	-	125,000	125,000	-	-	-	250,000
Web CMS	Content Management	-	100,000	-	-	-	-	100,000
Document scanning		-	75,000	-	-	-	-	75,000
Server hardware	Capacity and resilience	-	75,000	75,000	-	-	-	150,000
TOTAL		-	1,785,000	735,000	160,000	-	-	2,680,000

APPENDIX B: CHANNEL SHIFT INFORMATION

This section sets out the current performance (Chart BI and Table BI) and models this against local authority averages (Tables CI and DI) and a comparison between overall cost and channel use (Table EI and FI).

Please note: These tables relate only to the 30 per cent of customer service transactions that can be monitored – a significant number of transactions are not yet monitored consistently in this way, and therefore it is expected that the potential savings are understated. The role of the Change Management Office will be to identify the areas for greatest improvement / cost savings from the other areas across the Council.

Table BI: Current channel usage and cost

	Unit Cost	Volumes Per Year	Percentage of Volumes	Cost Per Year £'s
Face to Face	25.3	60,000	2.1	1,518,000
Email	1.35	1,000,000	34.9	1,350,000
Online / Mobile device	0.25	106,000	3.7	26,500
Phone (Council)	17.25	1,164,500	40.6	20,087,625
Phone (Contact Centre)	11.1	535,500	18.7	5,944,050
		<hr/> 2,866,000	100	<hr/> 28,926,175

CHART BI: Current channel usage and cost comparison (percentages)

Current Cost and Volume Distribution

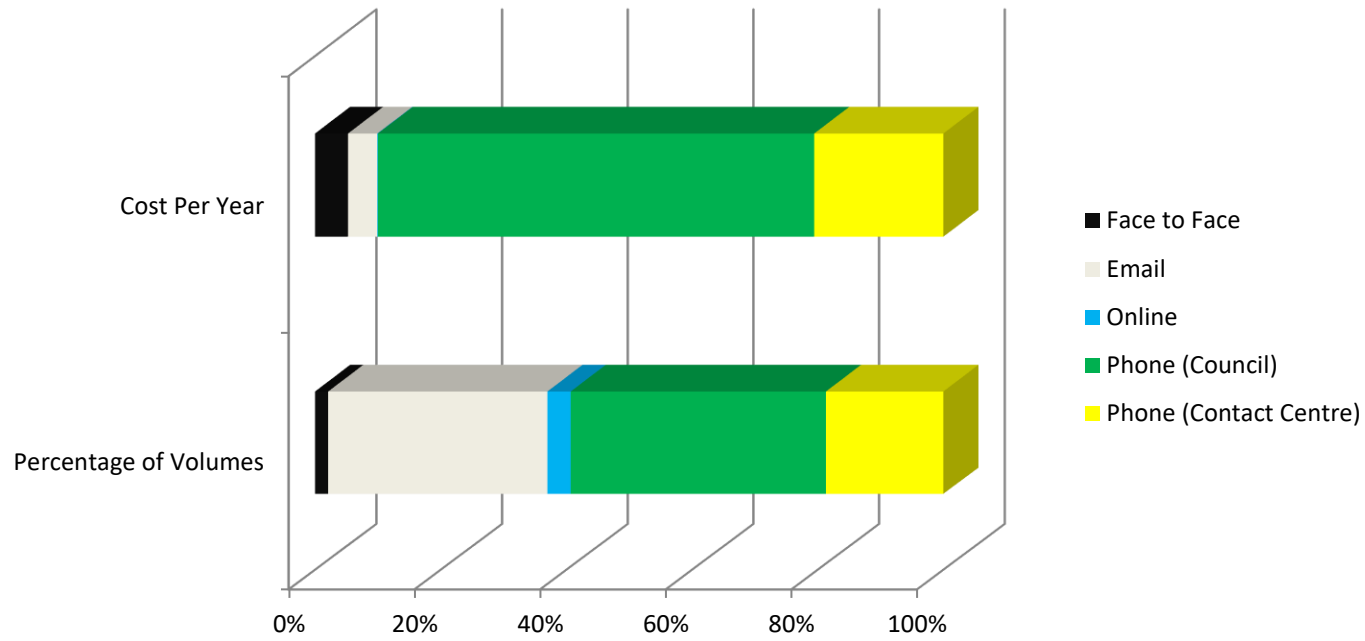


TABLE B2: Local authority average distribution and costs

	Unit Cost	Volume	Percentage	Cost Per Year £'s
Face to Face	25.3	30,000	1.0	759,000
Email	1.35	771,020	26.9	1,040,877
Online / Mobile Device	0.25	364,380	12.7	91,095
Phone (Council)	17.25	561,000	19.6	9,677,250
Phone (Contact Centre)	11.1	1,139,000	39.8	12,642,900
		<hr/>		
		2,865,400		24,211,122

TABLE B3: Upper performing local authorities distribution and cost

	Unit Cost	Volume	Percentage	Cost Per Year £'s
Face to Face	25.3	28,654	1.0	724,946
Email	1.35	286,540	10.0	386,829
Online / Mobile Device	0.25	859,620	30.0	214,905
Phone (Council)	17.25	429,810	15.0	7,414,223
Phone (Contact Centre)	11.1	1,260,776	44.0	13,994,614
		<hr/>		
		2,865,400	100.0	22,735,516

APPENDIX C: BUSINESS OPERATIONS

TABLE CI: Model efficiency targets (as part of the channel shift methodology)

Benefit Levers	Summary of Benefit	East Sussex	Medway	Birmingham	LB Harrow	Average	Range
Economies of scale	Co-location of Business Support Develop specialist skills Reduces Agency Smooth demand for services	4.40%	3.00%	6%	6.00%	4.85%	3 - 6 %
Performance Management of Resources	LEAN Team Leaders Workflow Management Defined service lists Service Level Agreements Spans of control (DMA)	7.50%	9.30%	5%	10.00%	7.95%	5 - 10%
Removal of work	Stopping activities	3.10%	3.00%	16%	4.00%	6.52%	3 - 16%
Standardisation / Simplification	De-duplication of work Reduction in complexity	7.04%	4.30%	Not known	5.00%	5.40%	4 - 7%
Total		22.04%	19.60%	27.00%	25.00%	24.72%	19 - 27%

Within the Channel shift assumptions; these lines of activity from each department will be included in on-going revenue savings.

APPENDIX D: EXISTING REVENUE SAVINGS – BUDGET DELIVERY PLANS (PUBLISHED)

TABLE DI: Existing budget savings plans within MTF5 predicated on ICT infrastructure and modernisation of customer and business operations. It is expected these would form part of the savings identified for delivery within the business case, although work streams may be transferred as the responsibility of the Change Management Office to deliver.

Directorate	Plan	Allocated Savings target							TOTAL
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18		
	Customer transfer	100,000	100,000	100,000	-	-	-	300,000	
PEOPLE	Customer transfer	100,000	100,000	100,000	-	-	-	300,000	
CORPORATE SERVICES	Customer savings	200,000	250,000	250,000	-	-	-	700,000	
CORPORATE SERVICES	E-Transactions	50,000	170,000	170,000	-	-	-	390,000	
CORPORATE SERVICES	ICT Rationalisation	150,000	300,000	300,000	-	-	-	750,000	
COUNCIL	Business Support	100,000	100,000	100,000	-	-	-	300,000	
TOTAL		700,000	1,020,000	1,020,000	-	-	-	2,740,000	

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CABINET MINUTE 65 OF 11 SEPTEMBER 2012

THE LOCAL AUTHORITIES (EXECUTIVE ARRANGEMENTS) (MEETINGS AND ACCESS TO INFORMATION) (ENGLAND) REGULATIONS 2012 (TO FOLLOW)

The Director for Corporate Services submitted a report advising of the introduction of new regulations aimed at clarifying and extending the circumstances in which local authority executive decisions were open to the public. The main implications for the city council were highlighted as follows –

- publication of the intention to consider exempt or confidential matters by Cabinet 28 days in advance;
- there was now an opportunity for anyone to challenge the need to take decisions in private and any representation received within the 28 day notice period would have to be responded to in a further notice of intent to be published five clear days before the meeting;
- there should be no 'to follow' reports;
- with regard to the Forward Plan, a 28 day notice period was now required as opposed to 14 and there was now no requirement to include a description of who and how others might be consulted;
- executive decisions taken by officers were now subject to the same requirements as executive members.

Cabinet Members were advised that officers would be seeking further clarification on the new regulations and looking at what measures other authorities were taking to bring these changes into effect.

Alternative options considered and reasons for decision:

As set out in the report.

Agreed -

- (1) that the Monitoring Officer is designated as the 'proper officer' under these Regulations;
- (2) publication of notices under Regulations 5, including the authority to respond to representations received in response to those notices, is delegated to the Monitoring Officer (where Cabinet gives advance notice of an intention to consider matters in the absence of the press or public), and regulation 6 in

relation to the calling of meetings;

- (3) **TO RECOMMEND TO COUNCIL** that it receives an annual report on the use of the 'special urgency' provision under Regulation 11 (where key decisions are taken without prior public notice).
-

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

PLYMOUTH CITY COUNCIL

Subject: The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Committee: Cabinet

Date: 11 September 2012

Cabinet Member: Cllr Peter Smith, Deputy Leader

CMT Member: Tim Howes

Author: Tim Howes, Assistant Director for Democracy and Governance

Contact: Tel: 01752 305403

Ref:

Key Decision: No

Part: 1

Purpose of the report:

To advise Cabinet of these new Regulations and to delegate responsibility for functions under the Regulations.

Corporate Plan 2012 – 2015:

There are no direct implications in relation to the Corporate Plan.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

There will be significant resource implications to implement the new measures set out in these regulations.

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

None other than in respect of decision making, where the new processes are likely to result in significant delays.

Recommendations & Reasons for recommended action:

It is recommended:

1. That the Monitoring Officer is designated as the 'proper officer' under these Regulations
2. That the Cabinet delegate to the Monitoring Officer the publication of notices under Regulation 5 including the authority to respond to representations received in response to those notices. (Where Cabinet gives advance notice of an intention to consider matters in the absence of the press or public)
3. That Cabinet recommend to Council that they receive an annual report on the use of the 'special urgency' provision under Regulation 11 (where key decisions are taken without prior public notice)

The reason for recommendation 1 is that these matters are within the functions and responsibilities of the Monitoring Officer.

The reason for recommendation 2 is to avoid the need for additional Cabinet meetings to consider the publication of notices and representations received.

The reason for recommendation 3 is that there are a handful of 'special urgency' decisions a year and more regular reporting is unnecessary.

Alternative options considered and reasons for recommended action:

These are new statutory provisions and no alternative action is therefore being recommended.

Background papers:

None other than the Regulations which are already in the public domain.

Sign off:

Fin		Leg	TH0 054	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											
Have you consulted the Cabinet Member(s) named on the report? Yes / No											

1.0 Introduction

Last week the Government published the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012, these Regulations come into force on the 10th September 2012.

The purpose of these Regulations according to the Government, are to '*clarify and extend the circumstances in which local authority executive decisions are to be open to the public*'. Whilst these are laudable aims, in reality, they will have little impact (in that regard) in the way the Council presently operates. This is because the Council already holds its Cabinet meetings (including Cabinet sub-committees) in public except when considering confidential or exempt information. We have also recently opened up our meetings to make it easier for social media reporting of Cabinet through internet bloggers, tweeting and hyperlocal news forums.

Indeed in their explanatory memorandum the DCLG say '*local authorities currently following good practice are largely acting in accordance with these Regulations*',

The Regulations however make many administrative changes including those relating to executive decisions made by officers, the calling of meetings, provision of information, and amendments to Forward Plan requirements. These are set out below together with recommendations on how the new requirements might be managed and implemented at the City Council.

2.0 Cabinet and cabinet committee meetings to be held in public

Regulations 3 and 4 say that Cabinet meetings and Cabinet Committee meetings must be held in public. They can be held in private when confidential or exempt information might be disclosed or where the public are excluded to maintain order.

Any person attending the meeting for the purpose of reporting the proceedings is, so far as is reasonably practicable, to be ordered reasonable facilities for taking their report.

The Council currently complies with these provisions and no further action is required.

3.0 New procedures to be followed prior to private meetings

Regulation 5 includes a new requirement to publish notices in advance, if the Cabinet intends to consider exempt or confidential matters.

At least 28 clear days before holding a meeting where exempt or confidential information is to be considered, the Cabinet must publish (including on the website) a notice of the intention to hold the meeting without the press and public with the reasons. The 28 clear days excludes weekends and bank holidays.

It is recommended that rather than meet to agree to do this on every occasion, the Cabinet delegates the publication of the notice to the Monitoring Officer or an officer acting on his behalf.

At least 5 clear days before the meeting, the Cabinet must publish (including on the website) a further notice of the intention to hold the meeting without the press and public. That notice should include any representations received in respect of the 28 day notice and the responses to those representations.

It is recommended that rather than meet to agree the 5 day notice on every occasion, the Cabinet delegate the response to the representations and the publication of the further notice to the Monitoring Officer or an officer acting on his behalf.

In exercising this responsibility, the Monitoring Officer would seek the views of the person presiding at the respective meetings.

If these timetables cannot be complied with, then the agreement of the Chair of the Overview and Scrutiny Management Board (or in her absence the Lord Mayor or in his absence the Deputy Lord Mayor) is required to confirm that the meeting is urgent and cannot be deferred. The Council must then publish notice of that agreement at the offices and on the website.

4.0 Procedures prior to public meetings

Regulation 6 says that we need to give 5 clear days notice of the time, date and place of public meetings by displaying it at our offices and on the website.

In accordance with our current practice, we will continue to publish both public meetings and those where the press and public may be excluded.

Regulation 7 says that a copy of the agenda and every report for a meeting must be made available for inspection by the public at the offices or on the website at least 5 clear days before the meeting.

The need for reports to be available means that there should be no 'to follow' reports.

5.0 Key decisions

Regulation 8 gives the definition of what is a key decision. A key definition is a decision which is likely:

To result in the Council incurring expenditure which is or the making of savings which are significant having regard to the council's budget for the service or function to which the decision relates); or

To be significant in terms of its effect on communities living or working in an area comprising two or more wards

6.0 The Forward Plan

Regulation 9 replaces the Leader's four month Forward Plan, with a document which looks suspiciously like a one month forward plan. This new document has to be published 28 days before a key decision is made, and must state:

- That a key decision is to be made
- The matter to be decided
- The name of the decision maker either an individual or a body (with a list of members)
- The date when the decision will be made
- A list of documents submitted to the decision maker
- The address where the documents are available
- A statement that other documents may be submitted to the decision maker
- The procedure for obtaining access to additional documents

A material difference is the increase in the notice period to 28 days compared to 14 days in the old Forward Plan. In addition, there is now no requirement to include a description of who and how others might be consulted.

In other respects the publication of the new document will mirror the same internal processes as for the Forward Plan.

Regulation 10 retains the 'general exception', where a key decision may be made with only 5 days' notice with the consent of the Chair of the Overview and Scrutiny Management Board or each Overview and Scrutiny Board member. The notice must explain why non-compliance with the requirement for 28 days' notice has been agreed, now needs to be published. Previously, there was no need to publish this notice.

Regulation 11, preserves the 'special urgency' provision where the giving even 5 days' notice is not possible. The use of this provision requires the agreement of the Chair of the Overview and Scrutiny Management Board or the Lord Mayor or the Deputy Lord Mayor. We then publish the notice evidencing that agreement.

7.0 Recording of decisions

Regulations 12 requires Cabinet to formally record its proceedings. In this respect we will maintain our present procedures in respect of providing minutes of meetings.

The Regulations require us to record every 'conflict of interest' declared by a member. It is not clear from the regulations what a 'conflict of interest' is or how it is defined. It is assumed that these 'conflicts of interests' cover the gaps left by the Government's new standards regime. At present our local code adequately covers this gap, but we may wish to define a 'conflict of interest' as part of our new standards code. Under the Regulations, it is said that the Head of Paid Service can give dispensations in respect of these conflicts of interest.

In order to mirror the Council's standards regime it will be recommended to the Head of Paid Service that he delegates the granting of dispensations to the Monitoring Officer.

Regulation 13 sets out similar provisions in respect of the recording of delegated decisions and again, we will follow our current procedures. In practice, following the making of an executive decision, a statement must be produced setting out the following (which is similar to that required for a Cabinet decision):

- A record of the decision and the date it was made
- A record of the reasons for the decision
- Any alternative options considered and rejected
- Any conflicts of interests declared by any executive member consulted about the decision
- Any dispensation given by the Head of Paid Service

Regulation 13 also makes any 'executive decision' made by an officer subject to the same requirements. This is a change from the current regulations which only relate to officers when they are making 'key decisions', which is an extremely rare occurrence.

An 'executive decision' is defined as '*a decision made by a decision maker in connection with the discharge of a function which is the responsibility of the executive of a local authority*'.

Detailed work will be required to determine which officer decisions fall within this definition. As a starting point, a delegation from Cabinet to an officer to discharge a function will come within the definition. This will potentially include delegations to working groups and project teams. There is a subtle but real distinction between 'carrying out an action' and 'discharging a function' and legal and democratic support officers will be working to create clarity in this area.

Regulation 14 requires the record of decisions and supporting reports to be made available as soon as reasonably practicable to the public (at the offices and on the website) and to newspapers.

8.0 Rights of other local authority members to access to documents

Regulation 16 gives all members access to any document relating to matters to be transacted at a public meeting of the Cabinet at least 5 days before the meeting (unless they contain exempt or confidential information).

Documents relating to matters considered when the press and public were excluded or to decisions by an individual cabinet member must be made available to members after the decision is made or in any event, within 24 hours of the end of the meeting (unless they contain exempt or confidential information).

Regulation 17 gives members of an overview and scrutiny committee access to any document related to a decision by Cabinet, individual members or officers. Such documents must be provided within 10 days of a request.

Documents containing exempt or confidential information need only be provided if it is relevant to a call-in or scrutiny process or any review contained in a scrutiny programme of work.

9.0 Reports to council where the key decision procedure is not followed

Regulation 18 entitles an Overview and Scrutiny Committee to report a failure by the executive to follow the key decision process to Council.

10.0 Executive reports to the Council

Regulation 19 says the Leader must report at least annually to Council with details on the use of 'special urgency' provisions where no notice was provided of a key decision.

It is recommended that Cabinet recommend to Council that they consider such a report annually.

11.0 Offences

Under Regulation 22, a person commits a criminal offence, if they intentionally obstruct any person exercising a right to inspect or make a copy of a document under the regulations.

CITY COUNCIL

24 SEPTEMBER 2012



OVERVIEW AND SCRUTINY MANAGEMENT BOARD MINUTE 24 OF 25 JULY 2012

TERMS OF REFERENCE

The Board noted the amendments to the panels' terms of reference and recommended them to be submitted to the next city council meeting for approval.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

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THE OVERVIEW AND SCRUTINY MANAGEMENT BOARD

TERMS OF REFERENCE

MEMBERSHIP OF THE MANAGEMENT BOARD

The Overview and Management Board consists of the Chair of each of the Overview and Scrutiny Panels plus other councillors appointed by the Council at the annual meeting.

Any councillor who is not a member of the Cabinet can substitute on the Management Board.

AIMS OF THE OVERVIEW AND SCRUTINY PROCESS

- To add value to Council business and decision-making
- To hold the Cabinet to account
- To monitor the budget and performance of services
- To assist the Council in the development of policy and review the effectiveness of the implementation of Council policy
- Work to outcomes, which can be measured and have a positive impact on the community
- To improve the quality of the scrutiny process
- To exercise effective scrutiny

ROLE OF THE MANAGEMENT BOARD

- To oversee workloads, including approval of work programmes, allocate work (based on request from Panels and from the Forward Plan) and the approval of Task and Finish Groups* and to monitor the performance of Panels and Chairs;
- To manage relationships between Panels, Cabinet Members and Partners to produce effective scrutiny.
- To monitor performance against Inspection Action Plans, including Access to Services and Equality Standards, and to monitor performance of Partner Organisations through targets and priorities;
- To monitor Call-ins, Councillor Call for Action and Petitions and to allocate work accordingly (Call-ins to be considered by a minimum of three Members to include the Chair of the Board and the Chair of the relevant Panel);
- To monitor performance against the relevant Corporate priorities,
- To receive Finance and Performance Reports and to carry out the Annual Budget Scrutiny;
- To agree recommendations to Cabinet / Council / LSP Board and to monitor progress, including presentation of a quarterly report to the Cabinet;
- To agree appointments of Co-optees to Panels and to approve an annual Scrutiny training programme;
- Responsible for publicity and communications
- To monitor the Forward Plan

*The purpose of Task and Finish Groups will be to undertake pieces of scrutiny work as required by the Management Board and will be time specific. These groups will be made up of Members who have expressed an interest in the particular issue. Once the Task and Finish Group has commenced work, no substitution for Members is allowed.

Overview and Scrutiny Management Board and Panels are subject to the rules of political proportionality. In the case of the Joint Health Panel, it is not, as agreed by the Council, subject to political proportionality relating to political groups.

Role of board members who do not chair panels

Non-chair Overview and Scrutiny Management Board members will carry out a range of tasks to assist the development of the overview and scrutiny function. These tasks include, but are not limited to:

- Scrutiny improvement and development
- Research
- Best practice (including visits to other councils)
- How does the scrutiny process add value to the work of the council?
- Public relations - how to improve the profile of scrutiny with the media and other organizations
- Monitoring Councillor Calls for Action
- Production of a scrutiny handbook
- How the council consults and engages with local communities and local people and ward members

The Board will also have co-opted representatives whose tasks and duties will be determined by the Chair on a case by case basis.

Meetings of the Management Board

The Overview and Scrutiny Management Board shall meet as agreed with shadow meetings on a two weekly basis to be utilised if required. All meetings of the Management Board will be open to the public. Cabinet Members and directors will attend the Overview and Scrutiny Management Board when requested. The Leader and the Chief Executive will be asked to attend meetings on a quarterly basis.

Agenda Items

Any Members or panels who would like to recommend an item for their work programme shall submit a completed Project Initiation Document (PID) for consideration by the Management Board.

Whipping

In keeping with good practice, there will be no “whipping” of members exercising their responsibilities on the Overview and Scrutiny Management Board or its Panels.

Development and Training

Every Member of the Management Board will be provided, where appropriate, with development and training in the areas that include but are not limited to:

- Overview and Scrutiny
- Role of chair/vice chair
- Performance Management Systems
- Partnership working
- Budget and finance
- The Corporate Plan

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Customers and Communities Overview and Scrutiny Panel

Draft Terms of Reference

- To review new and existing policies and consider how they may be improved and developed;
- To monitor the budget and performance of the Cabinet Member, Department and partners to ensure that the priorities for the area are being delivered upon;
- To monitor performance against the relevant Corporate Plan Priorities;
- To review Policies within the Budget and Policy Framework;
- To consider Equality Impact Assessments against new and existing policies;
- To investigate local issues to find out how the council and its partners can improve to meet the needs of local people;
- To make recommendations about service delivery to the Cabinet (via the Board)
- To review and scrutinise the performance of partner organisations
- To set up Ad-Hoc Working Groups as and when required;
- To produce bi-annual progress reports to go to the Management Board

Policy areas

- Customer Services
- Environmental Services
- Safer Communities
- Leisure, Culture and Sport
- Environmental regulation
- Crime and Disorder (This Panel will take on the role of the Crime and Disorder Overview and Scrutiny Panel)

Cabinet Members

- Environment
- Deputy Leader
- Co-operatives and Community Development

Directorates

- Place
- Corporate Services
- People

Corporate Plan Priorities

To be determined

LSP Link

- Safe and Strong

Membership

The Chair of the Panel shall serve on the Overview and Scrutiny Management Board. The Customers and Communities Overview and Scrutiny Panel will be chaired by a Member of the majority political group with the vice-chair from the opposition political group. All Members of the panel will adhere to the general rules of Overview and Scrutiny.

Children and Young People Overview and Scrutiny Panel Terms of Reference

1. To scrutinise matters relating to children and young people and to hear the views of children and young people, with a view to improving services, reducing inequalities and improving outcomes for children and young people.
2. To respond to consultations from the Department of Education and other relevant bodies.
3. To scrutinise Council services and those of key partners in respect of children and young people.

In relation to the above, the panel will be responsible for -

- on-going monitoring and evaluation of plans for children and young people;
- reviewing all policies relating to children and young people and to consider how these may be improved and developed;
- monitoring the budget and performance of the Cabinet Member, Department and partners to ensure that priorities for the area are being delivered upon;
- reviewing relevant policies with the budget and policy framework;
- considering Equality Impact Assessments against new and existing policies and plans;
- investigating local issues with a view to making recommendations on how the council and its partners can improve services for children and young people;
- making recommendations about service delivery to the Cabinet (via Overview and Scrutiny Management Board);
- reviewing and scrutinising the performance of relevant partner organisations currently –
 - Children and Young People’s Trust Board
 - Local Safeguarding Children’s Board
 - Corporate Parenting Group
- setting up ad hoc working groups as and when required;
- producing quarterly progress reports to the Overview and Scrutiny Management Board;
- undertaking such tasks as may be delegated to the panel by the Overview and Scrutiny Management Board;

Policy Areas

- Children and Young People’s Plan
- Youth Justice Plan

Cabinet Members

- Children and Young People

Directorate

- Services for Children and Young People

Corporate Plan Priorities

- **Deliver growth:** Develop Plymouth as a thriving growth centre by creating the conditions for investment in quality new homes, jobs and infrastructure
- **Raise aspirations:** Raise the attainment of our young people and encourage people to aim higher and take pride in the city
- **Reduce inequality:** Reduce the differences in health and economic prospects between communities
- **Provide value for communities:** To make best use of resources to benefit customers

Membership

The Chair of the panel shall serve on the Overview and Scrutiny Management Board. All members of the panel will adhere to the general rules of Overview and Scrutiny. There are 11 members of the panel including the Chair and the vice-chair. The vice-chair is from the opposite political group to the Chair.

Growth & Prosperity Overview and Scrutiny Panel

Draft Terms of Reference

Terms of Reference

- To review new and existing policies and consider how they may be improved and developed;
- To monitor the budget and performance of the Cabinet Member, Department and partners to ensure that the priorities for the area are being delivered upon;
- To monitor performance against the relevant City and Council Priorities;
- To review Policies within the Budget and Policy Framework;
- To consider Equality Impact Assessments against new and existing policies;
- To investigate local issues to find out how the council and its partners can improve to meet the needs of local people;
- To make recommendations about service delivery to the Cabinet (via the Board)
- To review and scrutinise the performance of partner organisations
- To set up Ad-Hoc Working Groups as and when required;
- To produce quarterly progress reports to go to the management board

Cabinet Members

- Transport
- Leader of the Council
- Finance
- Environment

Directorate

- Place
- People

Corporate Priorities

- Monitor performance against the relevant corporate priorities

Membership

All Members of the panel will adhere to the general rules of Overview and Scrutiny.

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Health and Adult Social Care Overview and Scrutiny Panel **Terms of Reference**

1. To scrutinise matters relating to health and public health and to hear the views of local residents, with a view to improving health services, reducing health inequalities and improving the health of local residents.
2. To respond to consultations by local service commissioners, providers and by the Department of Health.
3. To consider whether changes proposed by local health trusts amount to a substantial variation or development and, if so, to take appropriate action including appointing members to any joint committee where the proposals cover more than one local authority's area, including undertaking all the statutory functions in accordance with Section 244, of the National Health Act 2006, (as amended by Health and Social Care Act 2012) regulations and guidance under that section.
4. To assist the council in the management of its contractual arrangements relating to LINKs under section 221 (1) of the Local Government and public involvement in health act and statutory instrument 2008 No. 528.
5. To scrutinise the impact of the Council's own services and of key partnerships on the health of its population.

In performing the above duties the Panel will scrutinise:-

- Arrangements made by local NHS bodies to secure hospital and community health services for the residents of Plymouth;
- the provision of family health services, personal medical services, personal dental services, pharmacy and NHS ophthalmic services;
- the public health arrangements in the area, e.g. arrangements by NHS bodies for the surveillance of, and response to, outbreaks of communicable disease or the provision of specialist health promotion services;
- the planning of health services by NHS bodies, including plans made in co-operation with local authorities, setting out a strategy for improving both the health of the local population, and the provision of health care to that population;
- the arrangements made by NHS bodies for consulting and involving patients and the public under the duty placed on them by Section 11 of the Health & Social Care Act 2001;
- Social care services and other related services delivered by the authority.

Policy Areas

- Adult Social Care
- Partner Organisations NHS Plymouth South Hams and West Devon, NHS Plymouth Hospitals Trust, South West Ambulance Service, LINK, NEW Devon Clinical Commissioning Group, Health and Wellbeing Board, Strategic Health Authority and the Department of Health.

- Safeguarding across commissioned providers

Cabinet Members

- Public Health and Social Care

Directorate

- Public Health
- People Directorate

Corporate Priorities

The panel will support the following city priorities through its activities –

Raise aspirations

Promote Plymouth and encourage people to aim higher and take pride in the city.

Reduce inequalities

Reduce the inequality gap, particularly in health, between communities.

Provide value for communities

Work together to maximise resources to benefit customers and make internal efficiencies.

LSP Link

- (Shadow) Health and Wellbeing Board

Membership

The Chair of the Panel shall serve on the Overview and Scrutiny Management Board. The panel can consider inviting non-voting co-opted members to join the panel, subject to the approval of management board. All Members of the panel will adhere to the general rules of overview and scrutiny.

SUPPORT SERVICES OSP

Terms of reference



The role of the Support Services OSP is:

- To review new and existing policies and consider how they may be improved and developed;
- To monitor the budget and performance of the Cabinet Member, Department and partners to ensure that the priorities for the area are being delivered upon;
- To monitor performance against the relevant Corporate Improvement Priorities;
- To review Policies within the Budget and Policy Framework;
- To consider Equality Impact Assessments against new and existing policies;
- To investigate local issues to find out how the council and its partners can improve to meet the needs of local people;
- To make recommendations about service delivery to the Cabinet (via the Board)
- To review and scrutinise the performance of partner organisations
- To set up Ad-Hoc Working Groups as and when required;
- To produce bi-annual progress reports to go to the management board.

Business Areas

Corporate Services

- Finance, Efficiencies, Technology and Assets Department
 - Finance and Accounting
 - ICT Services, including Carefirst and other departmental ICT staff
 - Facilities and Estate Management (Corporate Estate)
 - Property Maintenance
 - Asset Register
 - Sustainability and Carbon Management (for the Council)
 - Value for Money and Efficiencies
 - Procurement
 - Council Tax
 - Revenues and Benefits
 - Finance Transaction Centre
- Democracy and Governance Department
 - Coroner
 - Democratic Support
 - Civic Support and Lord Mayor's Office
 - Electoral Services
 - Legal Services
 - Registration Service
 - Risk and Insurance
- Customer Services Department
 - Customer Services
 - Counter Services

- First Stop and Reception
 - Contact Centre
 - Customer Services (including co-ordination of Freedom of Information (FOI) requests)
 - Corporate Complaints
 - Library Services (including the Schools' library service)
- Human Resources and Organisational Development Department
 - Human Resources Operations
 - Payroll and Pensions
 - Health, Safety and Wellbeing
 - Organisational Development
 - Training (including ICT training)
 - Workforce Development Strategy and Coordination (including departmental specific development activities)
 - Recruitment and Talent
 - Organisational Transformation and Review
- ICT Shared Services Programme

Executive Office

- Policy, Performance and Partnerships
 - Executive Office Support
 - Civil Protection
 - Partnerships
 - Policy and Performance
 - Business Planning
 - Information and Intelligence
 - Scrutiny Co-ordination
- Corporate Communications
 - Press and PR
 - Internal and external communications
 - Design and Branding
 - Website

Cabinet Members

- Leader of the Council
- Deputy Leader of the Council
- Finance

Directorate

- Executive Office
- Corporate Services

City and Council Priorities

- Monitor performance against the relevant city and council priorities

LSP Link

- LSP Support

Membership

The Chair of the Panel shall serve on the Overview and Scrutiny Management Board. The Support Services Overview and Scrutiny Panel will be chaired by a Member of the majority political group with the vice-chair from the opposition political group. All Members of the panel will adhere to the general rules of Overview and Scrutiny.

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AUDIT COMMITTEE MINUTE 10 OF 21 JUNE 2012.

ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2011/12.

David Northey, Head of Finance, provided the Committee with an update on the Annual Report on Treasury Management Activities for 2011/12. The Committee were informed that –

- (a) it had been a very difficult economic climate. PCC were continuing to recover outstanding monies from the Icelandic Bank;
- (b) with regard to the investment maturity profile, that detail was provided by Arlingclose who have placed us closer to the left when benchmarking us against other clients;

In response to questions raised it was reported that -

- (c) the position with the Icelandic Banks was improving;
- (d) the UK Santander Bank was separate to the Spanish parent and we had gained assurance from managers that they do not have the same exposure to Spanish banks;
- (e) Plymouth were benchmarked in the bottom left quadrant and Arlingclose clients were getting the same rate on investment with low level risk;
- (f) our money was deposited with UK banks and their ratings were being reduced and the risks attached were deteriorating. Other local authorities to improve their score invest in money market funds at a higher rating;
- (g) two thirds of money lost from investments with the Icelandic Banks had been paid back. Money was coming in and PCC was working with lawyers to continue recovery and were confident that it would be able to report soon on this matter and close down this issue;

Agreed that –

1. the Audit Committee note the Treasury Management annual report for 2011/12.
2. the report be referred to Full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

3. Audit Committee approve the Treasury Management Practices for 2012-13 as outlined at Appendix 3.

Note:

The full report in connection with this minute is available on the website

www.plymouth.gov.uk/democracy

or by contacting Democratic Support on 01752 304867

PLYMOUTH CITY COUNCIL

Subject:	Annual Report on Treasury Management Activities for 2011/12
Committee:	Audit Committee
Date:	21 June 2012
Cabinet Member:	Councillor Lowry
CMT Member:	Director for Corporate Services
Author:	Andrew Liddicott (Senior Accountant)
Contact:	Tel: (01752) (30)7873 e-mail: andrew.liddicott@plymouth.gov.uk
Ref:	Acct/AL
Key Decision	No
Part:	I

Executive Summary:

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its Treasury Management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2011/12 including the final position on the statutory Prudential Indicators.

The Council's external loans at 31 March 2012 stood at £206.398m. The borrowing strategy for the year was to reduce the Council's underlying level of its long-term debt meeting any borrowing requirement with short-term loans (less than 1 year) or the use of internal resources. However due to the movement in interest rates and gilts which made early repayment of debt expensive in terms of premature redemption penalties, long-term borrowing has remained unchanged at £191.398m. Total loans have reduced by £79.985m with the reduction of short-term borrowing as credit condition worsened in the second half of the year.

The reduction in short-term loans has also led to a reduction in investments at year end of £81.872m, leaving total investments of £83.975m including £21.49m invested on behalf of the Heart of the South West LEP in respect of the Growing Places Fund. Of the overall amount £46.92m was invested in instant access call accounts and could be withdrawn without penalty should circumstances require.

In terms of the impact against the revenue budget, an overall favorable variance of (£0.388m) was achieved in the year. This is mainly as a result of savings in the MRP charge to revenue and additional interest income achieved from using short-term loans as an alternative to the use of internal balances to cover capital financing requirements.

In line with the recommendations in the Code of Practice, this report is submitted to Audit Committee as the Committee responsible for scrutiny of the Treasury Management function.

This report is required to be submitted to Full Council.

Corporate Plan 2011-2014:

Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government's latest spending period. Effective treasury management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead.

Other Implications: e.g. Child Poverty, Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the Counter party list under constant review.

Recommendations & Reasons for recommended action:

1. Audit Committee note the Treasury Management annual report for 2011/12.
 2. The report be referred to Full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6).
 3. Audit Committee approve the Treasury Management Practices for 2012-13 as outlined at Appendix 3.
-

Alternative options considered and reasons for recommended action:

None- requirement to report to Council on the Treasury Management activities for the year.

Background papers:

- Treasury Management Strategy report to Audit Committee 21 January 2011
 - 2011/12 Budget Papers – presented to Full Council 28 February 2011
 - Mid Year Review report to Audit Committee 16 December 2011
 - Joint Finance and Performance report for 2010/11 to Cabinet 12 June 2012
-

Sign off:

Fin	DJN121 3.009	Leg/ Dem& Gov	TH0048	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
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Originating SMT Member: Malcolm Coe

Annual Report on Treasury Management Activities for 2011/12

I. Introduction

- I.1 Treasury Management in Local Government is underpinned by the CIPFA Code of Practice on Treasury Management in the Public Services (The Code) and in this context is the “*the management of the Council’s investments and cash flows, its banking, money market and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks*”.
- I.2 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy, and as a minimum, formally report on their treasury activities and arrangements to Full Council at least twice a year- mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.
- I.3 This report outlines the Treasury Management activities in 2011/12, providing information on progress and outcomes against the approved strategy, and builds on the mid year report presented to Audit Committee and Full Council in December 2011.
- I.4 The responsibility for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions is delegated by the Council to its Section 151 Officer – the Director for Corporate Services, and in 2011-12 was overseen by a Treasury Management Board consisting of senior officers within Finance, Efficiencies, Technology and Assets and the portfolio Member for Finance, Property and People.
- I.5 The day to day operation of the treasury management activity is carried out in accordance with detailed Treasury Management Practices (TMP’s). These are required to be updated annually. The TMP’s applicable to 2011/12 were approved by Audit Committee at its meeting of 27 June 2011.
- I.6 The Council works closely with its treasury management advisors Arlingclose who assist the Council in formulating views on interest rates when determining the Treasury Management Strategy, regular updates on economic conditions and interest rate expectations, and advice on specific borrowing and investment decisions.
- I.7 This report:
- a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code;
 - b) presents details of capital financing, borrowing, debt rescheduling and investment transactions for the year 2011/12;
 - c) provides an update on the risk inherent in the portfolio and outlines actions taken by the authority during the year to minimise risk;
 - d) gives details of the outturn position on treasury management transactions in 2011/12;
 - e) confirms compliance with treasury limits and Prudential Indicators (PI’s) and outlines the final position on the PI’s for the year.

1.8 In accordance with TMP note 6, the report is required to be presented to Full Council.

1.9 The Treasury Management Practices for 2012/13 have been updated for changes in the 2012-13 Treasury Management Strategy and the revised CIPFA Treasury Management Code of Practice. The updated practices are attached at Appendix 3. These require approval by Audit Committee.

2. The Economy and Events in 2011/12

2.1 Before reviewing the Council's performance for the year it is appropriate to outline the national and economic background within which Council Officers operated during 2011/12:

2.2 At the time of determining the 2011/12 strategy in January 2011, there were tentative signs that the UK was emerging from recession with the worst of the financial crisis behind it. Recovery in growth was expected to be slow and uneven as the austerity measures announced in the 2010 Comprehensive Spending Review were implemented in order to bring down the budget deficit and government borrowing and rebalance the economy and public sector finances. Inflation measured by the Consumer Price Index (CPI) had remained stubbornly above 3%. Unemployment was at a 16 year high at 2.5 million and was expected to rise further as the public and private sector contracted. There was a also high degree of uncertainty surrounding Eurozone sovereign debt sustainability.

2.3 Inflation :

During 2011-12 inflation remained high with CPI (the official measure) and RPI rising in September to 5.2% and 5.6% respectively primarily due to escalating utility prices and the January 2011 increase in VAT to 20%. Inflation eased slowly as reductions in transport costs, food prices, intensifying competition amongst retailers and supermarkets and the VAT effect falling out in 2012, pushed February 2012's CPI down to 3.4% and RPI to 3.7%. This, however, was not enough to offset low wage growth and, as a result, Britons suffered the biggest drop in disposable income in more than three decades.

2.4 Growth, Employment, House Prices :

Growth, on the other hand, remained elusive. The Bank's Quarterly Inflation Reports painted a bleak picture as the outlook was downgraded to around 1% in 2011 and 2012 alongside. The unresolved problems in the Eurozone weighed negatively on global economic prospects. UK GDP was positive in only the first and third calendar quarters of 2011; annual GDP to December 2011 registered just 0.5%. Unemployment rose to 2.68 million and, worryingly, youth unemployment broke through the 1 million barrier. House prices struggled to show sustained growth and consumer confidence remained fragile.

2.5 Monetary Policy :

It was not surprising that the Bank of England's Monetary Policy Committee maintained the status quo on the Bank Rate which has now been held at 0.5% since March 2009, but increased asset purchases by £75bn in October 2011 and another £50bn in February 2012 taking the Quantitative Easing (QE) total to £325bn.

The policy measures announced in the March 2012 Budget statement were judged to be neutral. The government stuck broadly to its austerity plans as the economy was rebalancing slowly. The opinion of independent Office for Budget Responsibility (OBR) was that the government was on track to meet its fiscal targets; the OBR identified oil price shocks and a further deterioration in Europe as the main risks to the outlook for growth and in meeting the fiscal target.

2.6 **United States of America:**

The US economy continued to show tentative, positive signs of growth alongside a gradual decline in the unemployment rate. The US Federal Reserve (the Fed) committed to keeping policy rates low until 2014, although a modest shift in the Fed's language in March, alongside an improvement in economic activity, cast doubts about the permanence of the Fed's policy commitment.

2.7 **Europe:**

In Europe, sovereign debt problems for some peripheral countries became critical. Several policy initiatives were largely ineffectual; two bailout packages were required for Greece and one for Portugal, and the contagion spread to Spain and Italy whose sovereign bonds came under increased stress in November. Standard & Poor's downgraded nine European sovereigns and the EFSF bailout fund. The successful Greek sovereign bond swap in March 2012 shortly after its second bailout package allowed it to avoid bankruptcy later that month, but it was not a long-term solution. The ECB's €1.3 trillion Long-Term refinancing Operations (LTROs) flooded the financial markets with ultra-cheap 3-year liquidity and relieved much of the immediate funding pressure facing European banks in 2012, but markets ultimately took the view the LTROs simply served to delay a resolution of, rather than addressed, the fundamental issues underpinning Eurozone's problems.

Markets sentiment oscillated between 'risk on'/'risk off' modes, this swing becoming the norm for much of 2011/12 as investors shifted between riskier assets and the relative safety of higher quality government bonds. Gilts, however, were a principal beneficiary of the 'risk-off' theme which helped push yields lower. There was little market reaction to or impact on gilts by the decision by Fitch and Moody's to change the outlook on the UK's triple-A rating from stable to negative. Over the 12-month period from April 2011 to March 2012, 5-year gilt yields more than halved from 2.40% to 1.06%; 10-year gilt yields fell from 3.67% to 2.25%; 20-year yields fell from 4.30% to 3.20% and 50-year yields from 4.20% to 3.35%. PWLB borrowing rates fell commensurately (see table 2 in appendix 2), but the cost of carry associated with borrowing longer-term loans whilst investing the monies temporarily until required for capital financing remained high, in excess of 4.1 % for 20-year PWLB Maturity borrowing.

2.8 **Credit:**

Europe's banking sector was inextricably linked with the sovereign sector. Sharp moves in sovereign CDS and bond yields were fairly correlated with the countries' banking sector performance. The deterioration in the prospects for real growth had implications for earnings and profit growth and banks' creditworthiness. The European Banking Authority's banking stress tests of 70 EU banks undertaken in October 2011 identified a collective €106 billion

shortfall to banks' Core Tier 1 ratio of 9%. The slowdown in debt and equity capital market activity also had implications for banks' funding and liquidity. These principal factors, as well as a reassessment by the rating agencies of future sovereign support for banks, resulted in downgrades to the long-term ratings of several UK and non-UK financial institutions in autumn 2011.

2.9 Appendix 2 outlines the various Interest rates in force during the year.

3. The Council's Strategy for 2011/12

3.1 The Council's Treasury Management Strategy was approved by full Council on 28th February 2011. As an overriding principle, the strategy proposed that in the current financial climate the Council would continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security, with liquidity and yield. The Council would continue to make use of short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

3.2 Where possible the Council would continue to reduce the underlying level of long-term debt with the borrowing strategy for 2011/12 to meet the capital financing requirement from short-term fixed rate borrowing or variable rate borrowing where rates were lower than those available to the Council on its investments. Where borrowing rates were higher than investment rates internal resources would be used in lieu of borrowing with borrowing only taken to cover short-term cash flow requirements. Capital expenditure levels, market conditions and interest rate levels would be monitored during the year in order to minimise borrowing costs over the medium to longer term.

3.3 The mid-year report outlined the deterioration of credit condition through the year with the increase in sovereign debt problems in the Eurozone changing the strategy to a greater emphasis on internal borrowing reducing external borrowing and investments further reducing the credit risk of the Council's investment portfolio. This strategy was subject to constant review reacting to any changes in credit conditions.

Review of the Council's Performance 2011/12

4. Treasury Portfolio

4.1 Table I shows the Council's overall Treasury Portfolio at the end of 2011/12 compared to 2010/11.

Table I

31/3/2011 £m	Average Interest rate %		31/3/2012 £m	Average Interest rate %
61.315	5.4001	External Borrowing Long-term:	61.315	5.4001
130.000	4.4202	PWLB	130.000	4.4202
0.083	1.1660	Market	0.083	1.1668
94.985	0.4800	Bonds	15.000	0.2900
		Temporary Borrowing		
286.383	3.3222	Total PCC Borrowing	206.398	4.4098
		Long-term liabilities		
31.753	8.7300	PFI Schemes	31.017	8.7300
3.263	n/a	Finance leases	2.585	n/a
35.016		Total Long term Liabilities	33.602	
321.399		Total External Debt	240.000	
(165.802)	1.7207	Total Investments	(83.975)	1.0564
155.597		Net Borrowing/(Net Investment) Position	156.025	

- 4.2 The total external debt as shown above includes long term liabilities in respect of PFI schemes or finance leases as these liabilities are seen as a credit arrangement thus increasing the Council's total debt and must be taken into account within the statutory borrowing limits. The Council has one PFI scheme, the contract with Pyramid to build and run the schools at Woodview campus and Riverside. The move to producing statutory accounts on an International Financial Reporting Standard (IFRS) basis has resulted in a reclassification of a number of leases from operating to finance leases. These were added to the Council's Balance Sheet in 10-11 and previous years Balance Sheets restated as appropriate.

The total investments include £21.49m invested on behalf of the Heart of the South West Local Enterprise Partnership (LEP) in respect of the Growing places Fund. This balance was received in two payments with £6.978m received on 21st February 2012 and £14.51m on 29th March 2012. These funds were deposited in call accounts with interest credited to the fund balance. The fund will be distributed subject to approved bids across the LEP region and over time the amount invested by the Council on behalf of the LEP will reduce.

5. Borrowing

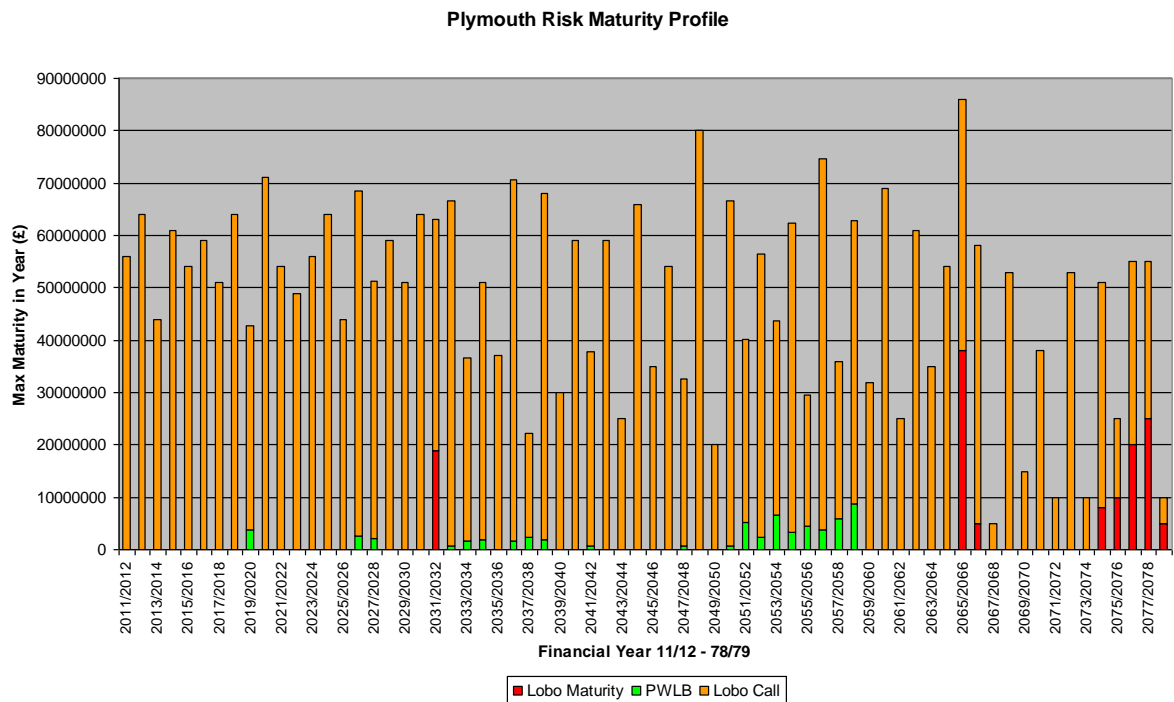
- 5.1 The borrowing strategy for the year, should market conditions allow, was:
- To reduce the underlying level of long term debt.
 - To manage out the risk inherent in the existing portfolio in terms of market loans to PWLB by exercising call options on Lobo's where the opportunity was available.
- 5.2 After considering the risks inherent in the existing portfolio and the outlook for interest rates in the short term, the capital financing borrowing requirement for

2011/12 was to be financed from short-term fixed rate borrowing or variable rate borrowing where rates were lower than those available to the Council on its investments. Where borrowing rates were higher than investment rates internal resources would be used in lieu of borrowing with borrowing only taken to cover short term cash flow requirements. Capital expenditure levels, market conditions and interest rate levels would be monitored during the year in order to minimise borrowing costs over the medium to longer term.

5.3 Figure I below shows the maturity profile of the long term debt for the Council as at 31 March 2012.

5.4 The debt portfolio continues to include £130m of LOBO (market) loans. These loans have various option call dates where the banks have the ability to amend the loan terms and at which point the Council could choose to repay the loan if the terms are changed adversely. This is reflected within the maturity profile shown above (in amber) to enable officers to risk manage the Council's cashflows. During the year £56m of LOBO loans entered the period where they could have been called, but options were not exercised by the relevant banks.

Figure I



5.5 Under Section 3 of the Local Government Act 2003 and supporting regulations the Council must determine and keep under review how much it can afford to borrow. The Council is required to set two limits:

- The Authorised Limit – This is the statutory limit which should not be breached. This can only be amended with the approval of Full Council.
- The Operational Boundary – This is based on the same estimate as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

5.6 The borrowing limits for 2011/12, originally approved by Council in March 2011, were as follows:

- Authorised limits £368m
- Operational Boundary £343m

The revised prudential indicators, as approved by Council on 27 February 2012, reduced the limits to fall in line with the Council's strategy to reduce debt when credit conditions worsened as was the case in the second half of the year. The approved updated limits were as follows:

- Authorised limits £291m
- Operational Boundary £271m

5.7 The Director for Corporate Services confirms that there were no breaches to the Authorised Limit and Operational Boundary during the year. The maximum debt outstanding during 2011/12 was £325.959m on 11 April 2011 (including £35.016m for the PFI and finance lease liabilities). This was within both the authorised limit and the operational boundary. Following the reduction in borrowing limits in February 2012 the maximum debt outstanding reached £241.414m on 20 March 2012. This again was within both the updated authorised limit and operational boundary.

5.8 Table 2 shows the movement in the borrowing portfolio during the year..

Table 2 Movement in Borrowing Portfolio

	Balance on 01/04/11 £000s	Debt Maturing £000s	Debt Repaid £000s	New Borrowing £000s	Balance on 31/03/12 £000s	Increase/ (Decrease) in Borrowing
Short Term Borrowing	94,985	(669,585)		589,560	15,000	(79,985)
Long Term Borrowing	191,398				191,398	0
Total Borrowing	286,383	(669,585)	0	589,560	206,398	(79,985)

5.9 In accordance with the Council's treasury management strategy no long term borrowing was taken in 11-12 however as a result of market conditions it was not possible to reduce long term borrowing. Due to the movement in Gilts and the resulting reduction in PWLB rates the cost of repaying any of our PWLB loans early was prohibitive. No lenders options were taken on any of the Council's Lobo loans and as a result we were not able to exercise the Council's option to repay at no cost. Despite this the Council's borrowing reduced from £286.383m to £206.398m, a reduction of £79.985m in short-term loans offset by a reduction in short-term investments.

5.10 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31 March 2012 was estimated at £270.235m (including PFI and Finance leases).

5.11 New borrowing in year

The use of short-term borrowing has been the most cost effective means of financing of capital expenditure and cashflow requirements. Matching short-term borrowing with the availability of liquid deposits held in bank call accounts lowered overall treasury risk by allowing flexibility to reduce debt and investment levels at short notice when credit conditions deteriorated during the year.

At the start of the year the Council had £94.985m of short term loans. These are generally taken for periods of less than 30 days, repaid and replenished with new loans as subject to availability and favourable rates during the year. At the end of the year the Council had £15m of short term loans.

The average period of new loans taken in the year was for 24.95 days at an average interest rate of 0.36%. This is below the bank base rate. Short term loans are generally taken from other local authorities.

5.12 Debt Repayment

There was no loan repayments made in 2011-12. The reduction in loans is a result of short-term loans not being replaced on maturity.

5.13 Debt Rescheduling

There has been no debt rescheduling in the period due to falling interest rates making the repayment of any PWLB loans more expensive. Officers along with the Council's advisers Arlingclose will continue to monitor PWLB interest rates looking for opportunities to repay any debt maximising the savings achieved whilst maintaining a balanced maturity profile.

5.14 Overall Debt Performance for the year

The average interest rate on the Council's borrowing has increased over the course of the year from 3.322% to 4.4098%. This rate reflects the position at the end of each financial year (i.e. 31 March 2011 and 2012). The increase in rates is due to the repayment of low rate short-term loans using internal balances as credit conditions worsened over the second half of the year. Loan transactions were taken at various times throughout the year at various rates and, taking all transactions in the year, the overall average borrowing rate for 2011/12 was 3.9652% compared with a rate of 3.5476% for 2010/11.

6. Investments

Managing Investment Risk

6.1 The Guidance on Local Government Investments in England gives priority to Security and Liquidity of investments and the Council's aim is to achieve a Yield commensurate with these principles.

6.2 Security

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12. This restricted new investments to the following, although as indicated not all of the instruments were used during the year:

- The Debt Management Office
- Other Local Authorities (not used in 2011/12)
- AAA-rated Stable Net Asset Value Money Market Funds (not used 2011/12)
- Call Accounts and deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US). (Only deposits with UK banks used in 2011/12)
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank (not used 2011/12).
- Treasury Bills (T-Bills) (not used in 2011/12)

6.3 The long-term credit rating criteria used at the start of the year as per the approved investment strategy for 2011-12 was amended on 29th November 2011 as approved by Cabinet to A-/A3 in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The downgrades were driven principally by the credit rating agencies' view on the extent of future government support (flowing from the recommendations to the government from the Independent Commission on Banking) rather than deterioration in the institutions' creditworthiness.

6.4 Table 3 summarises the counter parties available during the year together with the approved limits. The Counter Party list is kept under constant review and counter parties removed or limits adjusted as appropriate.

Table 3 Approved Counter Party Listing in force 31 March 2012

Financial Asset Category	Criteria	Maximum Investment	Maximum Investment Term
Government Debt Office	Central Government Office	No Limit	12 Months
UK Banks and Building Societies	Minimum credit rating: Fitch – Long-Term A- Short-Term FI Moody's – Long-Term A3 Short-Term P-1 S&P – Long-Term A- Short-Term A-1	£30m	12 Months
Foreign Banks	Minimum credit rating: Fitch – Long-Term A- Short-Term FI Moody's – Long-Term A3 Short-Term P-1 S&P – Long-Term A- Short-Term A-1	£10m	12 Months

Local Authorities	Unitary Councils County Councils Metropolitan Councils London Borough Councils	£5m	12 Months
Money Market Funds	AAA with Constant Net Asset value investing predominantly in Government securities. AAA with a Constant Net Asset investing in instruments issued primarily by financial institutions.	2.5% of overall investment portfolio	Call
Bonds Issued by Multilateral Development banks	AAA or Government Guaranteed Eurosterling Bonds	Total investment £20m or 10% of investment portfolio	10 years

6.5 The limits placed on deposits with UK Banks and Building Societies and foreign banks were reviewed during the year as credit conditioned worsened with problems in the Eurozone and a number of banks were downgraded. The Investment Strategy for 2011-12 approved by Council in February 2011 allowed for deposits up to 2 years. In practice deposits were limited to shorter periods. In May 2011 limits on deposits with Non-UK banks were reduced from 2 years to 12 months. In August 2011 UK, Australian, Canadian and US bank deposits were limited to 6 months with European banks reduced to maximum maturities of 1 month as credit conditions in the Eurozone deteriorated. In September 2011 all French banks were suspended from the Council's list of available institutions for investments. In December 2011 the maximum limit for any deposit for any deposit was limited to 3 months with all European banks suspended. Towards the year end credit conditions improved and at the 31st March 2012 the limits in place for deposits were as follows:

UK Banks:

Santander UK Plc. up to 35 days
Barclays Bank Plc up to 100 days
Lloyds Banking Group up to 100 days
Royal Bank of Scotland Group up to 100 days
HSBC Bank Plc up to 6 months
Standard Chartered Bank up to 6 months

Australian/Canadian/USA banks:

Maximum deposit maturities up to 6 months.

All investments made in 11-12 were with UK banks and the Nationwide Building Society.

6.6 Figure 2 below shows the actual split of deposits by country/sector as 31 March 2012. Table 4 provides more detail on the actual deposits by counter party group. These deposits include £21.49m invested on behalf of the Heart of the South West LEP.

Figure 2

**PCC DEPOSITS BY COUNTRY/SECTOR AT 31st MARCH 2012 - Total
Deposits £83,975,019.18**

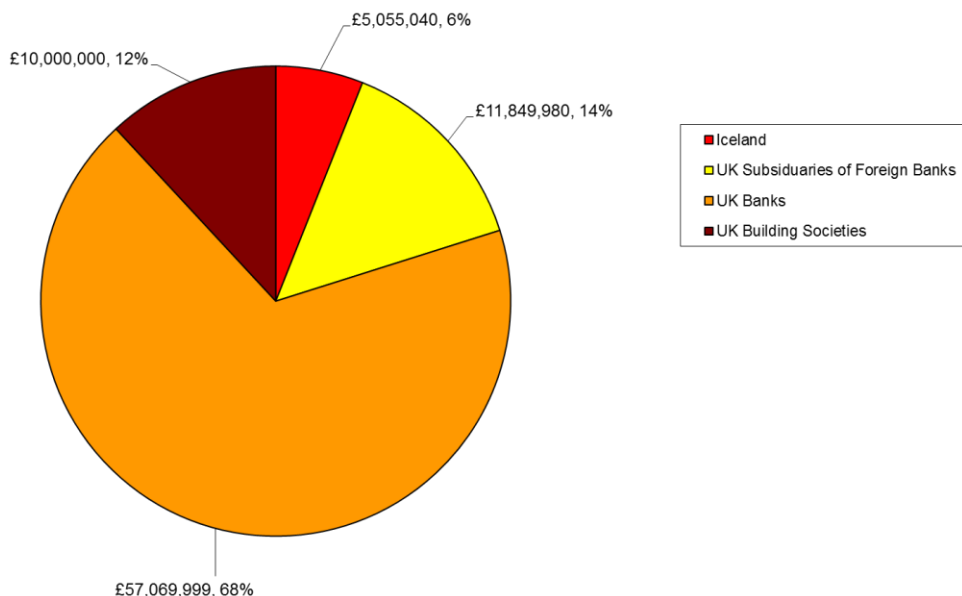


Table 4

Group	Bank/Institution	PCC deposits £m	LEP deposits £m	Total deposits £m
RBS Group	Royal Bank of Scotland	16.600	4.500	21.100
Lloyds Banking Group	Bank of Scotland	11.450	5.750	17.200
Barclays Banking Group	Barclays	13.020	5.750	18.770
Nationwide Building Society	Nationwide Building Society	10.000		10.000
Banco Santander Group	Santander UK	6.361	5.489	11.850
Iceland deposits	Landsbanki Island	2.835		2.835
	Heritable Bank	0.962		0.962
	Glitnir	1.258		1.258
Total Deposits @ 31st March 2012		62.486	21.489	83.975

6.7 The movement in the investment portfolio during the year was as follows:

Table 5 Movement in Investment Portfolio

Investments	Balance on 31/3/11 £000	Investments Made £000	Maturities/ £000	Balance on 31/03/12 £000	Avg Rate % / Avg Life to maturity (days)
Short Term Investments (less than 1 year)	149,802	519,915	(590,742)	78,975	1.39%/ 38days
Long term Investments (over 1 year)	16,000	5,000	(16,000)	5,000	2.65%/ 118 days
Total Investments	165,802	524,915	(606,742)	83,975	

- 6.8 The majority of the short term deposits were held in call or short term notice accounts. In line with the Council's approved investment strategy for 2011/12 the following longer term deposits were taken in the year:

Amount	Start Date	End Date	Term (days)	Rate %
£1.0m	15/04/11	14/10/11	182	1.42
£1.0m	09/05/11	09/11/11	184	1.41
£5.0m	13/05/11	27/07/12	441	2.65
£5.0m	02/06/11	02/12/11	183	1.03
£5.0m	02/06/11	31/05/12	364	1.41
£1.0m	08/06/11	08/12/11	183	1.41
£5.0m	14/06/11	12/06/12	364	1.53
£5.0m	04/08/11	06/02/12	186	1.04
£5.0m	04/08/11	02/08/12	364	1.42

- 6.9 The above deposits have been taken above target rates and increased the return on investments in 2011/12. The maximum approved term for new deposits in 2011/12 was 2 years.

- 6.10 CLG investment guidance which came into effect 1 April 2010 recommended that strategies should show details of assessing credit risk. Counterparty credit quality is assessed and monitored with reference to:

- Credit Ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's); Amended to A- on 29th November 2011.
- Credit Default Swaps;
- GDP of the country in which the institution operates;
- the country's net debt as a Percentage of GDP;
- Sovereign Support Mechanisms /potential support from a well-resourced parent institution;
- Share Price.

- 6.11 The Council's treasury advisors, Arlingclose, have developed a matrix to score the credit risk of an authority's investment portfolio. The matrix allocates a numerical score based on the credit rating of an institution, with a AAA rated institution scoring 1, and a D rated institution scoring 15. This is then weighted to reflect both the size of the deposit and the maturity term of the deposit. The aim is to achieve an overall score of 5 or lower on both weighted averages to reflect an investment approach based on security. The lower the score the better the security of the deposit.

- 6.12 Table 6 shows the rating currently attached to the Council's portfolio and its movement during the year using this matrix.

Table 6 Credit Risk Matrix

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2011	4.20	AA-	4.75	A+
30/06/2011	4.24	AA-	4.58	A+
30/09/2011	4.37	AA-	4.68	A+
31/12/2011	5.39	A+	5.35	A+
31/03/2012	5.48	A+	5.42	A+

Note : These scores exclude any deposits with Icelandic banks.

Based on the scoring methodology, the Council's Counterparty credit quality has reduced over the course of the year. This is due to the credit rating downgrade of the Counterparties used by the Council. All Council deposits in 11-12 have been made with UK banks considered to be systemically important to the UK financial system. The credit risks score has moved above the target of 5 for the year. This target has increased to 7 for 12-13 in light of the credit rating downgrades. Council officers are reviewing alternative invests to reduce the credit score of the Council's investment portfolio. Section 6.15 compares the authority's performance with that of other authorities who are clients of Arlingclose.

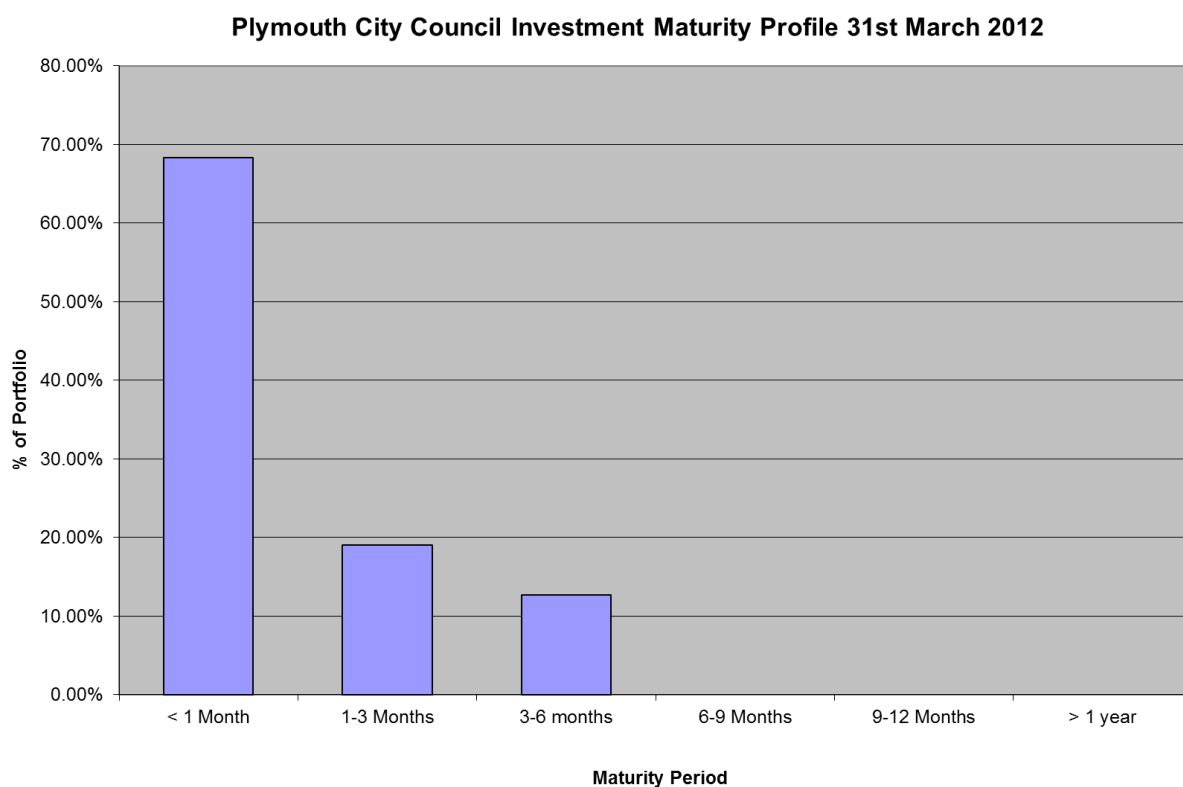
6.13 Liquidity

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of overnight deposits and the use of call accounts.

- 6.14 The maturity profile of the Councils deposits is represented in figure 3. This shows a large proportion of deposits maturing in less than one month reflecting the deposits in call accounts giving the liquidity requirement to cover any adverse changes in market conditions. The Treasury Management Board has set a requirement that at least £15m should remain within callable deposits at all times.

6.15

Figure 3



6.15 Yield- Investment performance for the year

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

- 6.16 Investments are made short-term to cover cashflow and liquidity requirements and longer-term to maximise and guarantee future income. During 2011/12 the Council invested for a range of periods from overnight to 15 months, dependent on the Council's cash flows, Officer's interest rate view, the interest rates on offer and the economic climate/credit risk. The Council's treasury management officers work to a benchmark rate of return, the 7 day London Interbank Bid (LIBID) rate – which is the rate which can be achieved on the London interbank market for cash deposits of 7 days and is regarded as the standard benchmark. The 7 day rate is calculated on a daily basis and averaged for the year. Table 7 below compares the average return achieved by the in-house team with the benchmark. An average rate of 1.02978% was achieved for new investments (including investments made on behalf of the LEP) in the year against a budget of 1%.

Table 7

	Weighted Average Investment	Benchmark Rate %	Actual Return %
Internally Managed:	£127.035m	0.54	1.3647

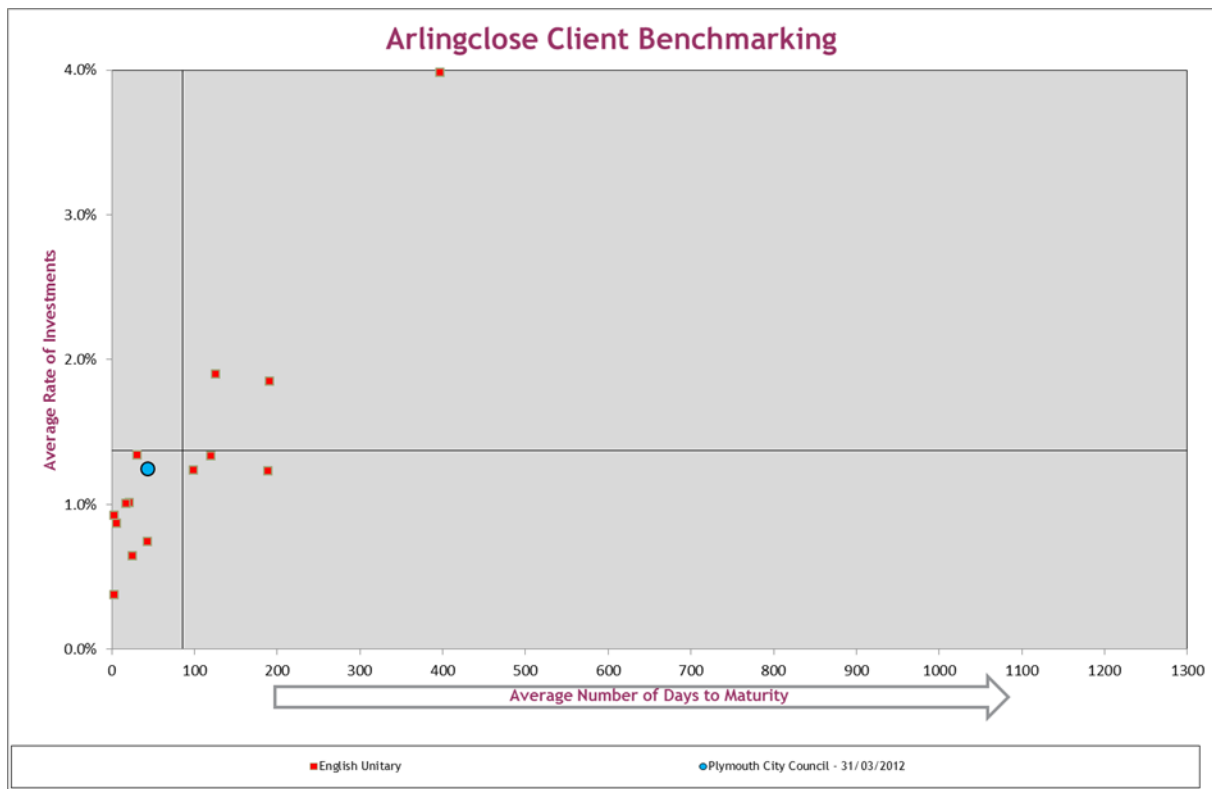
The table shows that the internal performance exceeded the benchmark for the year, despite the restricted investment counterparty list and the tighter limitations placed on deposits in the second half of the year.

6.17 As outlined above, Arlingclose have developed a set of benchmarking criteria to enable comparisons on investment performance to be made on data provided by all their clients. To compare like with like the following graphs compare our investment performance with other Unitary authorities. This is based on data provided to 31 March 2012. The results of the benchmarking are discussed at regular strategy meetings with the Advisors. The benchmarking has to be taken in the context of risk appetite and the legacy investments that the Council has in its portfolio.

6.18 The graphs used for comparison are:

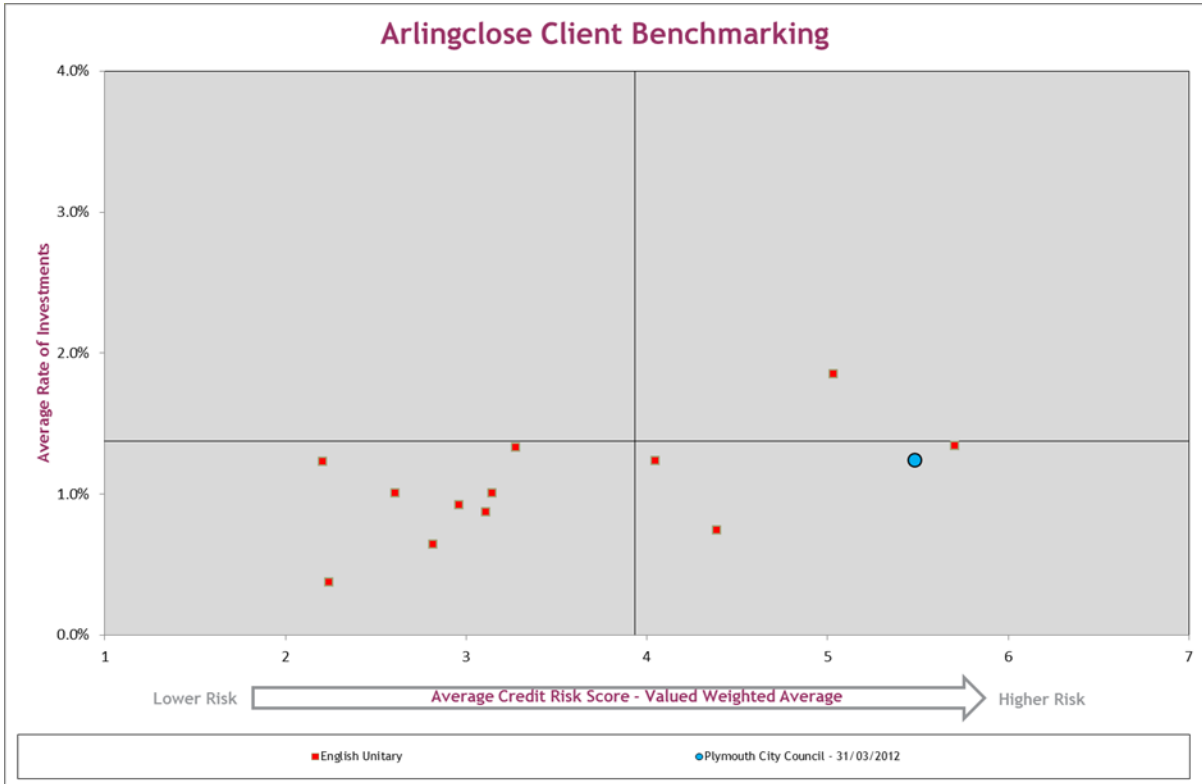
1. Average rate of investments against average maturity period
2. Average rate of investments against value weighted average credit risk score
3. Average rate of investments against time weighted average credit risk score

Graph I Average Number of days to Maturity V Return



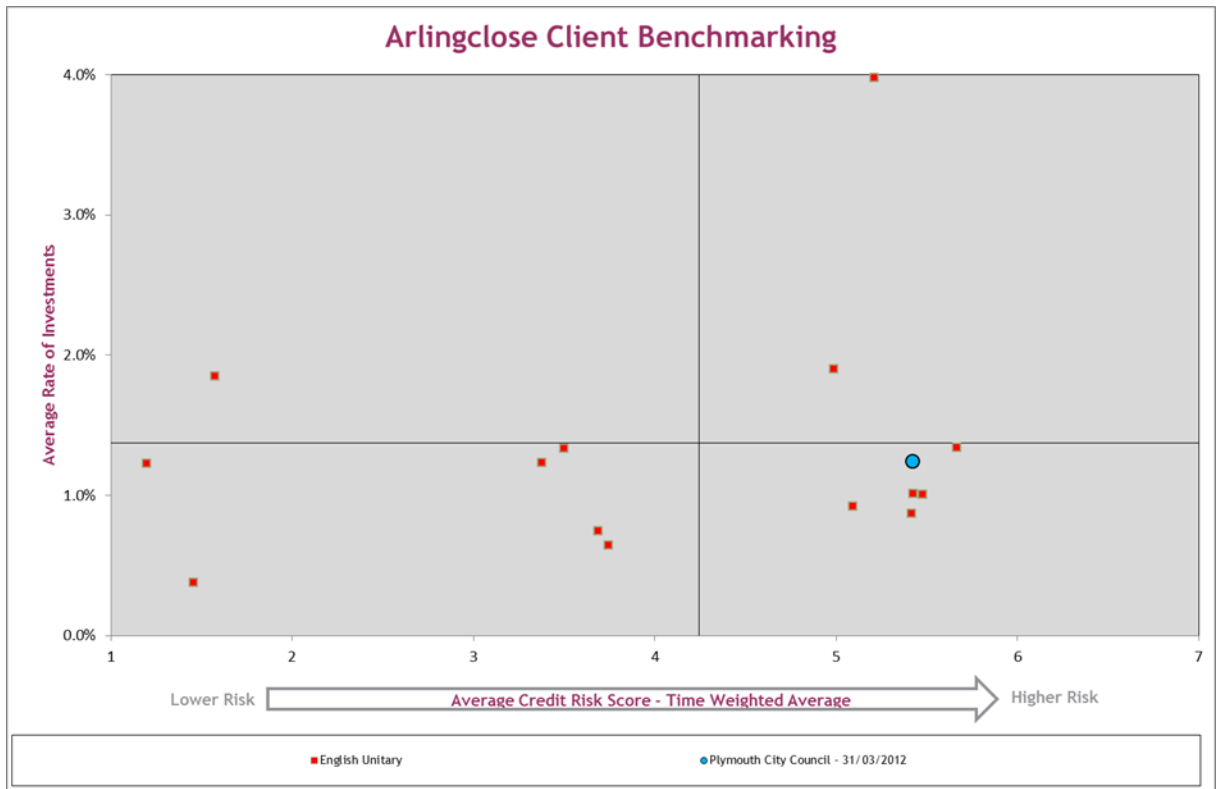
This graph shows the duration of investments against return. It shows the Council's investments have performed well against other unitary authorities. Despite reducing maturity periods of deposits the Council's return on investments as held up as a result higher rates negotiated by the treasury management officer on the Council's call accounts.

Graph 2 Value Weighted Average V Return



As a general rule the aim should be to convert a greater average length of portfolio duration into a greater average return. There should be a positive correlation between duration and return. However, this chart should not be viewed in isolation from other measured parameters and it should be noted that a high Average number of days to maturity does not necessarily mean a higher risk, in fact the reverse may be considered to be true in some cases. As can be seen from this graph, Plymouth City Council is converting duration into a higher return than many of their peer group. However with the maturity of some of the higher rate deposit previously held in the Council's portfolio and the credit rating downgrades for the banks currently used for the Council's deposits the Council's score has increased over time. Council officers will look at alternative investment to reduce the credit risk of the Council's investments.

Graph 3 Time Weighted Average V Return



Longer term investments are inherently more risky. Ideally authorities should move towards the top left hand corner of the graph. Therefore it is preferable to see risk taken converted into return at a greater than average rate. This should be seen as a longer term goal within the Council’s investment portfolio which has been affected by a number of rating downgrades on legacy investments and on banks currently used increasing the credit risk score. As previously stated Council officers are investigating alternative investments that will reduce the credit risks. However this may impact on the returns achieved by the Council.

7. Icelandic Banks Update

7.1 The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

7.2 Heritable Bank £3m

The Council received further dividends totaling 17.81p in the £ in 2011/12, made up of principal of £0.534m and interest of £0.027m, bringing total dividends paid to 31st march 2012 to 67.92%. A further dividend was received in April 2012 of 3.79p in the £ made up of principal of £0.114m and interest of £0.006m bringing the total dividends paid to date to 71.71%.

7.3 Glitnir £6m

In March 2012 the Council received £5.033m made up of principal of £4.742m and interest of £0.291m.

7.4 Landsbanki £4m

In February 2012 the Council's receipt amounted to £1.230m made up of principal of £1.165m and interest of £0.065m. In May 2012 the Council received a second distribution amounting to £0.517m made up of principal of £0.490m and interest of £0.027m

7.5 Impairment of Icelandic bank deposits

In the 09-10 Accounts impairment was calculated based on an estimate of future collections. At this point the impairment of the deposits was calculated as £5,903,956.28. To cover this impairment a capital direction was applied for and agreed to the value of £5.7m. This allowed the Council to capitalise this expenditure and spread the charge to revenue over 20 years. The remaining balance of £203,956.28 was met by a transfer from the internal Icelandic Bank reserve. This reserve had been created to cover Icelandic legal costs and losses on recovery of the Icelandic deposits. Following the receipt of dividends in 2011-12 and 2012-13 this impairment has been recalculated and reduced by £1,284,162.58 so the impairment is in line with the unrecovered deposits. This reduction means that part of the accounting entries made in 2009-10 can be reversed resulting in a transfer back to the Icelandic bank reserve of £203,956.28 increasing the balance in this reserve to £563,886.77. The remaining adjustment of £1,080,206.30 reduces the Council's borrowing requirement and the annual revenue charge over the next 18 years. Any additional receipts prior to the publication of the 11-12 Statement of Accounts will result in an amendment to these accounts and a further reduction in the impairment.

7.6 Further recoveries

The Council continues to pursue recovery of the outstanding monies through the Icelandic Courts in partnership with the LGA. The cost of the continuing external legal advice has been met from the Council's internal reserve set up for Icelandic bank issues. A sum of £0.020m has been incurred in 2011/12.

8. Revenue Implications of Treasury Management

8.1 The expenditure arising from the Council's borrowing and lending accrues to the revenue accounts. This includes interest payable and receivable, the minimum revenue provision (for debt repayment), and premiums and discounts written out to revenue from previous debt rescheduling. Some of the interest receivable is passed onto specific accounts where this interest has accrued from the investment of surplus balances for these services. The balance (net cost) is met by the General Fund. Table 8 below shows the income and expenditure arising from these transactions in 2011/12.

8.2 The net cost of capital financing to the General Fund in 2011/12 reduced by £0.388m from the 2011/12 budget due to a reduction in MRP of £0.267m, reduced treasury management costs of £0.190m and other cost increases of £0.039m. The MRP is a statutory charge to revenue based on the Council's capital expenditure financed from borrowing. The reduction in treasury management costs is due to use of low rate short term borrowing as an

alternative to the use of internal balances to fund capital expenditure and a reduction in debt management costs. Additional MRP and interest payments resulted from PFI schemes however this was matched by grant funding.

Summary of Capital Financing Costs 2011/12

Table 8

	2011/12 Budget £000	2011/12 Outturn £000	Variance £000
External Interest payments	8,872	9,235	3,632
Interest payable (PFI)	0	2,773	2,773
External Interest received	(1,593)	(2,080)	(487)
Interest transferred to other accounts	50	140	90
Premiums / Discounts written out to Revenue	(189)	(189)	0
Debt Management Expenses	130	115	(15)
Treasury Management Cost	7,270	9,994	2,724
Minimum Revenue Provision	7,285	7,018	(267)
Minimum Revenue Provision (PFI)	0	737	737
Recharges for unsupported borrowing	(1,588)	(1,512)	76
Recovered from trading Accounts	(3,332)	(3,480)	(148)
PFI Grant	0	(3,510)	(3,510)
Net Cost to General Fund	9,635	9,247	(388)

9. Compliance with Prudential Indicators

Under the arrangements set out in the Prudential Code for Capital Finance in Local Authorities, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code, and for establishing a range of Prudential Indicators covering borrowing limits and other treasury management measures. The compliance of borrowing with the Authorised Limit and Operational Boundary is confirmed in sections 5.5 to 5.7 of this report. The Prudential Indicators for 2010/11 were approved by Council on 28 February 2011 and updated on 27th February 2012 as part of the approved Treasury Management strategy for 2012-13. The latest position on the indicators is set out in Appendix I.

10. Balanced Budget

10.1 The Council complied with the Balanced Budget requirement.

11. External Service Providers

- 11.1 Arlingclose is appointed as the Council's treasury management advisor. The Council is clear as to the services it expects and is provided under the contract. The service provision is comprehensively documented. The Council paid a sum of £21,000 in 2011/12 for this service.
- 11.2 The Council is also clear that overall responsibility for treasury management remains with the Council.

12. Training

- 12.1 CIPFA's revised Code requires the Director for Corporate Support to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 12.2 The CLG's revised Investment Guidance also recommends that a process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.
- 12.3 The Council commissioned a Treasury Management awareness and training session from external consultants Griffiths Morley and this was delivered on 22 January 2010. The Council subsequently provided an updated session for members on 10 January 2011. Further training will be undertaken in 2012-13 following consultation with the Council's advisors, Arlingclose. The provision of 1 days training is included in the Contract agreed with Arlingclose for the next 3 years.
- 12.4 During the year, the Council's treasury management officer has successfully completed and been awarded a Certificate in International Treasury Management- Public Finance (CERT TM- PF). This is an accredited course for treasury management specialists in the Public Sector, supported by CIPFA. Officers also attend regular workshops and seminars on treasury management.
- 12.5 The Council continues to keep its training requirement under review.

13 Other Items

Potential for reduced PWLB borrowing rates

A brief paragraph in the 2012 Budget Report (March 2012) contained HM Treasury's intention to offer a 20 basis points discount on loans from the PWLB "for those principal local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans" and the potential of an independent body to facilitate the provision of "a further reduced rate for authorities demonstrating best quality and value for money". More detail is awaited and, given that discussion with relevant bodies will be required, it could be some months before either of these measures is implemented. This will be taken into account in future decisions on

any new long term borrowing and updates included in quarterly monitoring reports to Cabinet and the mid-year and annual Treasury Management reports to the Audit Committee and Council.

14. Recommendations

- 14.1 Audit Committee note the Treasury Management report for 2011/12.
- 14.2 The report be referred to Full Council as required under the CIPFA Treasury Management Code of Practice (TMP note 6).
- 14.3 Audit Committee approve the Treasury Management Practices as outlined at Appendix 3.

Prudential Indicator Compliance

I. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2011/12 %	Maximum during 2011/12 %
Upper Limit for Fixed Rate Exposure	225	222.47
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	85	-4.00
Compliance with Limits:	Yes	Yes

2 Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing in 2011/12		Compliance with Set Limits?
			High %	Low %	
under 12 months	50	0	33.48	5.27	Yes
12 months and within 24 months	70	0	51.2	22.99	Yes
24 months and within 5 years	35	0	16.72	5.22	Yes
5 years and within 10 years	25	0	4.56	1.94	Yes
10 years and within 20 years	25	0	2.5	2.50	Yes
20 years and within 30 years	25	0	5.73	5.37	Yes
30 years and within 40 years	25	0	1.97	0.72	Yes
40 years and within 50 years	35	0	21.5	19.88	Yes
50 years and above	50	0	0	0	Yes

(The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date¹)

(d) **Actual External Debt**

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

Actual External Debt as at 31/03/2012	£m
Borrowing	206.398
Other Long-term Liabilities	33.602
Total	240.000

(e) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2011/12 was set at £25m.
- The Council's investment policy for 2011/12 was in the main to keep investment maturities to a maximum of 12 months. One investment of £5m was made for a period in excess of 12 months in 11-12 well below the limit set.

(f) **Capital Expenditure**

- This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax.

Capital Expenditure	2011/12 Approved £m	2011/12 Revised £m	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m
Total	85.201	78.662	72.472	58.379	28.493

Capital expenditure has been and will be financed or funded as follows:

Capital Financing	2011/12 Approved £m	2011/12 Revised Estimate £m	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m
Capital receipts	19.642	20.126	18.526	11.420	5.152
Government Grants	41.169	30.827	27.656	35.705	22.293
Contributions	1.474	2.748	2.321	0.846	0.050
Section 106/Tariff/RIF	6.572	1.857	1.898	1.163	0.050
Revenue Contribution	0.015	0.950	2.096	0.134	0.021
Funds	0.000	2.348	2.141	1.355	0.177
Total Financing	68.872	58.856	54.638	50.623	27.743
Supported borrowing	0.078	0.277	0.217	0.107	0.000
Unsupported borrowing	16.251	19.529	17.617	7.649	0.750
Total Funding	16.329	19.806	17.834	7.756	0.750
Total Financing and Funding	85.201	78.662	72.472	58.379	28.493

The table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than external borrowing.

(g) **Ratio of Financing Costs to Net Revenue Stream**

- 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 financing costs.
- The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2011/12 Estimate %	2011/12 Revised Estimate %	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %
Total	7.29	6.90	6.83	8.56	8.67

(h) Incremental Impact of Capital Investment Decisions

- This is an indicator of affordability that shows the impact of capital investment decisions on Council levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2011/12 Estimate £	2011/12 Revised £	2011/12 Actual £	2012/13 Estimate £	2013/14 Estimate £
Increase in Band D Council Tax	1.96	0.81	1.28	0.92	5.12

(i) Gross and Net Debt

- The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	2011/12 Estimate £m	2011/12 Actual £m	2012/13 Estimate £m	2013/14 Estimate £m
Upper Limit	80	78.74	80	80
Lower Limit	36	36.39	35	35

N.B. CIPFA has acknowledged that the upper limit does not work as was intended and is working on a revised indicator. This indicator will be amended once revised guidance has been received from CIPFA.

(j) Upper Limit for Total Principal Sums Invested Over 364 Days

- The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2011/12 Approved £m	2011/12 Revised £m	2011/12 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m
	25	25	5	25	25

The average, low and high rates correspond to the rates during the financial year and rather than those in the tables below

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2011	0.50	0.40	0.54	0.54	0.69	1.12	1.59	1.89	2.36	3.00
30/04/2011	0.50	0.50	0.40	0.49	0.69	1.05	1.52	1.62	2.07	2.74
31/05/2011	0.50	0.40	0.40	0.52	0.69	1.08	1.56	1.53	1.89	2.54
30/06/2011	0.50	0.50	0.40	0.50	0.77	1.06	1.54	1.44	1.82	1.50
31/07/2011	0.50	0.40	0.40	0.50	0.78	1.07	1.55	1.29	1.53	2.09
31/08/2011	0.50	0.40	0.40	0.56	0.86	1.15	1.63	1.27	1.43	1.92
30/09/2011	0.50	0.60	0.60	0.54	0.92	1.21	1.69	1.25	1.38	1.75
31/10/2011	0.50	0.63	0.55	0.56	0.96	1.25	1.74	1.30	1.42	1.81
30/11/2011	0.50	0.65	0.58	0.64	1.01	1.31	1.80	1.41	1.49	1.76
31/12/2011	0.50	0.50	0.65	0.67	1.05	1.35	1.84	1.31	1.34	1.54
31/01/2012	0.50	0.50	0.70	0.68	1.06	1.38	1.87	1.20	1.23	1.46
29/02/2012	0.50	0.50	0.75	0.67	1.05	1.37	1.87	1.22	1.29	1.54
31/03/2012	0.50	0.55	0.55	0.61	1.00	1.33	1.84	1.22	1.30	1.59
Minimum	0.50	0.10	0.35	0.49	0.68	1.01	1.40	1.08	1.23	1.46
Average	0.50	0.47	0.52	0.58	0.89	1.21	1.69	1.36	1.55	1.98
Maximum	0.50	0.65	0.95	0.68	1.06	1.38	1.87	1.95	2.42	3.07
Spread	--	0.55	0.60	0.19	0.38	0.37	0.47	0.87	1.19	1.60

Table 2 : PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2011	128/11	1.93	3.66	4.81	5.33	5.35	5.31	5.28
30/04/2011	162/11	1.73	3.45	4.61	5.18	5.21	5.17	5.14
28/05/2011	202/11	1.64	3.21	4.43	5.08	5.12	5.09	5.07
30/06/2011	246/11	1.61	3.09	4.42	5.17	5.21	5.20	5.18
30/07/2011	288/11	1.52	2.75	4.06	4.97	5.07	5.06	5.04
31/08/2011	332/11	1.48	2.50	3.71	4.66	4.84	4.87	4.85
30/09/2011	376/11	1.51	2.41	3.47	4.35	4.61	4.69	4.69
29/10/2011	418/11	1.45	2.42	3.56	4.29	4.46	4.47	4.44
30/11/2011	462/11	1.32	2.14	3.21	3.84	4.02	4.03	3.98
31/12/2011	501/11	1.21	1.99	3.04	3.86	4.09	4.12	4.08
31/01/2012	042/12	1.29	1.99	3.08	3.89	4.11	4.15	4.12
29/02/2012	084/12	1.31	1.96	3.11	4.04	4.25	4.26	4.21
30/03/2012	128/12	1.28	2.05	3.21	4.17	4.38	4.41	4.36
	Low	1.19	1.93	2.98	3.77	3.98	4.02	3.98
	Average	1.47	2.53	3.70	4.50	4.65	4.67	4.64
	High	1.97	3.73	4.89	5.41	5.42	5.39	5.35

Table 3: PWLB Repayment Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2011	128/11	0.82	2.37	3.62	4.21	4.24	4.16	4.10
30/04/2011	162/11	0.62	2.16	3.42	4.06	4.10	4.02	3.96
28/05/2011	202/11	0.53	1.93	3.23	3.97	4.01	3.94	3.90
30/06/2011	246/11	0.50	1.80	3.22	4.05	4.10	4.05	4.01
30/07/2011	288/11	0.41	1.48	2.86	3.84	3.96	3.91	3.87
31/08/2011	332/11	0.37	1.25	2.50	3.53	3.73	3.72	3.68
30/09/2011	376/11	0.38	1.20	2.33	3.26	3.53	3.57	3.55
29/10/2011	418/11	0.34	1.16	2.37	3.16	3.35	3.32	3.26
30/11/2011	462/11	0.21	0.90	2.03	2.71	2.91	2.88	2.81
31/12/2011	501/11	0.10	0.75	1.85	2.72	2.97	2.97	2.90
31/01/2012	042/12	0.18	0.76	1.88	2.76	3.00	3.00	2.95
29/02/2012	084/12	0.20	0.74	1.91	2.91	3.13	3.11	3.03
30/03/2012	128/12	0.17	0.81	2.01	3.04	3.27	3.26	3.19
	Low	0.08	0.70	1.79	2.64	2.87	2.87	2.81
	Average	0.36	1.28	2.51	3.37	3.54	3.51	3.46
	High	0.86	2.44	3.71	4.29	4.31	4.23	4.18

Table 4: PWLB Borrowing Rates – Fixed Rate, EIP Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2011	128/11	-	2.76	3.73	4.83	5.21	5.33	5.36
30/04/2011	162/11	-	2.55	3.53	4.64	5.05	5.18	5.22
28/05/2011	202/11	-	2.37	3.30	4.46	4.93	5.09	5.12
30/06/2011	246/11	-	2.25	3.17	4.46	4.99	5.17	5.22
30/07/2011	288/11	-	2.01	2.83	4.11	4.73	4.97	5.06
31/08/2011	332/11	-	1.88	2.57	3.75	4.38	4.67	4.80
30/09/2011	376/11	-	1.85	2.48	3.51	4.06	4.36	4.53
29/10/2011	418/11	-	1.80	2.49	3.59	4.07	4.30	4.42
30/11/2011	462/11	-	1.59	2.21	3.24	3.65	3.85	3.97
31/12/2011	501/11	-	1.47	2.05	3.08	3.59	3.87	4.02
31/01/2012	042/12	-	1.50	2.05	3.12	3.64	3.9	4.05
29/02/2012	084/12	-	1.50	2.03	3.15	3.76	4.05	4.19
30/03/2012	128/12	-	1.54	2.11	3.26	3.87	4.18	4.33
	Low	-	1.45	1.99	3.02	3.53	3.78	3.92
	Average	-	1.89	2.60	3.74	4.27	4.51	4.61
	High	-	2.82	3.82	4.92	5.30	5.41	5.44

Table 5: PWLB Repayment Rates - Fixed Rate, EIP Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2011	128/11	-	1.54	2.55	3.70	4.10	4.22	4.25
30/04/2011	162/11	-	1.33	2.34	3.50	3.93	4.07	4.11
28/05/2011	202/11	-	1.16	2.10	3.32	3.81	3.97	4.01
30/06/2011	246/11	-	1.04	1.98	3.31	3.87	4.06	4.11
30/07/2011	288/11	-	0.82	1.64	2.95	3.60	3.86	3.94
31/08/2011	332/11	-	0.70	1.39	2.60	3.25	3.55	3.68
30/09/2011	376/11	-	0.68	1.30	2.36	2.93	3.24	3.41
29/10/2011	418/11	-	0.70	1.42	2.57	3.05	3.27	3.39
30/11/2011	462/11	-	0.43	1.03	2.10	2.53	2.73	2.85
31/12/2011	501/11	-	0.31	0.88	1.93	2.46	2.75	2.90
31/01/2012	042/12	-	0.35	0.88	1.97	2.51	2.78	2.93
29/02/2012	084/12	-	0.35	0.85	2.00	2.63	2.93	3.08
30/03/2012	128/12	-	0.38	0.94	2.10	2.74	3.06	3.21
	Low		0.29	0.82	1.87	2.40	2.66	2.80
	Average		0.71	1.42	2.59	3.14	3.39	3.50
	High		1.59	2.62	3.78	4.18	4.30	4.33

Table 6: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR			Post-CSR		
01/04/2011	0.67	0.77	0.89	1.57	1.67	1.79
30/06/2011	0.67	0.71	0.79	1.57	1.61	1.69
30/09/2011	0.65	0.65	0.66	1.55	1.55	1.56
31/12/2011	0.58	0.59	0.61	1.48	1.49	1.51
30/03/2012	0.59	0.60	0.62	1.49	1.50	1.52
Low	0.58	0.59	0.60	1.48	1.49	1.50
Average	0.63	0.65	0.68	1.53	1.55	1.58
High	0.69	0.79	0.91	1.59	1.69	1.81

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Plymouth City Council

TREASURY MANAGEMENT PRACTICES PRINCIPLES AND SCHEDULES

2012-13

1st April 2012

TREASURY MANAGEMENT PRACTICES, PRINCIPLES AND SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by Plymouth City Council. TMPs will be authorised by the Director for Corporate Services and subjected to the scrutiny by the Audit Committee, and will be kept under review and amended from time to time to take account of the current guidance from CIPFA and developments in local authority treasury practice generally, and Plymouth's practice in particular.

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TMPI RISK MANAGEMENT

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objective of treasury management activities.

General Statement

The Director for Corporate Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

1.1 CREDIT AND COUNTERPARTY RISK MANAGEMENT

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing. Capital, project or partnership financing, particularly as a result of the counterpart's diminished creditworthiness, and the detrimental effect on the Council's capital or current (revenue) resources.

Principle:

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques, and listed in the schedule. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Schedule:

1.1.1. CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

1. The Director for Corporate Services 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.
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 from all 3

agencies 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. Credit ratings will be used as supplied from one or more of the following credit rating agencies: -

Fitch Ratings

Moody's Investors Services

Stander & Poors

4. The approved investment counterparty list is determined by the following criteria: -

ORGANISATION	INVESTMENT CRITERIA	MAX AMOUNT	MAX PERIOD
Government Debt Office	Central Government Office: <ul style="list-style-type: none"> • DMADF • Treasury Bills (T-Bills) • Gilts 	No Limit No Limit 20% of overall investment portfolio	12 Months 12 Months 10 Years
Local Authorities	Unitary Councils County Councils Metropolitan Councils London Borough Councils	£5m	2 Years
UK Banks	Minimum credit rating: Fitch – Long-Term A- Moody's – Long-Term A3 S&P – Long-Term A-	£30m	12 Months
UK Building Societies	Minimum credit rating: Fitch – Long-Term A- Moody's – Long-Term A3 S&P – Long-Term A-	£30m	12 Months
Nom-UK Banks	Minimum credit rating: Fitch – Long-Term A- Moody's – Long-Term A3 S&P – Long-Term A-	£5m	12 Months
Money Market Funds	AAA with Constant Net Asset Value (CNAV). AAA with a Variable Net Asset Value (VNAV) .	20% of overall investment portfolio. Maximum £5m per fund	Call
Bonds Issued by Multilateral Development Banks	AAA or Government Guaranteed	20% of overall investment portfolio	10 years

UK Companies Corporate Bonds	Minimum credit rating: Fitch – Long-Term A- Moody's – Long-Term A3 S&P – Long-Term A-	10% of overall investment portfolio	12 Months
UK Companies Commercial Paper	Minimum credit rating: Fitch – Long-Term A- Moody's – Long-Term A3 S&P – Long-Term A-	10% of overall investment portfolio	9 Months
Other Money Market Funds and Collective Investment Schemes	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£10m	No set maturity date

5. The maximum period of lending is 12 months for deposits other than in Gilts/Multilateral Development Bank bonds where the limit will be 10 years.
6. The maximum value for any one investment transaction will be unlimited with the DMO (DMADF/T-Bills) or £30m for any other investment.
7. The maximum limit for bank/group to include money market deposits will be £30m.
8. The maximum limit for lending to a non UK bank will be £5m.
9. The limit on investments with non-UK banks will be 10% per country of total investments.
10. The maximum limit for investments in Money Market Funds will be 20% of the total investment portfolio with a limit in each fund of £5m or 0.5% of the total fund value.
11. The maximum investment in Multilateral Development Bank Bonds will be 20% of the total investment portfolio.
12. The maximum investment in UK Government Gilts will be 20% of the total investment portfolio.
13. The Maximum investment in Corporate Bonds will be 10% of the overall investment portfolio.
14. The Maximum investment in Commercial Paper will be 10% of the overall investment portfolio.
15. The Maximum investment in pooled funds, which meet the definition of a Collective Investment scheme per SI 2004 No 534 and subsequent amendments, will be limited to £10m.
16. **Authority' Bankers** – The Authority banks with the Co-operative Bank Plc. Where the rating falls below the minimum credit criteria set by the Council for investment purposes the Co-operative Bank will continued to be used for short term liquidity

requirements (overnight and weekend investments) and business continuity arrangements.

1.1.2 APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING/ REMOVING COUNTERPARTIES

Credit ratings for countries and individual counterparties along with credit default swaps and market sentiment can change at any time. The Director for Corporate Services has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed in 1.1.1 and amend the approved counterparty list when there is a change in the credit quality of individual counterparties or in banking structures e.g. on mergers or takeovers. Any revision to approved counterparties will be based on the advice of the Council's Treasury Management advisors.

The Director for Corporate Services will also adjust lending limits and periods when there is a change in the credit quality of individual counterparties. This is delegated on a daily basis to the Senior Accountant (Technical Accountants) subject to the approval of the Director for Corporate Services following recommendations by the Council's Treasury Management advisers and the Treasury Management Board.

The Senior Accountant (Technical Accountants) is responsible for maintaining the Council's approved lending lists adding or removing counterparties in accordance with approved criteria as authorised by the Director for Corporate Services.

1.1.3 COUNTERPARTY LIST AND LIMITS

A full individual list of counterparties based on the criteria will be maintained and approved by the Director for Corporate Services under delegated authority.

1.1.4 COUNTRY, SECTOR AND GROUP LISTINGS OF COUNTERPARTIES AND LIMITS

Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure. Group limits have been set for the above as set out in the criteria in 1.1.1.

1.1.5 DETAILS OF CREDIT RATING AGENCIES' SERVICES AND THEIR APPLICATIONS

The Council considers the ratings of all 3 rating agencies (Standard & Poor's, Moody's and Fitch), as supplied by its Treasury Management advisers Arlingclose, when making investment decisions Credit rating information is just one of a range of instruments used to assess creditworthiness of institutions. The Council applies a minimum rating criteria based on the lowest denominator of the 3 rating agencies and where one of the ratings falls below the minimum the counterparty will be removed from the Council's approved list of investment counterparties for new

investments. Where investments are already in place advice is sought from the Council's advisers as to what action should be taken including the possibility of requesting the termination of the investment subject to the agreement of the counterparty.

1.1.6 DESCRIPTION OF THE GENERAL APPROACH TO COLLECTING/USING INFORMATION OTHER THAN CREDIT RATINGS FOR COUNTERPARTY RISK ASSESSMENT

The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information on share prices. Share prices of the counterparties used for investments are monitored on a daily basis by the Corporate Accountants (Technical) team with any variation in share price reported to the Treasury Management board via e-mail. Where movements are above 10% or within 10% of the year low further investigation is undertaken and/or advice sought from Arlingclose as to reasons and this is reported to members of the Treasury Management Board via e-mail.

In addition the Senior Accountant (Technical) reads quality financial press for information on Counterparties with any news impacting on investments reported to the Treasury Management board and the advice of the Council's Treasury Management advisers sought.

Other information sources used for monitoring the creditworthiness of counterparties are:

- Central Banks
- Government Departments
- Debt management Office
- Multilateral agencies
- Multilateral development banks
- Newspaper and periodicals and internet
- Financial data providers
- Professional bodies and associations
- Annual reports of Banks and Building Societies
- Rating agencies
- Bank and Building Society websites

1.2 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be compromised.

Principle

The Director for Corporate Services will ensure the Council has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Schedule:

1.2.1 AMOUNTS OF APPROVED MINIMUM CASH BALANCES AND SHORT TERM INVESTMENTS

CASH FLOW AND CASH BALANCES

The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling 12 month cash flow forecast.

The Treasury team shall seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the interest that can be earned.

Borrowing or lending shall be arranged in order to achieve this aim. The Treasury Management Team carries out daily activity with the objective of leaving the Council with a nil balance. The arrangements with the bank are such that no interest is received on balances in hand but an overdraft facility has been provided.

In order to achieve the maximum return from investments a daily cash balance of +/- £100,000 is the objective for the Council's bank account.

SHORT-TERM INVESTMENTS

The Council uses various Reserve accounts/Money Market Funds to manage liquidity requirements. These accounts/Funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy. To cover liquidity requirements a minimum balance of £15m is available on call at all times.

1.2.2 Details of:

- **Standby facilities**

Up to 3.30 pm (the Chaps payment cut off time) payments can be made to any of the Council's deposit account facilities with approved banks subject to counterparty

limits. Any unexpected surplus funds can be lodged in these accounts. These accounts are available on call to cover daily cash flow requirements. Where funds are received by the Council after 3.30 pm any forecast surplus balance will be deposited in the Council's Co-operative bank Public Sector Reserve account receiving tiered interest rates depending on the size of deposits. These funds will only be held in this account overnight or over the weekend and the balance will be withdrawn to be added to cashflow balances on the next working day.

- **Bank overdraft arrangements**

A £2.4m overdraft has been agreed as part of the bank tender. The overdraft is assessed on a group basis for the Council's accounts. The overdraft rate agreed in the contract with the bank is 2% above base up to £100,000 and 5% above base for over £100,000

- **Short-term borrowing facilities**

The Council has access to temporary borrowing of up to 364 days through approved brokers on the money market. When the Council is able to forecast in advance that it will have a short term borrowing requirement on a particular day, in advance the Council will contact brokers with a view to securing some or all of the required borrowing subject to interest rates at that time. The approved brokers have been provided with the details of staff that are authorised to negotiate deals on behalf of the Council. At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.

- **Insurance/guarantee facilities**

No liquidity insurance/guarantee facilities have been made.

1.2.3 POLICY IN TERMS OF BORROWING IN AVANCE OF NEED

The Council will consider borrowing in advance to cover the capital programme in future years or to fund future debt maturities as part of its annual strategy. The Director for Corporate Services will monitor interest rates and credit risk and will consider such borrowing only where there is a clear business case for doing so.

1.3 INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and using this in formulating its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points. These limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

Principle:

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of the council's approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

Schedule:**1.3.1 Minimum/maximum proportion of fixed/variable rate debt interest**

Borrowing/investments may be at a fixed or variable rate.

The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year as part of the annual budget setting process.

In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.

The Council will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility.

1.3.2 Details of approved interest rate exposure limits

The Council appointed Arlingclose Ltd. as a treasury management adviser to the council and part of their services is to assist the Council to formulate a view on interest rates. The Council may have exposure to fixed as well as variable borrowing interest rates. The Council's net exposure to variable interest rates is determined by the difference between money borrowed, and money lent out at any point in time which is at variable rates. However, the Council is also mindful that at any time its exposure depends also on fixed rate borrowings and lending which are due to mature within 12 months. In managing overall debt the Council may consider restructuring long-term debt into short-term debt to produce savings during periods

in which short-term borrowing rates are lower and long-term borrowing rates are not expected to rise in the near future. The interest rate exposure limits are stated in the Annual Treasury Management Strategy and adjustments will be made during the year when necessary subject to approval by full Council.

1.3.3 Trigger points and other guidelines for managing changes to interest rate levels

The main impact of changes in interest levels is to monies borrowed and invested at variable rates of interest. The Treasury Management Strategy report outlines the view on interest rates for the year. The expected change in long term as well as short-term interest rates will determine the borrowing strategy to be implemented. Subsequently, in conjunction with the Council's treasury advisers, officers will continually monitor both the prevailing interest rates and the market forecasts and adopt a pragmatic approach to any changing market conditions. More detailed information is provided, along with the limits for fixed and variable rate exposure, in the Council's annual Treasury Management strategy report.

The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.

1.3.4 Policies concerning the use of financial derivatives and other instruments for interest rate management.

a. forward dealing

Consideration will be given to dealing from forward periods dependent upon market conditions. When the term of a loan from deal date to maturity date exceeds 365 days and the term of a deposit from deal date to maturity date exceeds 1 month the approval of the Director for Corporate Services or Assistant Director of Finance, Assets & Efficiencies is required.

b. callable deposits

The Council will use callable deposits as part of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS. Callable deposits with maturity dates beyond 1 month will be taken subject to the approval of the Director for Corporate Services or Assistant Director of Finance, Assets & Efficiencies.

c. LOBOS (borrowing under lender's option/borrower's option)

The Council considers the use of LOBOs as part of its annual borrowing strategy. LOBO rates are periodically monitored and may be taken subject to the approval of the Director for Corporate Services or Assistant Director of Finance, Assets & Efficiencies.

d. Derivatives to hedge against interest rate risk.

An example would be an interest rate swap used to exchange variable interest rates for fixed interest rates or vice versa reducing the risk of exposure to large levels of variable or fixed debt and balancing this against the mixture of variable and fixed rate investments.

Currently Local Authorities' legal powers to use derivative instruments remain unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently the Authority does not intend to use derivatives.

Should the position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives such as interest swaps and options, but this change in strategy will require Full Council approval.

1.4 EXCHANGE RATE

Exchange rate risk is the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

Principle:

The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule:

1.4.1 Exchange rate risk management

This Council does not, on a day to day basis, have foreign currency transactions or receipts. Any receipt of foreign currency will be converted to sterling at the earliest opportunity.

If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.

At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has also determined that all its investments will be in Sterling.

1.5 REFINANCING RISK MANAGEMENT

Refinancing risk is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

Principle:

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Schedule:**1.5.1 DEBT/OTHER CAPITAL FINANCING MATURITY PROFILING, POLICIES AND PRACTICES**

The Council will establish through its Prudential Indicators the amount of debt maturing in any year/period. The Council debt will be managed within the maturity limits set by the approved Prudential Indicators to ensure that the maturity profile of debt will not expose the Council to high levels of debt requiring refinancing in any one financial year. This takes into account all possible maturity dates for Lobo's which may mature at any option date if the lender alters the interest rate and the Council (borrower) takes the option to repay.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) to fulfill the borrowing strategy stated in the Council's Treasury Management Strategy report
- b) the generation of cash savings at minimum risk
- c) to reduce the average interest rate
- d) to enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility)

All rescheduling will be reported to Cabinet at the meeting immediately following its action as part of the quarterly budget monitoring report.

1.5.2 PROJECTED CAPITAL INVESTMENT REQUIREMENTS

As part of the Local Government Act 2003 "The Prudential Code" for Capital Finance in local authorities has introduced new requirements for the manner in which capital spending plans are to be considered and approved. The Prudential Code gives local authorities the power to determine their own borrowing levels within a framework based around affordability, prudence and sustainability and

takes account of the next three financial years. The Director for Corporate Services prepares the five-year plan for capital expenditure for the Council in accordance with the statutory guidelines. The capital plan will be used to prepare a three year revenue budget for loan charges of principal repayments, interest and expenses that will take account of the plans for capital expenditure, loan repayments and forecasts of interest rate changes. Financing of capital expenditure will be met from capital receipts, any grants or contributions awarded, revenue resources or reserves. Funding will be from internal or external borrowing, as decided.

As required by the Prudential Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.

The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.

1.5.3 POLICY CONCERNING LIMITS ON REVENUE CONSEQUENCES OF CAPITAL FINANCING.

The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium term forecasts.

In considering the affordability of its capital plans, the Council will act with regard to the Prudential Code for Capital Finance. The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three-year period.

1.6 LEGAL AND REGULATORY

Legal and regulatory risk is the that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

Principle:

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMPI(1) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Schedule:

I.6.1 REFERENCES TO RELEVANT STATUTES AND REGULATIONS

The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:

- CIPFA's Treasury Management Code of Practice 2001 and subsequent amendments
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
- CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments
- CIPFA Standard of Professional Practice on Treasury Management
- The Local Government Act 2003
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments
- Pensions, England and Wales – The Local Government Pension Scheme (Management and investment of Funds) regulations 2009 SI 2009 No 393
- The CLG's statutory Guidance on Minimum Revenue Provision (MRP)
- The ODPM's (now CLG's) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments
- The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883
- LAAP Bulletins
- Code of Practice on local Authority Accounting in the United Kingdom based on International Financial Reporting Standards
- Accounts and Audit Regulations 2003, as amended together with CLG's Guidance
- The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Council's Constitution including:-
 - Standing Order relating to Contracts
 - Financial Regulations
 - Scheme of Delegation

I.6.2 PROCEDURES FOR EVIDENCING THE ORGANISATION'S POWERS/AUTHORITIES TO COUNTERPARTIES

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

The Council's Financial Regulations contain evidence of the power /authority to act as required by section 151 of the Local Government Act 1972.

The Council prepares, adopts and maintains, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that Statement.
- Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

The Council will confirm, if required to do so by counterparties, the powers and authorities under which the Council effects transactions with them.

1.6.3 REQUIRED INFORMATION FROM COUNTERPARTIES CONCERNING THEIR POWERS/AUTHORITIES

Lending shall only be made to counterparties on the Council's authorised lending list, which has been approved by the Council's Director for Corporate Services. This list has been compiled based on the credit ratings supplied by Standard & Poor's, Fitch Ratings and Moody's Investor Services and the advice of the Council's Treasury Management advisers.

The Council will only undertake borrowing from approved sources such as the PWLB, Local Authorities, and organisations such as the European Investment Bank and from commercial banks. Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

The approved sources of borrowing are contained in TMP 4.

1.6.4 STATEMENT ON THE ORGANISATION'S POLITICAL RISKS AND MANAGEMENT OF SAME.

The Director for Corporate Services shall take appropriate action with the Council, the Chief Executive and the Leader of the Administration to respond and manage appropriately political risks such as change of majority Group, Leadership in the Council, change of Government etc.

1.6.4.1 Monitoring Officer

The monitoring officer is the Assistant Director for Democracy and Governance; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.6.4.2 Chief Financial Officer

The Chief Financial Officer is the Director for Corporate Services; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

1.7 FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

Principle:

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

- a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

Schedules:

1.7.1 DETAILS OF SYSTEMS AND PROCEDURES TO BE FOLLOWED, INCLUDING INTERNET SERVICES

Authority:

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Senior Accountant (Technical) or other authorised officers
- All loans over 1 year and investments over 1 month require the prior approval of the Director for Corporate Services or the Assistant Director of Finance, Efficiencies, Technology & Assets.

Occurrence:

A detailed register of loans and investments is maintained in the Logotech (Treasury Management) system. An authorised member of the Treasury management team independently checks the register to the ledger balance. Adequate and effective cash flow forecasting records are maintained on a spreadsheet (S:\Corporate Resources\New Finance\Treasury Management\Cashflow\2012-13\Cash Flow Forecast 12-13 - Updated for actuals.xls) for the following year and updated on a daily balance with actual income and payments supporting the decision to lend or borrow. A manual diary is also kept and updated with all due principal and interest payments. A written confirmation is received promptly from the Council's brokers as well as the lending or borrowing institution. All transactions placed through the brokers are confirmed by a broker note showing details of the loan arranged.

Completeness:

The loan register, which is also maintained as back-up on an Excel spreadsheet (S:\Corporate Resources\New Finance\Treasury Management\Dealing\2012-13\dealing record 12-13.xls) is updated to record all lending and borrowing. This includes the date and the amount of the transaction, the name of the lender/borrower, maturity date, interest rates, brokerage fees etc.

Measurement:

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Logotech (Treasury Management) system.

The Logotech system automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders. Average weighted principal interest rates and debt management expenses are calculated monthly using information from the financial ledger, spreadsheet working papers and accrual prints from the Logotech system. Rates generated are compared against the Council's Treasury Strategy Statement and assumed budget rates. These interest and expense rates are then used to calculate the principal, interest and debt management expense charged to the Capital Financing budget.

Timeliness:

The Logotech system prompts the Treasury Officer that money borrowed or lent is due to be repaid, thereby avoiding the incurring of penalties or overdraft charges, which is due to late payment. All future repayments are recorded on the cash flow forecast and the manual diary.

Regularity:

All lending is only made to approved institutions.

All loans raised and repayments made go directly to and from the institutions bank account.

Authorisation limits are set for every institution (see 1.5.1.6.). Brokers have an up to date list of named officials authorised to perform loan transactions. There is adequate insurance cover for employees involved in loan management and accounting. The control totals on the Treasury Management system for borrowing and lending are regularly reconciled with the ledger balance sheet codes by an assistant accountant on the corporate accountancy (technical) team. There is a clear separation of duties in the Section between the repayment of a loan and its checking and authorisation. The bank reconciliation is carried out monthly from the bank statement to the financial ledger. The corporate accountancy (technical) staff dealing with treasury management team also has an up to date financial code list for all interest and principal used for coding of creditors and office cash transactions.

Internet Banking:

The Council's online banking service provided by the Co-operative bank provides details of transactions and balances are available as required, and the system also holds historic data. This service is used to update the Council's cashflow and calculate required/available funds on a daily based used for funding/investment decisions. The service is also used to transmit Chaps payments for deposits/loan repayments and other large payments where same day receipt is required. Officers access to the system is required for account/balance enquiry, the input of chaps and the authorisation of Chaps payments.

Security:

The Logotech system can only be accessed by a password.

Payments are only authorised in a formal CHAPS transfer request document by officers authorised to approve such transactions. The bank transfer (Chaps) facility system (Financial Director) provide by the Co-op bank is also password protected with internal controls for input and approval. Each officer authorised to use the internet banking system is issued with a pin protected random number generator which is required to be entered on log-in to the site to enable access. Officers set up on the internet banking service to input/authorise Chaps payments are as follows:

Input:

Senior Accountant (Technical)
Accountants (Technical)
Assistant Accountant (Technical)

Authorisation:

Director for Corporate Services
Assistant Director of Finance, Efficiencies, Technology & Assets.
Head of Finance
Head of Value for Money & Efficiencies
Strategic Finance Manager
Group Accountant

Substantiation:

The Treasury Management system balances are proved to the balance sheet ledger codes at the end of each quarter and at the financial year-end. Working papers are retained for audit inspection.

A debt charge/investment income listing is produced every time the debt charges/investment income is recalculated for budget monitoring purposes. A debt charge/investment listing is also produced at the financial year-end and this document is retained for audit inspection.

The method of accounting for unrealised losses or gains on the valuation of assets within the funds will comply with best value ACOP accounting practice by reflecting the market value of the fund in the balance sheet. This will be agreed with Council's external auditors.

Internal Audit:

Internal Audit carry out an annual regulatory review of the treasury management function including probity testing. See TMP7 Budgeting, accounting and audit arrangements.

1.7.2 EMERGENCY AND CONTINGENCY PLANNING ARRANGEMENTS

There are a number of systems/procedures essential to the workings of the treasury management team in the management of the council's cash flow and borrowing and investment activities. The key items are:

1. Treasury Management files held on S:\Corporate Resources\New Finance\Treasury Management
2. Logotech loan/investment register system
3. Connection with the Co-op Bank
4. Contact with brokers and counter-parties
5. Office Cover

1.7.2.1 Treasury Management files

The files held on the S drive of the Council's network are essential for:

- the recording and forecasting the Councils cash flow for anything up to one year ahead (especially critical to ensure cash available to cover creditors/payroll one or two days ahead);
- recording and calculating the cash available/need on a daily basis from financial data downloads from the Co-op Bank;
- recording all loans/investments undertaken by the Council together with deposits into the Council's various bank Deposit accounts;
- a variety of other administration tasks such as dealing confirmations.

As the TM files are held on the S drive these are backed up at the end of the day along with all other PCC corporate drives. This should suffice as a safeguard. There is also the added safeguard in that all Council loans and deposits are held on the Treasury Management system (Logotech) – see below.

A manual diary is also kept recording all major receipts and payments including future Chaps payments that need to be made.

1.7.2.2 Logotech Loans/Investment register

This system records all loans and deposits activity of the TM team. It is reconciled to the ledger quarterly and provides reports, accruals and back up information for monitoring and the annual accounts. It also produces paperwork for deposits used in the input and authorisation of Chap payments.

This is an essential system for the control and upkeep of the council's loans and deposits. Loss of this data would cause major disruption to the work of the TM team and risk inaccurate records in the accounts along with delaying the production of these accounts. This system is held on the C drive of a PC. To safeguard this data daily backups are made to the S drive. Records of loans and deposits are also held on the S drive in the Treasury Management folder.

1.7.2.3 Internet Banking

In the event of complete failure of Financial Director due to system or internet problems it will be necessary to telephone the FD helpline on 08457 616616 for status update and if necessary to provide balance information to ensure that investment/borrowing decisions can be based on adequate information.

Financial Director also enables the Council to make Chaps payments for deposits, loan repayments and other large creditor payments. Should FD fail there are back-up procedures in place where Chaps payments can be made manually. This requires a fax to be sent to the Co-op bank on 0161 8392163. This fax requires the payment amount and the payee, bank, bank sort code and account number to be credited and must be signed by a bank authorised signatory.

The internet connection with the bank is essential but, provided the telephone system is working and faxes can be received/sent, the Treasury Management function could be undertaken for a few days without it.

1.7.2.4 Contact with Brokers and Counterparties

Most loans undertaken by the council are brokered by a third party. These brokers contact the council on a daily basis and provide information on the rates available in the market. These rates are also used when considering investments together with direct rates e-mailed to members of the treasury management team on a daily basis. In the main investments are agreed directly with the banks where higher rates can be achieved.

Without the information from brokers the Council would be restricted in its investment decisions and the availability of any borrowing required.

The telephone numbers required are:

<u>Broker</u>	<u>Contact</u>	<u>Tel. No.</u>
Martin Brokers	Shusmita Chaudury	0207 4699580
Sterling Brokers	Jim Risley	0207 5623456
Tullet Prebon	Jon Hurley	0207 2007042
London Currency Brokers	Roger Lane	0207 7394444
Tradition	Alex Cicopalus	0207 4223566

The Council also deals directly with Barclays, Bank of Scotland, Santander UK and Royal Bank of Scotland. Contact with these counterparties is essential for cash management. Telephone/fax access to them allows the Council to request transfer of funds or notification of impending Chaps payments. Contact is required as follows:

Barclays	- Withdrawals by fax – 0845 9645511 – by 3.00 pm - Phone contact 0845 6016047
Bank of Scotland	- Withdrawals by fax – 0845 6011445 – by 2.00 pm - To confirm receipt of fax – 0845 6048129

- Santander UK
- Withdrawal by phone (password required) – 0845 6066358 by 11.30
 - Withdrawal by fax – 0845 6066351 by 11.30 am
 - Investment /withdrawal notification by e-mail – RMT@santander.com over £5m
- RBS
- Withdrawal by fax – 0845 3003349 – by 3.15 pm
 - Phone contact – 01752 274606

As a back-up the telephone numbers of brokers are kept in the front of the diary and the numbers for direct contact counterparties on their individual lever- arch files. If phone lines are down contact with brokers/counterparties could be made by mobile phone. Faxes would need to be sent from a site with an available phone line/fax.

1.7.2.5 Office Cover

The minimum amount of office cover required for adequate Treasury Management controls to be maintained is one member of the treasury management team. However if any Chaps payments are required this will need the availability of an authorised officer.

This leaves the TM function vulnerable to situations such as local transport gridlock or epidemic diseases, where large numbers of staff would be unable to get to work.

Chaps payments using the Co-op internet banking system can be undertaken as long as the appropriate officers to input and authorise have their pin activated random number generator available. The co-op website is available using internet access on any site including at home.

There are currently 5 Members of staff that can input Chaps payments and 9 that can authorise these payments.

1.7.3 INSURANCE COVER DETAILS.

The Council has **'Fidelity'** insurance cover with Chartis. This covers the loss of cash by fraud or dishonesty of employees up to the sum of £10m in the year and an excess of £10,000 only in one occurrence.

The Council also has a **'Professional Indemnity'** and a 'Public Liability and Official Indemnity' insurance policy with Chartis, which cover loss to the Council from the actions and advice of its officers that are negligent and without due care, while acting within as well as outside the scope of their official duties. The total sums insured for these policies are £5m and £50m respectively with an aggregate excess of £5,000 and £250,000 respectively.

The Council also has a 'Business Interruption' (or an 'Increased Cost of Working') cover as part of its property insurance with Travelers. The total sum insured is £15m with an excess of £100,000.

1.8. MARKET VALUE OF INVESTMENTS RISK MANAGEMENT

This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Principle:

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Schedule:

1.8.1 DETAILS OF APPROVED PROCEDURES AND LIMITS FOR CONTROLLING EXPOSURE TO INVESTMENTS WHOSE CAPITAL VALUE MAY FLUCTUATE (GILTS, CDS, etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which forms part of the Annual Treasury Management Strategy Statement).

1.8.2 ACCOUNTING FOR UNREALISED GAINS/LOSSES

The method of accounting for unrealised gains or losses on the valuation of financial assets comply with the Accounting Code of Practice.

TMP 2 PERFORMANCE MEASUREMENTS

Principle:

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out below.

Schedule:

2.1 POLICY CONCERNING METHODS FOR TESTING VALUE FOR MONEY

Best value reviews will include the production of plans to review the way services are provided by

- Challenging
- Comparing performance
- Consulting with other users and interested parties
- Applying competition principles

in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.

2.2 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

The Council has a number of approaches to evaluating treasury management decisions:-

- regular meetings of the Treasury Management Board.
- reviews with our treasury management consultants
- quarterly review in budget monitoring report
- mid-year review to Audit committee
- annual review as reported to committee
- comparative reviews/benchmarking

The Council is a member of the CIPFA Treasury management benchmarking club. The club enables comparison with other authorities for its investment and debt positions and activities. Data is provided for comparison on an annual basis.

The Council's Treasury Management advisers review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.

The Council's Treasury Management advisors compare the performance of the Council's in-house investments, both in terms of risk and return, with funds managed by other client Local Authorities and report quarterly on the risk /return score ratings comparing the full client base and a comparison of unitary authorities.

2.2.1. Periodic reviews during the financial year

There is a regular treasury management board meeting attended by the Senior Accountant (Technical), the Director for Corporate Services, the Assistant Director of Finance, Efficiencies, Technology & Assets, and the Head of Finance.

These meetings include discussion on investments and borrowing strategies, change in market, counterparty and credit conditions and a review of investment and loan levels. There is also a monthly strategy and review meeting to include review of actual activity against the Authorised Borrowing Limit. Capital Financing budget and Treasury Management Strategy.

This will include:

- Total debt including average rate and maturity profile
- Total investments including average rate and maturity profile
- Transactions in the period since the last meeting
- Cash flow forecast update
- Counterparty lending against limits
- Monitoring position – latest forecast against budget.

2.2.2 Reviews with management consultants

Members of the Treasury Management Board hold reviews with our consultants (Arlingclose) on a quarterly basis to review the performance of the investment and debt portfolios.

2.2.3 Annual review after the end of the financial year

An Annual treasury Report is submitted to Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios.

The report contains the following:-

- total debt and investments at the beginning and close of financial year and average interest rates
- borrowing strategy for the year compared to actual strategy
- investment strategy for the year compared to actual strategy
- explanation for variance between original and actual strategies
- debt rescheduling done in the year
- actual borrowing and investment rates available through the year
- comparison of return on investments to the investment benchmark
- compliance with Prudential Indicators

2.2.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set). Data used will be sourced from:-

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Risk Management study
- CIPFA Benchmarking Club
- Arlingclose risk return comparators of client base

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

- Compliance to CIPFA Code of Treasury Practice.
- Expenses contained within approved budget. Reviewed in the quarterly budget monitoring reports
- Review of benchmarking club data.

Treasury management activity is reviewed mid-year and at year end against strategy and prevailing economic and market conditions through the Audit Committee, Cabinet and Full Council.

The report will include:

- Total debt including average rate and maturity profile
- The effect of new borrowing and/or maturities on the above
- The effect of any debt restructuring on the debt portfolio
- An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate; LOBOs in their call period)
- Total investments including average rate, credit and maturity profile
- The effect of new investments/redemptions/maturities on the above
- The rate of return on investments against their indices for internally managed funds
- An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements in the value of CDs, gilts/bonds, callable deposits in their call period)
- A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy.

2.4 BENCHMARKS AND CALCULATION METHODOLOGY WITH REGARDS TO RISK AND RETURN:

2.4.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Ratio of PWLB and market debt (beginning and end of period)
- Ratio of fixed and variable rate debt (beginning and end of period)

2.4.2 Investment.

The performance of in house investment earnings will be measured against 7 day LIBID.

2.5 POLICY CONCERNING METHODS FOR TESTING VALUE FOR MONEY IN TREASURY MANAGEMENT,

2.5.1 Frequency and processes for tendering

Tenders are normally awarded on a three yearly basis with the option to extend for one year, if approved by the Cabinet Committee. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.5.2 Banking services

Banking services will be retendered or renegotiated every 3 years to ensure that the level of prices reflects efficiency savings achieved by the supplier and current pricing trends.

2.5.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers has been established which takes account of both prices and quality of services.

2.5.4 Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management consultants.

2.5.5 Policy on External Managers

The Council's current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

Principle:

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issued relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

Schedules:

3.1.1 Records to be kept

The Treasury section has a computerised treasury management system called Logotech. All loan and deposit transactions are recorded on the system as well as on an Excel spreadsheet. Full details of the system are covered in the user manual.

The following records will be used relative to each loan or investment:

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly.
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer best value)
- Performance information (e.g. monitoring of actual against budget for debt charges, interest earned, debt management; also monitoring of average borrowed rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every decision made the Council will:

- a) above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2. In respect of borrowing and other funding decisions, the Council will:

- a) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- b) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- c) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- d) consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.
- e) seek to reduce the overall level of financing costs/smooth maturity profiles through debt restructuring.

3.1.3.3. In respect of investment decisions, the Council will:

- a) consider the optimum period, in the light of cash flow availability and prevailing market conditions
- b) consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.
- c) determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks.

3.1.3.4. In respect of decisions regarding derivatives, the council will:

- a) be able to demonstrate that the derivative transaction has reduced the Council's overall exposure to treasury risks.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Principle:

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in **TMPI Risk Management**.

Where the Council intends to use derivative instruments for the management of risk, these will be limited to those set out in the annual treasury strategy. The Council will seek proper advice and consider that advice when entering into arrangements to use such products to ensure full understanding of these products.

Schedules:

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

The Council is permitted to undertake the following activities:

- Managing cashflow
- Capital financing
- Borrowing including debt restructuring and debt repayment
- Lending including redemption of investments
- Banking
- Leasing
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities.

The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as 'Specified' or 'Non Specified' based on the criteria set out by the ODPM (now CLG) in its Investment Guidance March 2004 (as amended).

The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council's credit criteria will also apply.

- Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities

- Term deposits with banks and building societies
- Certificates of deposit
- Callable deposits
- Investments in Money Market Funds , i.e. ‘AAA’ liquidity funds with a 60-day Weighted Average Maturity (WAM)
- Gilts
- Bonds issued by multilateral development banks
- Bonds issued by financial institutions guaranteed by the UK government
- Sterling denominated bonds by non-UK sovereign governments
- Pooled funds, i.e. Collective Investment schemes as defined in SI 2004 No 534
- Bonds and debt instruments issued by corporate bodies e.g.
 - Corporate Bonds
 - Commercial Paper

4.3 APPROVED TECHNIQUES

- Forward dealing
- LOBOs – lenders option, borrower’s option borrowing instrument

The use of structured products such as callable deposits

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act, 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

<u>On Balance Sheet</u>	Fixed	Variable
• Public Works Loans Board (PWLB) Loans	●	●
• European Investment bank (EIB)	●	●
• Long term money market loans including LOBOs	●	●
• Temporary money market loans (up to 364 days)	●	●
• Bank overdraft		●
• Stock issues	●	●
• Local bonds	●	
• Negotiable Bonds	●	●
• Commercial Paper	●	
• Medium Term Notes	●	
• Finance Leases	●	●
• Deferred Purchase	●	●

Internal Resources

- Capital receipts
- Revenue balances
- Use of Reserves

Other Methods of Financing

- Government and EC Capital Grants
- Other capital grants and contributions
- Lottery monies
- PFI/PPP
- Operating leases

Borrowing will only be undertaken in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director for Corporate Services has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources. The level of debt will be consistent with the treasury management Strategy and the Prudential Indicators.

4.5 INVESTMENT LIMITS

The Annual Investment Strategy within the treasury Management Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 BORROWING LIMITS

The Council's Treasury Management Strategy Statement and Prudential Indicators sets out the limits on borrowing.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Principle:

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director for Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Director for Corporate Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director for Corporate Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedules below.

The Director for Corporate Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedules below.

The delegations to the Director for Corporate Services in respect of treasury management are set out in the schedules below. The Director for Corporate Services will fulfill all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

Schedules:

5.1.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE / EXECUTIVE LEVELS

Full Council

- Receiving, reviewing and approving prudential indicators as part of the budget setting process (following receipt by Cabinet).
- Approval of the Treasury Management Strategy and Annual Investment Strategy and any subsequent amendments (following receipt by Cabinet).
- Receiving and reviewing reports on treasury management policies, practices and activities including a mid-year review and an annual report (following review by Audit Committee).

Cabinet

- Approval of amendments to adopted clauses and treasury management policy statement (following scrutiny by the Audit Committee).
- Budget consideration and approval.

Audit Committee

- Responsible for the scrutiny of treasury management strategy, activities and practices and approval of the treasury management practices.

Delegated to Director for Corporate Services

- The Director for Corporate Services will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- Approval of the segregation of responsibilities.
- Receiving and reviewing of the external audit reports and putting recommendations to the Audit Committee.
- Approving the selection of external service providers and agreeing terms of appointment in accordance with Financial Regulations.

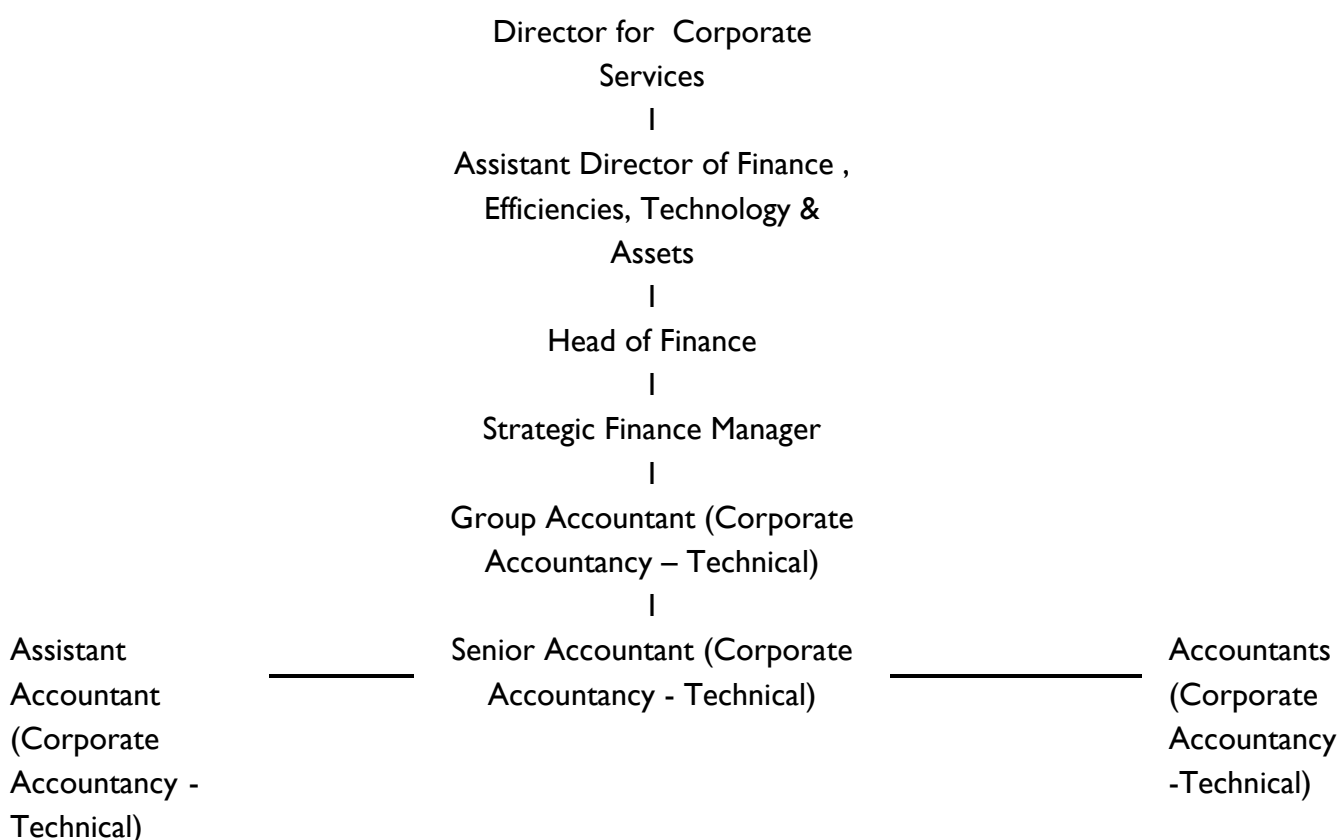
5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The segregation of duties will be determined by the Director for Corporate Services.

Dealing	Group	Negotiation and approval of deal.
	Accountant/ Senior	Receipt and checking of broker's confirmation note
	Accountant/ Accountants	Receipts and checking of confirmation from deposit/loan counterparty
		Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Senior	Production of Direct debit form
	Accountant / Accountants/ Assistant	Processing of accounting entry
	Accountant	
Authorisation / Payment of Deal	Senior	Entry onto Financial Director (FD)
	Accountant/ Accountants/ /Assistant	
	Accountant	

Authorisation / Payment of Deal	Authorised DoCS, ADFETA, HOF, Strategic Finance Managers and Group Accountants	Approval: Authorisation on FD/sign off direct debit and Chaps request
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5.3 TREASURY MANAGEMENT ORGANISATION CHART



5.4 STATEMENT OF DUTIES/RESPONSIBILITIES

5.4.1 Treasury Management Board

The Treasury Management Board will meet on a regular basis at the discretion of the Director for Corporate Services and consists of:

Director for Corporate Services

Assistant Director of Finance, Efficiencies, Technology and Assets
Head of Finance
Senior Accountant (Corporate Accountancy - Technical)

In the absence of the Senior Account (Corporate Accountancy – Technical) an Accountant (Corporate Accountancy – Technical) will attend.

Its duties and responsibilities will include:

- Ongoing review of the Council's borrowing and Investment strategy considering counterparty limits, maturity periods and financial impact.
- Credit risk management. Reviewing credit rating changes, economic news, share price data and press information to consider the appropriateness of investments, their risk and any action required to mitigate this risk.
- Considering the council's borrowing position, reviewing rescheduling opportunities and proposed debt repayments as part of the management of risk.
- Discussions and recommendation on and for the Council's Treasury management strategy.
- Meeting with the Council's Treasury Management advisors to discuss Strategy. Considering the economic climate and forecast interest rates, ongoing investment and borrowing and current issues impacting on creditworthiness of financial institutions.
- Assessing the revenue and cash flow impact of any proposed action and how this fits into the previously set strategy. Agreeing revisions to this strategy and considering the financial impact of such revisions.
- Communicate and promote awareness of key treasury management issues and risks amongst senior managers and members.
- Aim to achieve the investments and borrowing targets as detailed in the council's MTFS.
- Monitor and report on significant variations to revenue account budgets as a result of changes to treasury management activity.

5.4.2 Director for Corporate Services

I. The Director for Corporate Services will:

- Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance
- Determine Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy.

- In setting the prudential indicators, be responsible for ensuring that all matters are taken into account and reported to the Council so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term.
 - Establish a measurement and reporting process that highlights significant variations from expectations.
 - Submit regular treasury management reports as required to the council/cabinet/audit committee.
 - Receiving and reviewing management information reports.
 - Review the performance of the treasury management function and promote best value reviews.
 - Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
 - Ensure the adequacy of internal audit, and liaising with external audit.
 - Recommend on appointment of external service providers in accordance with council standing orders.
 - Provide regular updates to relevant Cabinet Members.
- 2 The Director for Corporate Services has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
 - 3 The Director for Corporate Services may delegate his power to borrow and invest to Group Accountants (Corporate Accountancy -Technical), Senior Accountant (Corporate Accountancy - Technical) and Accountants (Corporate Accountancy – Technical).
 - 4 The Director for Corporate Services will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
 - 5 Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director for Corporate Services to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
 - 6 It is also the responsibility of the Director for Corporate Services to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.3 Assistant Director of Finance, Efficiencies, Technology & Assets

- The responsibilities of this post will include covering the full responsibilities of the Director for Corporate Services in their absence.
- Delegated authority to approve loans over 1 year and investments up to 10 years.
- Delegated authority to approve loan repayments/rescheduling.

5.4.4 Head of Finance

- Submit budgets and budget variations in accordance with Financial Regulations and guidance.
- Establish a measurement and reporting process that highlights significant variations from expectations.

5.4.5 Group Accountant (Corporate Accountancy – Technical)

- To provide cover in the absence of the Senior Accountant (Corporate Accountancy – Technical) and cover the full responsibilities of this post.

5.4.6 Senior Accountant (Corporate Accountancy – Technical)

The responsibilities of this post include: -

- Carrying out or delegating the execution of transactions to the treasury management team
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers and reviewing their performance.
- Supervising treasury management staff.
- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the Treasury Management Board, Director for Corporate Services, Assistant Director of Finance, Efficiencies, Technology & Assets and Head of Finance.
- Identifying and recommending opportunities for improved practices.
- Prepare and update, making recommendations for including counterparties on the Council's lending list following the advice of the Council's Treasury Management advisors.
- Authority to borrow for periods up to 1 year and lending up to 1 month.. Lending in excess of 1 month subject to the agreement of the Treasury Management Board and/or the approval of the Director for Corporate Services or Assistant Director of Finance, Efficiencies, Technology & Assets.
- Make recommendations on all lending up to 10 years and borrowing over 1 year maturity.
- Following approval by the Director for Corporate Services or Assistant Director of Finance, Assets & Efficiencies undertake all borrowing over 1 year and deposits/investments up to 10 year maturity.

- Recommend early repayment of debt over one year and subject to the approval of the Director for Corporate Services, Assistant Director of Finance, Efficiencies, Technology & Assets or the Head of Finance arrange the repayment of these loans.
- Maintaining the Council's cash flow forecast ensuring funds are available to meet the Council's financial commitments.
- Prepare draft Treasury Management Policy, Treasury Management strategy and investment strategy, Annual Treasury Management report and Treasury Management Practices.
- Prepare budget for capital financing including all treasury management loan and investment activities including MTFF.
- Monitoring of Capital Financing Budget.
- Updating the Treasury Management Board with information on credit ratings, share prices, economic and press news impacting on the credit quality of the Council's deposits.

5.4.7 The Head of the Paid Service – the Chief Executive

The responsibilities of the post will be:-

- Ensuring that the system is specified and implemented.
- Ensuring the Director for Corporate Services reports regularly to the full Council/Cabinet on treasury policy, activity and performance.

5.4.8 Assistant Director for Democracy & Governance (in the role of monitoring officer)

The responsibilities of this post include: -

- Ensuring compliance by the Director for Corporate Services with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the Director for Corporate Services when advice is sought.

5.4.9 Internal Audit

The responsibilities of Internal Audit include: -

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

5.5 ABSENCE COVER ARRANGEMENTS

The normal office arrangements are that on any working day, at least one member of the Team is available to be consulted on any aspect of treasury management, and at least one member of the Treasury Management team is available to carry out any required dealing transactions.

The minimum amount of office cover required for adequate Treasury Management controls to be maintained is one member of the treasury management team. However if any Chaps payments are required this will need the availability of an authorised officer.

There are currently:

5 members of staff that can undertake dealing

9 members of staff that can authorise Chaps payments on Financial Director

1 of each of these would be required for the full process to be undertaken.

In the absence of the Senior Accountant (Corporate Accountancy – Technical) the Group Accountant (Corporate Accountancy – Technical) will undertake all loan transactions in excess of overnight loans.

Subject to the approval of the Treasury Management Board and/or the Director for Corporate Services or The Assistant Director of Finance, Efficiencies, Technology & Assets and Efficiencies an Accountant (Corporate Accountancy – Technical) can undertake deposit transactions up to 1 year.

In the event of the unforeseen absence of the person responsible for dealing, or the Management Team members, the Council's treasury management advisor may be contacted, and advice sought.

5.6 DEALING LIMITS

The following posts are authorised to deal:-

Senior Accountant (Corporate Accountancy – Technical)

No dealing limits for loans up to 1 year.

Deposits up to 1 month with unlimited value with the Debt Management Office or £5M with an approved Local Authority or £30m with an approved bank or building society subject to the limits detailed in the Council's Annual Investment strategy and the approved lending list.

Deposit limits up to 1 year subject to the approval of the Treasury Management Board and/or the Director for Corporate Services, Assistant Director of Finance, Efficiencies, Technology & Assets or Head of Finance. Investment up to 10 years in accordance with approved annual investment strategy subject to the approval of the Director of Corporate Services.

Accountant (Corporate Accountancy – Technical)

Overnight/Call Account deposits with unlimited value with the Debt Management Office or £5M with an approved Local Authority or £30m with an approved bank or building society subject to the limits detailed in the Council's Annual Investment strategy and the approved lending list.

Deposit limits up to 1 year subject to the approval of the Treasury Management Board and/or the Director for Corporate Services, Assistant Director of Finance, Efficiencies, Technology & Assets or Head of Finance.

Loans overnight only (includes weekend) with maximum value of £15m.

Cover

For cover in the absences of the Senior Accountant (Corporate Accountancy – Technical) the Group Accountant (Corporate Accountancy – Technical) will have the same dealing limits.

5.7 LIST OF APPROVED BROKERS

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.8 POLICY ON BROKERS' SERVICES

It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between the brokers in order to avoid relying on the services of any one broker. The service provided by Broker's is reviewed on an on-going basis in line with Best Value.

5.9 POLICY ON TAPING OF CONVERSATIONS

It is not Council Policy to tape broker conversations

5.10 DIRECT DEALING PRACTICES

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present all deposits are direct and most loans are arranged through brokers. The following transactions are undertaken directly with Bank and Building Societies on the Council's approved lending list.

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.
- Fixed term deposits.

Prior to undertaking direct dealing the Council will ensure that each counterparty has been provided with the Council's Standard Settlement Instructions.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All dealing transactions are made via CHAPS transfer by the Financial Director system, which is connected, online to the local authority's bankers' network. The payment is entered onto this system and afterwards approved by an authorised signatory. The electronic transfer should be sent by 3.30 p.m. on the same day. Where the system breaks down, a letter signed by a bank signatory setting out each transaction would be faxed to the local authority's bankers where preliminary instructions would have been given by telephone.

5.12 DOCUMENTATION REQUIREMENTS

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker and type of deal. Additional requirements are:

Investments:

- confirmation from the broker
- confirmation from the counterparty
- Chaps payment transmission document

Loans:

- confirmation from the broker
- confirmation from PWLB/market counterparty
- Chaps payments transmission document for repayment of loan

5.12.1 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS.

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Principle:

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council/Cabinet/Audit Committee will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The Cabinet will receive regular monitoring reports on treasury management activities and risks.

The Audit committee will have responsibility for the scrutiny of treasury management policies and practices.

Schedule:

6.1 FREQUENCY OF EXECUTIVE REPORTING REQUIREMENTS

The Director for Corporate Services will annually submit budgets and will report on budget variations as appropriate.

The Director for Corporate Services will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to the Audit Committee/Cabinet and Full Council before the start of the year.

The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.

A Mid-Year Treasury Report will be prepared by the Director for Corporate Services which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Audit Committee and Full Council during the year. All of the above reports will also be submitted to Audit Committee who will be responsible for the scrutiny of treasury management policies and practices.

6.2 CONTENT OF REPORTING

6.2.1 PRUDENTIAL INDICATORS

6.2.1.1 The Council will set the following Prudential Indicators, revise if necessary, and following the year end publish actual (where appropriate) in respect of:

- Financing costs as a proportion of net revenue stream (estimate; actual)
- Capital expenditure (estimate; actual)
- Incremental impact of capital financing decisions (estimate)
- Capital Financing Requirement (estimates; actual)
- Authorised limit for external debt
- Operational boundary for external debt
- Actual external debt
- Upper limits on fixed and variable rate interest exposures
- Upper and lower limits to maturity structure of fixed rate borrowing
- Upper limit to total of principal sums invested longer than 364 days.

6.2.1.2 The Prudential Indicators are approved and revised by Full Council and are integrated into the Council's overall financial planning and budget process.

6.2.2 TREASURY MANAGEMENT STRATEGY STATEMENT INCLUDING ANNUAL INVESTMENT STRATEGY

6.2.2.1 The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Audit Committee for scrutiny and Cabinet/Full Council for approval before the commencement of each financial year.

6.2.2.2 The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

6.2.2.3 The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:

- Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years
- Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt
- the extent to which surplus funds are earmarked for short term requirements
- the investment strategy for the forthcoming year

- the minimum to be held in short term/specified investment during the coming year
- the interest rate outlook against which the treasury activities are likely to be undertaken.

6.2.2.4 Investment Strategy

Based on the ODPM's (now CLG's) Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out

- the objectives, policies and strategy for managing its investments;
- the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;
- the limits for the use of Non-Specified Investments.

The AIS will be integrated into the Treasury Strategy Statement.

6.2.2.5 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 POLICY ON INTEREST RATE EXPOSURE

6.3.1 The Council approves before the beginning of each financial year a number of treasury limits which are set through prudential indicators.

6.3.2 The Director for Corporate Services is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director for Corporate Services shall submit the changes for approval to the full Council. The latest limits are as set out in the treasury management strategy.

6.4 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

6.4.1 An annual report will be presented to the Audit Committee/Cabinet and then the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a comprehensive picture for the financial year of all treasury policies, plans, activities and results;
- transactions executed and their revenue (current) effects;
- report on risk implications of decisions taken and transactions executed;
- monitoring of compliance with approved policy, practices and statutory / regulatory requirements;
- monitoring of compliance with powers delegated to officers;
- degree of compliance with the original strategy and explanation of deviations;
- explanation of future impact of decisions taken on the organisation;

- measurements of performance;
- report on compliance with CIPFA Code recommendations and Prudential Indicators.

6.5 MID YEAR REPORT ON TREASURY MANAGEMENT ACTIVITY

6.5.1 The Director for Corporate Services will produce a mid-year report for the Audit committee/Council on the borrowing and investment activities of the treasury management function for the first six months of the year. The main contents of the report will comprise:

- Economic background.
- Economic forecast (including interest rate forecast).
- Treasury Management Strategy Statement update.
- Performance versus benchmarks.
- Borrowing information including premature repayment and new loans.
- Information on investments, including current lending list.
- Government framework and scrutiny arrangements.

6.6 CONTENT AND FREQUENCY OF MANAGEMENT INFORMATION REPORTS

6.6.1 Treasury Management Board

Monitoring information will be prepared monthly for the Treasury Management board. This will include:

- Total debt including average rate and maturity profile
- Total investments including average rate and maturity profile
- Transactions in the period since the last meeting
- Cash flow forecast update
- Counterparty lending against limits
- Monitoring position – latest forecast against budget
- Comparison of actual balances against prudential limits or other treasury management limits

6.7 PERIODIC MONITORING COMMITTEE REPORTS

6.7.1 The Cabinet will receive and consider a periodical review of treasury management activities during the financial year including details of any debt rescheduling undertaken.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Principle:

The Director for Corporate Services will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with **TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques**. The form which the Council's budget will take is set out in the schedule below.

The Director for Corporate Services will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with **TMP6 Reporting requirements and management information arrangements**.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

Schedule:-

7.1 STATUTORY/REGULATORY REQUIREMENTS

7.1.1 Balanced Budget Requirement:

7.1.1.1 The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:

- (a) the expenditure which is estimated to be incurred in the year in performing its functions and which will be charged to a revenue account and
- (b) revenue costs which flow from capital financing decisions.

S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.

7.1.1.2 The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the

'CIPFA TM Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 ACCOUNTING PRACTICES AND STANDARDS

7.2.1 CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".

7.2.2 Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain. The Council adopts in full the principles set out in CIPFA's 'Code of Best Practice and Guide for Treasury Management in the Public Services' (the 'CIPFA Code and Guide'), together with those of its specific recommendations that are relevant to this organisation's treasury management activities.

7.3 FINANCIAL STATEMENTS

The Financial Statements comprise:

- An explanatory foreword
- Accounting policies, changes in accounting estimates and errors
- Presentation of financial statements
- Movement in reserves statement
- Comprehensive income and expenditure statement
- Balance sheet
- Cash flow statement
- Housing revenue account
- Collection Fund (England)
- Statement of Responsibilities
- The Accounting Statements
- Additional Financial Statements (Housing Revenue Account, Collection Fund)
- Notes to the financial statements
- Statements reporting reviews of internal controls or internal financial controls
- Events after the reporting period
- Related party disclosures

7.4 SAMPLE BUDGETS/ACCOUNTS/PRUDENTIAL INDICATORS

7.4.1 The Director for Corporate Services will prepare a three year medium term financial plan with Prudential Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the

function, together with associated income. The Director for Corporate Services will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4.2 The current form of the Council's accounts is available within the Finance department.

7.5 TREASURY MANAGEMENT RELATED INFORMATION REQUIREMENTS OF EXTERNAL AUDITORS

7.5.1 The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.

7.5.1.1 Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.

- Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.
- Prudential Indicators.
- Treasury Management Strategy including Annual Investment Strategy.

7.5.1.2 External borrowing:

- New loans borrowed during the year : PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)
- Loan maturities.
- Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.
- Analysis of loans outstanding at year end including maturity analysis.
- Analysis of borrowing between long- and short-term
- Debt management and financing costs
- Calculation of (i) interest paid (ii) accrued interest
- MRP calculation and analysis of movement in the CFR.
- Bank overdraft position.
- Brokerage/commissions/transaction related costs.

7.5.1.3 Investments:

- Investment transactions during the year including any transaction-related costs
- cash and bank balances at year end
- Short-term investments at year end

- Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end
- calculation of (i) interest received (ii) accrued interest
- actual interest received
- External fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any)
- Basis of valuation of investments
- Evidence of existence and title to investments (e.g. Custodian's Reports; FRAG-21 report from Custodian.
- Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

7.5.1.4 Cash Flow

- Reconciliation of the movement in cash to the movement in net debt
- Cash inflows and outflows (in respect of long-term financing)
- Cash inflows and outflows (in respect of purchase/sale of long-term investments)
- Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources

7.5.1.5 Other

- Amounts which are held on behalf of schools, amounts which are held by schools under delegated schemes
- Details of (treasury-related) material events after balance sheet date not reflected in the financial statements.
- External advisors'/consultants' charges

7.6 INTERNAL AUDIT

7.6.1 Internal Audit generally conducts an annual review of the treasury management function and probity testing. The Internal Auditors will be given access to treasury management information/documentation as required by them.

7.7 COSTS FOR TREASURY MANAGEMENT

The budget for treasury management forms part of the capital financing budget. This budget forms part of the Council's annual budget setting strategy.

TMP 8 CASH AND CASH FLOW MANAGEMENT

Principle:

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director for Corporate Services and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director for Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with **TMPI [2] liquidity risk management**. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedule:-

8.1 CASH FLOW FORECASTING

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known. The cash flow forecast for the year is updated on a daily basis with actual figures from the Council's bank transactions available from Financial Director. The cash flow forecast is a key document used for calculating any borrowing needed to cover short-term cash flow requirements or the availability of cash for any short-term or longer-term investments.

The detailed annual cash flow model includes the following:

Revenue activities:

Inflows:

- Revenue Support Grant
- Non domestic rates receipts
- NNDR receipts from national pool
- Council tax receipts
- Housing subsidy
- DSS / other government grants
- Cash for goods and services
- Other operating cash receipts

Outflows:

- Salaries and payments on behalf of employees
- Operating cash payments
- Housing Benefit paid
- Precepts paid

- NNDR payments to national pool
- Payments to the capital receipts pool

Capital activities including financing

Inflows:

- Capital grants received
- Sale of fixed assets
- Other capital cash receipts

Outflows:

- Purchase of fixed assets
- Purchase of long-term investments
- Other capital cash payments

Financing, Servicing of Finance/Returns on Investments

Inflows:

- New long-term loans raised
- New short-term loans raised
- Interest received
- Discount on premature repayment of loan

Outflows:

- Loan repayments
- Premia on premature repayment of loan
- Short-term investments
- Capital element of finance lease rental payments
- Interest paid
- Interest element of finance lease rental payments

8.2 BANK STATEMENTS PROCEDURES

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to transaction records from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis by the Bank Reconciliation Team.

8.3 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS

The Council has a policy of paying suppliers in line with agreed terms of trade and the following service standards:

- Small and medium enterprises (SME's – business employing up to 250 people) to be paid within 15 days of receipt of invoice.
- All other creditors to be paid within 30 days of receipt of invoice.

8.4 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS

The information on levels of debtors and creditors are monitored. Debtors payment information is recorded from the daily bank transactions and creditors payments passed to the treasury team following each pay run to assist in updating the cash flow forecast.

8.5 PROCEDURES FOR BANKING OF FUNDS

Instructions for banking of receipts are set out in the Financial Regulations.

All money received by an officer on behalf of the Council will without unreasonable delay be either passed to Transaction Centre staff to deposit or banked directly, under arrangements put in place by the Strategic Manager (Transaction Centre), into the Council's bank accounts. Cash & cheques received by Transaction Centre staff are banked weekly due to the reduction in the value of receipts and the cost of transporting the deposits. These bankings are then included in the figures available on Financial Director used to calculate the Council's available funds/funding requirement requirements and to update the Cash flow forecast for the year.

8.6 PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS

All prepayments must be authorised by the approved signatory in the respective department.

TMP 9 MONEY LAUNDERING

9.1 Background:

9.1.1 The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering are:

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention use or control of criminal property
- Acquiring, using or possessing criminal property.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

9.1.2 Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

9.1.3 In December 2007, the UK Government published the Money Laundering Regulations 2007, which replaced the 2003 Regulations.

9.1.4 CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

9.2 Principle :

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below

Schedule:-

9.3 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000: (The FSA register can be accessed through their website on www.fsa.gov.uk).

When repaying loans, the procedures in 9.4 will be followed to check the bank details of the recipient.

9.4 METHODOLOGIES FOR IDENTIFYING DEPOSIT TAKERS

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. This will be authorised deposit takers under the Financial Services and Markets Act 2000: (The FSA register can be accessed through their website on www.fsa.gov.uk).

Where counterparty is contracted via a broker, the broker confirms bank details. Where Plymouth City Council has previously used the counterparty, details are checked against those currently held. Any changes are confirmed by the broker and by the counterpart on headed paper. When a broker introduces a new counterparty, Standard Settlement Instructions on headed paper are requested. Confirmation of bank details on headed paper is required before any principal or interest payments are made.

All transactions are carried out by CHAPS for making deposits or repaying loans.

9.5 PROCEEDS OF CRIME ACT 2002 (POCA)

Please find below an explanation of the current responsibilities of local authorities: -

The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.

The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number

of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer to whom suspicions must be reported and who is responsible for deciding whether to pass the report to the NCIS.

Their contact address is as follows:

NCIS
PO BOX 8000
LONDON SE11 5EN
www.ncis.co.uk

The Council has appointed the Head of Finance to be the responsible officer to who any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.

The treasury management team is conversant with the requirements of the Proceeds of Crime Act 2002. The Council will only lend money to or invest with those counterparties who are authorised under the Financial Services and Markets Act 2000 and each organisation will be asked to formally provide adequate settlement instructions.

TMP 10 TRAINING AND QUALIFICATIONS

Principle:

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director for Corporate Services will recommend and implement the necessary arrangements.

The Director for Corporate Services will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

Schedule:-

10.1 QUALIFICATIONS/EXPERIENCE OF TREASURY MANAGEMENT STAFF

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The courses/events the Council would expect its treasury management personnel to consider are:

- Appropriate qualifications in Treasury Management. This was previously a Certificate in International Treasury Management – Public Finance which has been obtained by the Senior Accountant on the Treasury Management team. This qualification is no longer available and CIPFA are working on a new qualification for treasury managers.
- Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, and Financial Management run by CIPFA and IPF.
- Any courses/seminars run by Treasury Management Consultants.
- Attending CIPFA Conference
- Training attended by those responsible for scrutiny of the treasury function.

10.2 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff is appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.3 RECORDS OF TRAINING

Records of training received by treasury management staff and those charged with governance are maintained on the appropriate personnel file or as part of councilor/committee records.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

Principle:

The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director for Corporate Services and details of the current arrangements are set out in the schedule below.

Schedule:-

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS AND REGULATORY STATUS

11.1.1 Banking services

Name of supplier of the service: Co-operative Bank PLC.

The branch address is:

160 Armada Way, Plymouth PL1 1LF

Tel No. 01752 661482

Commencement Date 1st April 2008

Expiry Date 31st March 2012

The contract ran for 4 years from the 1st April 2008. The contract allowed for the possibility of two additional annual extensions to be agreed by both parties before October 2011 and 2012 respectively. The first extension has been agreed and runs until 31st March 2013.

Other Banks used for access deposit account facilities:

Name of Bank	Account Type	Address
Bank of Scotland PLC	Call and 7 Day Notice	3 rd Floor Citymark 150 Fountainbridge

		Edinburgh EH3 9PE
Santander UK Plc	Call	Abbey National House 301 St Vincent Street Glasgow G2 5NT
Clydesdale Bank	Call and 15 Day Notice	Plymouth Financial Solutions Centre Ground Floor Envoy House 61 Longbridge Road Plymouth PL6 8LU
Royal Bank of Scotland	Call and 30 Day Notice	RBS Corporate Banking 2 nd Floor Vantage Point Woodwater Park Pynes Hill Exeter EX2 5FD
Barclays	Call	PO Box 330 3 Bedford Street Exeter BX3 2BB

11.1.2 Money-broking services

The council will use money brokers for temporary borrowing and investments up to 1 year and long term borrowing. Brokers currently used are:

Name of Broker	Address	Tel. no.
Martin Brokers (UK) PLC	Cannon Bridge House, 25 Dowgate Hill, London EC4R 2BB	0207 4699580
Tullet Prebon Europe Ltd	155 Bishopsgate, London EC2M 3TQ	0207 2007042
Sterling International Brokers Ltd	No. 10 Chiswell Street London EC1Y 4UQ	0207 4968955
London Currency Brokers	ICB House, 3 Scrutton Street London EC2A 4HF	0207 7394444
Tradition (UK) Ltd	Beaufort House 15 St Botolph Street London EC3A 7QX	0207 4223566

11.1.3 Consultants'/advisers' services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, debt rescheduling and use of various borrowing and investment instruments.

Treasury Consultancy Services

Name of supplier of service is Arlingclose Ltd.

Their address is:

60 Moorgate

London

EC2R 6EL

Tel: 08448 808200

Contract Expiry Date is 31st December 2012

Cost of service is £22,000 + Vat in 2012.

The Council has the option to extend the contract for a further two one year periods subject to an annual review with cost in 2013 increasing to £23,000 + Vat and in 2014 to £24,000 + Vat.

External Fund Managers

The council does not currently hold funds with an external fund manager.

11.1.4 Regulatory Status of Services Provided

All financial services providers are regulated by the Financial Services authority (FSA)

TMP 12 CORPORATE GOVERNANCE

Principle:

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Treasury Management Code of Practice (Revised 2011). This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the Director for Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION

The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

The following documents are available for public inspection:

- Treasury Management Policy Statement
- Treasury Management Strategy Statement (Including Prudential Indicators and investment Strategy)
- Annual Treasury Report
- Annual Statement of Accounts
- Annual budget
- 5 year Capital Plan
- Minutes of the Council/Cabinet/committee meetings

Financial information is additionally available on the Council's website www.plymouth.gov.uk

12.2 PROCEDURES FOR CONSULTATION WITH STAKEHOLDERS

Members and senior officers are consulted via reports to the Audit Committee, Cabinet and Full Council.

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PLYMOUTH CITY COUNCIL

Subject: Polling Place, Polling District and Polling Station alterations
Committee: City Council
Date: 24 September 2012
Cabinet Member:
CMT Member: Assistant Director for Democracy and Governance
Author: Nigel Spilsbury, Electoral Services Manager
Contact: Tel: 01752 304861
e-mail: nigel.spilsbury@plymouth.gov.uk
Ref: E3/Review/Council Elections 2012
Key Decision: No
Part: I

Purpose of the report:

Following each election the Electoral Services Team undertakes a review of administrative and related matters. Any lessons learnt can then be incorporated into future electoral planning.

The City Council has a statutory duty to divide the local authority area into polling districts and to designate a polling place for each district.

This report concentrates on alterations to polling districts, polling places and polling stations and also highlights problems encountered using mobile polling units.

Corporate Plan 2012 – 2015:

This report complies with statutory obligations and requirements. No specific relationship with the Corporate Plan.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

If all recommendations are accepted the City Council may potentially save between £53,000 and £70,000 on potential future capital bids, by not needing to replace as many mobile polling units, with possible on-going revenue savings at each election of £9,000 on maintenance and setting-up costs.

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

The annual elections review and programme of polling district and station reviews should provide for improved voting facilities and connect further with other statutory requirements such the Disability Discrimination Acts and general health and safety requirements.

Recommendations & Reasons for recommended action:

That the following is implemented from 16 October 2012: -

1. The Manadon Hall at Tavistock Road is allocated as polling station for Polling Place/Polling District EF, replacing Crownhill Methodist Church.

Reason: The new location is more central to the polling area, would be located inside the ward boundary and save using a mobile unit (also refer to recommendation number 7).

2. Polling Place/Polling Districts EG and EH is merged forming a new Polling Place/Polling District to be known as EG using Derriford Reformed Church as the polling station.

Reason: This will save using or replacing a mobile unit and help comply with the Disability Discrimination Act. It should be noted that the new larger style mobile unit cannot be located on the current site.

3. Voters of Polling Place/Polling District LB as specified in this report are transferred to Polling Place/Polling District LC.

Reason: Shorter distance to travel to new polling station.

4. The Tabernacle Christian Fellowship Church, Gordon Terrace is allocated as polling station for Polling Place/District MA and that the streets in the immediate vicinity of the new location are transferred to this new polling area from Polling Place/Polling District MB.

Reason: An old style mobile unit is currently allocated. The current site and no other sites within the Polling Place/Polling District area are either available or safely capable of accommodating a new larger style mobile unit. Consequently there is no choice but to move to the nearest permanent building.

5. Polling Place/Polling Districts PG and PH are merged forming a new Polling Place/Polling District to be known as PG using St Pauls Community Church as the polling station.

Reason: Only 68 voters turned out to vote at the Efford Youth Centre (Polling District PH) at the 2012 local elections and merger would not cause too much inconvenience to the voters.

6. Crownhill Methodist Church is allocated as polling station for Polling Place/Polling District HB and that the Polling Place/Polling District is modified to incorporate the areas specified in the report.

Reason: Replacement for Brake Farm Community Resource Centre which closed in December 2011 (also refer to recommendation 1).

7. Weston Mill Primary School is temporarily allocated as polling station for Polling Place/Polling District BA.

Reason: Temporary replacement whilst St Philips Church Hall is rebuilt.

8. Voters of Polling Place/Polling District SC as specified in this report are transferred to Polling Place/District SA with Plympton St Mary's C of E Infants School, Market Road allocated as the polling station.

Reason: This will save using or replacing a mobile unit, complying with the Disability Discrimination Act and it should be noted that a new larger style mobile unit cannot be located on the current site.

9. Polling Place/Polling District UF is divided as specified in this report with voters allocated St Matthews Church (to be known as Polling Place/Polling District UF) and Elburton Methodist Church (to be known as Polling Place/Polling District UD) as respective polling stations.

Reason: see 11 below.

10. Polling Place/Polling District UD is divided between polling districts UC and the current UF as specified in this report. Voters allocated to Polling Place/Polling District UC would vote at Goosewell Primary School and the voters allocated to UF would vote at Elburton Methodist Church, and this new station will be known as Polling Place/Polling District UD (as stated in recommendation 10).

Reason: This will save using two schools, namely Elburton Primary School and Coombe Dean Academy, providing a further days education for primary school pupils and save parents rearranging child care provisions

11. Polling Place/Polling Districts CB and CC are merged forming a new Polling Place/Polling District to be known as CB using St Boniface Church Hall as polling station.

Reason: St Budeaux Baptist Church (CB) is no longer available for use as a polling station.

12. The official list of Polling Places, Polling Districts and Polling Stations is updated accordingly in line with the Representation of the People Act 1983 and Electoral Administration Act 2006.

Reason: Statutory requirement

That the following is noted: -

1. Austin Farm Primary School will be re-instated as polling station for Polling Place/Polling District HE

Reason: The Children's Centre used at the 2012 local elections did not prove to be successful.

2. St Barnabas Church Hall will replace Stuart Road Primary School as polling station.

Reason: One less school being used as a polling station, providing a further days education for primary school pupils and save parents rearranging child care provisions.

3. Mutley Baptist Church to replace the Swarthmore Centre – Polling Place/Polling District LE.

Reason: New location more suitable and less congested.

Alternative options considered and reasons for recommended action:

N/A

Background papers:

Letters and email correspondence in connection with the annual review
 Electoral Administration Act 2006
 Representation of the People Act 1983

Sign off:

Fin	PG/CorpSF DC1213001. 31.08.12	Leg	DS	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											
Have you consulted the Cabinet Member(s) named on the report? No											

1.0 Introduction

- 1.1 Following each election the Electoral Services Team undertakes a review of administrative and related matters. As part of the review process comment is invited from Elected Representatives, Political Parties, Candidates and Election Agents and staff at all levels of the process as well as comments noted from members of the public. Any lessons learnt from these comments can then be incorporated into future electoral planning.
- 1.2 As the City Council has a statutory duty to divide the local authority area into polling districts and to designate a polling place for each district, this report will concentrate on details in relation to comments received and alterations recommended in relation to polling districts, polling places and polling stations. The City Council has a statutory duty to keep polling places and districts under review.
- 1.3 The report also highlights significant problems encountered using the 'old style' mobile polling units and recommendations to use alternative premises, where practicable.

2.0 Context and Review Definitions

- 2.1 Comments received outlined various suggestions for review such as suitability of permanent locations, suitability of mobile units in general and use of schools.
- 2.2 General summary of Council review objectives and definitions: -
 - Where practicable to have more accessible and convenient polling stations;
 - Reduce the number of schools used to afford students with a further days education (in accordance with Overview and Scrutiny recommendations established in 2003);
 - Use suitable buildings rather than mobile units (in accordance with Overview and Scrutiny recommendations established in 2003);
 - Reduce the use of mobile polling units (or portacabins) to accord, as far as practicable, with the Disability Discrimination Acts and health and safety requirements.

Polling District – A polling district is a geographical sub-division of an electoral area (constituency or ward).

Polling Place – A polling place is the area in which the Returning Officer selects the polling station. In Plymouth polling places represent the same area as the polling district to allow a greater degree of flexibility in deciding where a polling station should be located.

Polling Station – The polling station is the room or building where the poll takes place.

The City Council has a statutory duty to keep polling places and polling districts under review and to authorise changes. It is the Returning Officer's role to select the polling stations.

3.0 Mobile polling units

- 3.1 Issues relating to the use of mobile units have been highlighted in previous reports to the City Council; the following has been once again highlighted.

3.2 Old style units – small towable type -

- Ramps are too steep due to the limited area afforded by the location that mobiles tend to be sited on - Scope recommends a slope of no more than 1:20 and the Disability Discrimination Acts 1:12.
- The ramps are also difficult to secure in a perfectly rigid position. Wet weather causes difficulties.
- Doors are not of suitable width for wheelchairs or motorised units.
- Units are very small even for a moderate to large turnout of voters - two or three voters tends crowd the unit.
- The units are claustrophobic and facilities too basic, making staff recruitment extremely difficult.

This clearly demonstrates that accessibility and size are a real cause for concern and of course the fact that they do not comply with the Disability Discrimination Act (DDA) or SCOPE recommendations should not be missed

Following the 2012 local elections a number of complaints have been received going as far as the Equalities Officer in Social Inclusion, who re-emphasised the DDA and equalities requirements. It has, therefore, been decided that no old style units will be used in future, unless sanctioned for use in an absolute critical emergency. These old units will be replaced either by hiring-in (short-term) or purchasing new units (long-term) or reducing the number required by using an available building or merging polling districts or redefining boundaries.

3.3 New style – larger steel units

Since 2008, the City Council has purchased 7 new large steel units as replacement for some of the old units at a cost of around £17,500 per unit (2012 prices), with a cost of £2,500 to site one unit. It also costs just over £10,000 per annum to maintain all units (old and new).

As these units are 'low level', some will only require the smallest of ramps and although space inside is limited wheelchairs and most motorised units will be able to gain access.

However, as the new units are much larger than the old style units more space is required to locate them. A good number of the current sites are no longer suitable and appropriate action must be taken. Please see table of suggested alterations below.

It is also clear that the use any type of mobile unit should only be considered as a 'last choice' solution as such units will never completely fulfil all legislative and voter requirements.

3.4 Results of the Polling Place, District and Station review requiring a Council decision

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
<p>Ward: Budshead Polling Place/District: EF Polling Station: Crownhill Methodist Church</p> <p>Reference: Recommendation 1</p>	<p>Current polling station is located in Egguckland Ward and could replace a building/mobile unit used in that ward (see Egguckland ward below).</p> <p>Replacement polling station for EF: Manadon Hall, Tavistock Road (and which is located in the Budshead ward)</p>	<p>Agreed: 2 members No comment: 1 member</p>
<p>Ward: Budshead Polling Place/District: EG & EH Polling Stations: Mobile unit at Thirlmere Gardens and Derriford Reformed Church</p> <p>Reference: Recommendation 2</p>	<p>Merge polling districts saving one mobile unit</p>	<p>Agreed: 2 members No comment: 1 member</p>
<p>Ward: Compton Polling Place/District: LB & LC Polling Stations: Compton CE Primary School and Compton Methodist Church</p> <p>Reference: Recommendation 3</p>	<p>Transfer voters living in Compton Vale area – Polling District LB to Polling District LC. This will enable these electors to vote at Compton Methodist Church and provides a shorter distance to travel.</p> <p>This involves transferring 311 voters - Beechcroft Road, Blandford Road, Park Road and Priory Road.</p>	<p>Agreed: 1 member No comment: 2 members</p>
<p>Ward: Drake Polling Place/District: MA Polling Station: Mobile unit at Royal Eye Infirmary</p> <p>Reference: Recommendation 4</p>	<p>As there are no locations within the existing polling district to site a larger style mobile unit (see above) it is necessary to look to adjacent areas for accommodation.</p> <p>The Tabernacle Christian Fellowship Church is the nearest (approximately two-three minutes walk from the existing mobile site). This would also necessitate transferring 134 voters from polling district MB (Glen Park Avenue, Gordon Terrace, Napier Terrace, Restormel Road, Restormel Terrace, Sutherland Road, Victoria Terrace).</p>	<p>Agreed: 1 member Not Agreed: 1 member</p>

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
Continued	(As at 31 July: Tabernacle Church placing proposal before Church Board)	
Ward: Efford and Lipson Polling Place/District: PG & PH Polling Station: St Pauls Community Church and Efford Youth Centre Reference: Recommendation 5	Merge polling districts. Only 68 people turned out to vote at the Efford Youth Centre at the local elections (PH).	Agreed: 3 members
Ward: Egguckland Polling Place/District: HB Polling Station: Brake Farm Community Resource Centre (Mobile unit used at local elections as emergency replacement) Reference: Recommendation 6	Brake Farm Community Resource Centre closed in December 2011. This location can be replaced with Crownhill Methodist Church (also see above Budshead ward above). The following roads would be transferred from Polling District HC - Alexandra Road, Morshead Road and Tavistock Road to Polling District HB.	Agreed: 2 members No comment: 1 member
Ward: Ham Polling Place/District: BA Polling Station: St Philips Church Hall Reference: Recommendation 7	The current location is due for demolition in August 2012 and a replacement is required. Replacement: Weston Mill Primary School situated in polling district BB. St Philips Church will be available from 2014 when rebuilt.	No comment: 3 members
Ward: Plympton Erle Polling Place/District: SA Polling Station: Mobile unit at Valley Road Reference: Recommendation 8	Replace mobile unit with Plympton St Mary's C of E Infants School, Market Road and transfer a number of voters from polling district SC (St Mary's Church not available for use). The following roads would be transferred: Almeria Court, Amados Drive, Horse Shoe Drive, Kennel Hill Close, Longbrook Barton, Market Road, Merafield Drive, Old Priory, Priory Mill, Rock Terrace.	Agreed: 2 members

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
<p>Ward: Plymstock Dunstone Polling Place/District: UF Polling Station: Elburton Primary School</p> <p>Reference: Recommendation 9</p>	<p>Polling Place/Polling District UF to be divided.</p> <p>The new boundary would run along Elburton Road with voters on the Sherford Road side allocated St Matthews Church and this district would be allocated the letters UF. The remaining voters allocated Elburton Methodist Church and allocated the letters UD.</p> <p>This would save a school being used.</p> <p>Also see below for additions to one of these new polling districts.</p>	<p>No comment: 3 members</p>
<p>Ward: Plymstock Dunstone Polling Place/District: UD Polling Station: Coombe Dean School/Mobile units used at Charnhill Way and Blackstone Close at 2012 local elections</p> <p>Continued</p>	<p>Divide Polling District UD between Polling Districts UC and UF.</p> <p>A number of voters would vote at Goosewell Primary School with the remainder allocated Elburton Methodist Church.</p> <p>UD voters allocated to Elburton Methodist Church: -</p> <p>Andurn Close - Blackstone Close - Charnhill Close - Charnhill Way - Coach House Mews - Coltness Road - Dunstone Lane - Dunstone View – Gara Close - Hogarth Close - Hogarth Walk – Langdon Court – Mena Park Close - Mena Park Road – Netton Close - Raphael Close - Raphael Drive - Renoir Close - Reservoir Road (9 – 41 & 2 – 26) - Springfield Avenue - Springfield Close - Springfield Lane - Springfield Rise - Springfield Road (141 – 177) - Wembury Road - Woodview Park</p>	<p>No comment: 3 members</p>

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
<p>Continued</p> <p>Reference: Recommendation 10</p>	<p>Continued</p> <p>UD voters allocated to Goosewell Primary School:</p> <p>Douglas Drive - Fletcher Crescent - Fletcher Way - Furzehatt Avenue - Furzehatt Park Road - Furzehatt Rise - Furzehatt Road - Furzehatt Way - Great Churchway - Higher Churchway - Mid Churchway - Springfield Road (179 – 209 and 200 – 212</p> <p>This would save using an Academy or two mobile units.</p>	<p>No comment: 3 members</p>
<p>Ward: St Budeaux Polling Place/District: CB & CC Polling Station: St Budeaux Baptist Church / St Boniface Church Hall</p> <p>Reference: Recommendation 11</p>	<p>Merge polling districts.</p> <p>St Budeaux Baptist Church is no longer available and merger at the local elections worked well.</p>	<p>Agreed: 3 members</p>

3.5 Changes not requiring a Council decision

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
<p>Ward: Egguckland Polling Place/District: HE Polling Station: Austin Farm Primary School (Children's Centre used at 2012 local elections)</p>	<p>At the 2012 local elections The Children's Centre proved to be inadequate and Austin Farm Primary School must be re-instated.</p>	<p>Agreed: 2 members No comment: 1 member</p>
<p>Ward: Stoke Polling Place/District: JA Polling Station: Stuart Road Primary School</p>	<p>St Barnabas Church Hall to replace Stuart Road Primary School.</p> <p>This would save a school being used, but provide a polling station on the very edge of the polling district.</p>	<p>Agreed: 2 members Not Agreed: 1 member</p>

Ward / Polling Place / Polling District / Polling Station	Suggested Alterations	Ward member response
Ward: Compton Polling Place/District: LE Polling Station: Swarthmore Centre	Mutley Baptist to replace the Swarthmore Centre.	Agreed: 1 member No comment: 2 members

Timothy Howes
Returning Officer and Electoral Registration Officer

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