Agenda for a meeting of the WARWICKSHIRE COUNTY COUNCIL to be held at the SHIRE HALL, WARWICK on TUESDAY 22 MARCH 2016 at 10.00 AM.

Please note that this meeting will be filmed for live broadcast on the internet. Generally, the public gallery is not filmed, but by entering the meeting room and using the public seating area you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. All recording will be undertaken in accordance with the Council's protocol on filming and use of social media.

AGENDA

1. General

(1) Apologies for absence.

(2) Members' Disclosures of Pecuniary and Non-pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes

To confirm the minutes of the meeting held on 23 February 2016.

(4) Announcements

To receive any announcements from the Chair of the Council, Leader, Cabinet Members or Chief Executive.

(5) Public Speaking

To note any requests to speak in accordance with the Council's Public Speaking Scheme.

2. Treasury Management Strategy 2016/17

Cabinet Portfolio Holder: Councillor Alan Cockburn

Cabinet considered the Treasury Management Strategy at its meeting on 18 February and agreed that it be recommended to Council for approval.

3. Earmarking of up to 5% of Capital Receipts to maintain the Council's Land Bank

Cabinet Portfolio Holder: Councillor Alan Cockburn

Cabinet revised the County Farms and Smallholdings Strategy in December 2015 and subsequent changes were made to Portfolio Holder and officer delegations in line with the revised strategy. Cabinet also agreed to recommend that Council agree to the earmarking of 5% of capital receipts from the sale of smallholding land to acquire replacement land and property.

4. Local Pension Board

The County Council approved the appointment of Councillors Alan Cockburn and Matt Western to the Local Pension Board on 19 May 2015. Councillor Peter Morson has been nominated to replace Councillor Western on the Board. The Council is requested to agree the appointment.

5. One Warwickshire Estate

To consider the following notice of motion:

'That Warwickshire County Council seeks the cooperation of the district and borough councils and other public bodies to establish a common public property asset register for Warwickshire to facilitate the delivery of public services across the County'

Proposer: John Holland

Seconder: Matt Western

6. Member Question Time

A period of up to one hour is allocated for question time. Extension beyond this time is at the discretion of the Chair.

6.1 Questions on Notice (Standing Order 7.2)

Cabinet Portfolio Holders and Chairs of Overview and Scrutiny Committees will be invited to respond to any written questions from Members.

6.2 Questions without Notice to Leader of the Council and Cabinet Portfolio Holders (Standing Orders 7.7 and 7.8)

The Leader of the Council and Cabinet Portfolio Holders will be invited to respond to any oral questions from Members. Supplementary questions will not be permitted.

7. Any other items of urgent business.

To consider any other items that the Chair considers are urgent.

8. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.

EXEMPT ITEM FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).

9. Capital Programme provision for strategic site promotion and planning applications

Cabinet Portfolio Holder: Councillor Alan Cockburn

The Council's approval is sought for an addition of funding to the Capital Programme in relation to strategic site promotion and planning applications.

10. The Future Management and Operation of Stratford Park and Ride

Cabinet Portfolio Holder: Councillor Alan Cockburn

Cabinet on 18 February agreed an option for the future management and operation of Stratford Park and Ride and now requests Council's approval to the earmarking of a capital receipt to fund on-site infrastructure changes.

11. Decisions taken under the urgency procedure

The Leader of the Council is required to report to Council any decisions taken by Cabinet or a Cabinet Portfolio Holder that have been agreed under the urgency procedure. The urgency procedure requires agreement that the decision is urgent by the Chair of the relevant Overview and Scrutiny Committee and removes any right of members to call-in or delay the decision. There have been two decisions taken under the urgency procedure since the last reported to Council in September and both were exempt and are summarised in the exempt report to this meeting for the Council to note.

JIM GRAHAM
Chief Executive
Shire Hall
Warwick
March 2016

Public Speaking
Members of the public who are resident or working in Warwickshire may speak for up to three minutes on an item in the public part of the agenda. Notice of a request to speak must be made to the Chief Executive at least three working days before the meeting.

For advice on the public eligibility to speak and the procedure, or any enquiries regarding this agenda, please contact Janet Purcell, Democratic Services Manager, Law & Governance, Resources Group Tel: 01926 413716.
Email:janetpurcell@warwickshire.gov.uk

Minutes of the Meeting of Warwickshire County Council held on 23 February 2016

Present:

Councillor Bob Stevens (Chair)

Councillors: John Appleton, John Beaumont, Sarah Boad, Mike Brain, Peter Butlin, Les Caborn, Richard Chattaway, Jonathan Chilvers, Chris Clark, Jeff Clarke, Alan Cockburn, Jose Compton, Yousef Dahmash, Corinne Davies, Nicola Davies, Neil Dirveiks, Peter Fowler, Jenny Fradgley, Bill Gifford, Mike Gittus, Brian Hawkes, Colin Hayfield, Bob Hicks, John Holland, John Horner, Julie Jackson, Philip Johnson, Kam Kaur, Danny Kendall, Bernard Kirton, Keith Kondakor, Joan Lea, Jeff Morgan, Phillip Morris-Jones, Peter Morson, Brian Moss, Bill Olner, Maggie O'Rourke, Dave Parsons, Mike Perry, Caroline Phillips, Wallace Redford, Clive Rickhards, Howard Roberts, Kate Rolfe, Jerry Roodhouse, Chris Saint, Izzi Seccombe, Dave Shilton, Jenny St. John, June Tandy, Heather Timms, Angela Warner, Alan Webb, Mary Webb, Matt Western, John Whitehouse and Chris Williams.

1. General

(1) Apologies for absence

Apologies for absence were submitted on behalf of Councillors Richard Dodd, Sara Doughty and Keith Lloyd.

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Jenny St John declared a non- pecuniary interest as Chair of the Advisory Board of Warwickshire Youth Centres.

Councillor Julie Jackson declared a non-pecuniary interest as a member of Nicholas Chamberlaine Schools Foundation and as a governor of St Michaels C of E School which has a children's centre.

(3) Minutes

Resolved

That the minutes of the meeting held on 4 February 2016 be approved as a correct record.

(4) Announcements

Harry Jenkins, Young Poet Laureate

The Chair welcomed Harry Jenkins, pupil of Warwick School, who had recently been made Warwickshire Young Poet Laureate 2016 following a competition from a short list of five young people aged 13-17.

In his first three weeks Harry had already performed at Warwick Library on National Libraries Day, been interviewed by BBC Coventry and Warwickshire and recited a poem at the opening of the new Southam Library.

Harry recited his poem ‘Warwick/Kenilworth’ about the two castles.

Open evening- 28 February 2016

The Chair reminded members that the open evening would take place on Saturday 28 February and that members were welcome to bring guests.

2. 2016/17 Budget – Transitional Grant and Other Information

The Council had before them a report setting out the final Local Government Finance Settlement for 2016/17. The Government had confirmed the Public Health Grant, Independent Living Fund and Better Care Fund but, in addition, had also notified councils ‘with the sharpest reductions in revenue support grant’ of an additional transitional grant. It was noted that the amount provided for Warwickshire County Council is £2.990 million for 2016/17 with a further indicative £2.993 million for 2017/18. The Council considered proposals for allocating the transitional grant (as set out below). It was noted that none of the proposals required any change to the precept level agreed by Council on 4 February 2016.

A Conservative Group Proposal

Councillor Izzi Seccombe, Leader of the Council, moved that the Council agree the proposed allocation of the additional transitional grant as set out at **Appendix A** to these minutes. Councillor Izzi Seccombe stated that the additional grant would provide some assistance but stressed the need to be prudent given it was one-off money and that the financial challenges before the council over the next few years is considerable. Councillor Seccombe explained that, given the financial position, the Conservative Group proposed to allocate funding to some ‘invest to save’ projects as listed in Appendix A but to £1.990 million to the Medium Term Contingency to manage the implementation of further spending reductions for 2017 to 2020.

Councillor Alan Cockburn, Deputy Leader of the Conservative Group, seconded the proposals.

B Labour Group Amendment

Councillor June Tandy, Leader of the Labour Group, moved the amendment set out at Appendix B to these minutes.

Councillor Tandy welcomed the transitional funding but expressed her disappointed at the low level, particularly compared to other authorities, and would not prevent the further cuts required by the decreased grant settlement. Councillor Tandy explained that the Labour Group’s amendment sought to use the transitional grant to enable some services breathing space whilst also retaining a contingency to manage the implementation of spending reductions.

Councillor Richard Chattaway, Deputy Leader of the Labour Group, seconded the amendment.

C Liberal Democrat Group Amendment

Councillor Jerry Roodhouse, Leader of the Liberal Democrat Group, moved the amendment set out at **Appendix C** to these minutes.

Councillor Jerry Roodhouse expressed his concern that the funding is only one off and will not address the funding issues for Warwickshire, but considered it should be used to help smooth out the impact of the reduced funding.

Councillor Sarah Boad, Deputy Leader of the Liberal Democrat Group, seconded the amendment.

D Green Group Amendment

Councillor Jonathan Chilvers, Deputy Leader of the Green Group, moved the amendment set out at **Appendix D** to these minutes.

Councillor Chilvers explained that the Green Group proposed some small allocations of funding to areas that would bring big benefits but proposed that the majority of the one off transitional grant should be put to the Medium Term Contingency to manage the implementation of the further spending reductions that will be required.

Councillor Keith Kondakor, Leader of the Green Group, seconded the amendment.

Following a debate, the vote was taken as set out below:

VOTE

Amendment at D: 2 for, 57 against: LOST

Amendment at C: 8 for, 47 against, 4 abstentions: LOST

Amendment at B: 23 for, 34 against, 2 abstentions: LOST

Proposal at A: 26 for, 31 against, 2 abstentions: LOST

The Council adjourned at 12.20 pm and reconvened at 1.45 pm.

E Conservative Group Revised Proposal

Councillor Izzi Seccombe, Leader of the Council, moved the revised proposal set out at **Appendix E** to these minutes.

Councillor Alan Cockburn, Deputy Leader of the Conservative Group, seconded the proposal.

F Amended Labour Group and Liberal Democrat Group Proposal

Councillor June Tandy, Leader of the Labour Group, moved the proposal set out at **Appendix F** to these minutes. Councillor Jerry Roodhouse, Leader of the Liberal Democrat Group, seconded the proposal.

Councillor Keith Kondakor, Leader of the Green Group, moved the following amendment to F:

"That £35,000 be allocated for developing cycling bids for capital money and developer funding and that £505,000 be added to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020."

Councillor June Tandy accepted the amendment.

VOTE
The proposal at **Appendix F** was put to the vote and was AGREED, the vote being 32 for and 26 against. A recorded vote was taken as set out below:

For	Against	Abstentions
Cllr John Beaumont	Cllr John Appleton	*None*
Cllr Sarah Boad	Cllr Mike Brain	
Cllr Richard Chattaway	Cllr Peter Butlin	
Cllr Jonathan Chilvers	Cllr Les Caborn	
Cllr Chris Clark	Cllr Jeff Clarke	
Cllr Corinne Davies	Cllr Alan Cockburn	
Cllr Nicola Davies	Cllr Jose Compton	
Cllr Neil Dirveiks	Cllr Yousef Dahmash	
Cllr Jenny Fradgley	Cllr Peter Fowler	
Cllr Bill Gifford	Cllr Mike Gittus	
Cllr Brian Hawkes	Cllr Colin Hayfield	
Cllr Bob Hicks	Cllr John Horner	
Cllr John Holland	Cllr Kam Kaur	
Cllr Julie Jackson	Cllr Danny Kendall	
Cllr Philip Johnson	Cllr Joan Lea	
Cllr Bernard Kirton	Cllr Jeff Morgan	
Cllr Keith Kondakor	Cllr Phillip Morris-Jones	
Cllr Peter Morson	Cllr Mike Perry	
Cllr Brian Moss	Cllr Howard Roberts	
Cllr Bill Olner	Cllr Chris Saint	
Cllr Maggie O'Rourke	Cllr Izzi Seccombe	
Cllr Dave Parsons	Cllr Dave Shilton	
Cllr Caroline Phillips	Cllr Bob Stevens	
Cllr Clive Rickhards	Cllr Heather Timms	
Cllr Kate Rolfe	Cllr Angela Warner	
Cllr Jerry Roodhouse	Cllr Chris Williams	
Cllr Jenny St John		
Cllr June Tandy		
Cllr Alan Webb		
Cllr Mary Webb		
Cllr Matt Western		
Cllr John Whitehouse		

Resolved

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as set out in **Appendix F** to these minutes

3. West Midlands Combined Authority

A Councillor John Whitehouse moved the following motion:

> 'This Council decided on 3rd September 2015 not to enter into the West Midlands Combined Authority (WMCA) at that time. It subsequently decided on 24th September 2015 that all options should be explored, including any improved WMCA proposal.
>
> We believe that the Council should now explore fully the option of joining the WMCA as a constituent member. Officers should be tasked with developing a full business case, bringing it to Council within a period not exceeding six months.'

Councillor John Whitehouse explained that he considered it is an appropriate time to explore the option of joining the WMCA and that the longer the delay the less opportunity there will be to influence the development of the WMCA and the increased danger there is of Warwickshire County Council being left behind or at worse having to hand over the Council's share of a function. Councillor Whitehouse added that he appreciated that there are still a number of unknowns and that these should be explored in developing the business case, which should include setting out what Warwickshire would expect to achieve from joining and what the Warwickshire offer could be. Councillor Whitehouse added that he would welcome this being sooner than six months if possible.

Councillor Jerry Roodhouse, Leader of the Liberal Democrat Group, seconded the proposal and emphasised the need for Warwickshire to agree its objectives and 'asks' as soon as possible.

Councillor June Tandy, Leader of the Labour Group, moved that the following words be added to the motion: ….'and with a target of three months.'

Councillor John Whitehouse accepted the amendment.

B Councillor Izzi Seccombe, Leader of the Council, moved that the words 'and with a target of three months' be removed from the motion given that this timescale would mean a decision would be taken before the outcome of the EU referendum which she considered could impact on devolution deals and the funding available.

Councillor Izzi Seccombe expressed concern that the governance arrangements would be difficult; that Warwickshire, as the largest partner geographically and the most economically successful, would be contributing resources over which the Council would not have full control; and that it is doubtful how the rural area would be supported. Councillor Seccombe added that if the Council does decide to join, then everything must be done to ensure Warwickshire obtains the best deal.

Councillor Alan Cockburn seconded the amendment.

The following points were made in the debate that followed:

For the proposal:

- It is better to be in the discussions and have the opportunity to influence the shape of the WMCA.
- The WMCA provides a long term commitment to major transport funding.
- Local government is being ‘hollowed out’ but the combined authority may offer the opportunity to have local control over improved infrastructure.
- The target of three months is aspirational but the Council should consider this before the summer

Against the proposal:

- The funding is unclear. £8bn over 30 years has been quoted but 50% (£4.4bn) is already allocated to the HS2 growth strategy which is mainly within Birmingham and the £30m for skills is not enough.
- The Transport Bill will give all councils more control over local transport regardless of joining the WMCA.
- The deprivation levels in Warwickshire are lower than those in the WMCA which indicates that resources will be deflected away from Warwickshire
- It will cost £500,000 to join.

VOTE

The amendment proposed at B above was put to the vote and was LOST, the vote being 24 for and 25 against.

The proposal (with the addition of the words and ‘with a target of three months’) was put to the vote and was AGREED, the vote being 28 for, 24 against and 2 abstentions.

Resolved

That the Council should now explore fully the option of joining the WMCA as a constituent member. Officers should be tasked with developing a full business case, bringing it to Council within a period not exceeding six months and with a target of three months.

4. Member Question Time

4.1 Questions on Notice (Standing Order 7.2)

(1) Unitary Local Government

Councillor Jerry Roodhouse asked the following question of Councillor Izzi Seccombe, Leader of the Council

‘This Council decided on 25th February 2014 that:

" …it is in the public interest to explore the opportunities of Unitary Local Government. It will engage with members of the public, other public sector bodies, businesses, the voluntary sector and Central Government to develop ideas around this way of working. It will provide evidence - based analysis so that the people of Warwickshire can form their own views about unitary solutions".

Can the Leader explain why, two years later, little or no progress has been made in pursuing this agreed course of action, while the financial pressures on local government have become much more severe, and the need to co-operate at all levels more paramount?'

Councillor Izzi Seccombe, Leader of the Council, replied that at the time of the earlier debate the Secretary of State had made it clear that he was not interested in any unitary proposals. The current Secretary of State does not take the same view but any proposal has to have local support and as Warwickshire does not have the support of district and borough councils a proposal would not get approval.

Councillor June Tandy, Leader of the Labour Group, asked whether the Leader would support Warwickshire being a unitary authority. Councillor Izzi Seccombe answered that as it will not happen she is not prepared to give a view.

4.2 Questions without Notice to Leader of the Council and Cabinet Portfolio Holders (Standing Orders 7.7 and 7.8)

<u>Public Health Warwickshire Neighbourhood Development Guide</u>

Councillor Jonathan Chilvers asked Councillor Les Caborn, Cabinet Portfolio Holder for Health, what impact the new guide would have on how Warwickshire County Council responds to planning applications.

Councillor Les Caborn replied that he had received good feedback on the document which had been sent out to all councillors and to district/borough and parish councils (who had also contributed to its development). He added that it is not enforceable but the intention is that officers and members, whenever considering plans or initiatives, will take cognisance of the guide. It is a live document and will be updated as new ideas and evidence comes forward.

<u>LEP Performance</u>

Councillor Keith Kondakor referred to the recent report of the National Office for Statistics which showed that the Coventry and Warwickshire LEP had fallen from a top performer to being the second worst in the country in terms of gross added value per head of population. Councillor Kondakor asked Councillor Izzi Seccombe whether she would put pressure of the CWLEP to diversify rather than focus on just one industry and to also look more widely geographically to get more level growth.

Councillor Izzi Seccombe agreed that there should not be a single focus and that it was important to encourage a wider skills set and provide a wider range of opportunities. The promotion of the wider County area also encourages this diversification. Councillor Seccombe undertook to continue to push for this.

5. Any other items of urgent business

None

6. Reports Containing Confidential or Exempt Information

Resolved

That members of the public be excluded from the meeting for the item mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

7. Exempt Minutes of the meeting held on 8 December 2015

Resolved

That the exempt minutes of the meeting held on 8 December 2015 be agreed as a correct record.

The meeting rose at 3.26 p.m.

…………………………………………
Chair

Minutes of the meeting of Council held on 23 February 2016 Minute 2 Appendix A

Conservative Group Proposal
2016/17 Budget – Transitional Grant and Other Information

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- Invest £250,000 in 2016/17 and 2017/18 in assistive technology within adult social care on an invest-to-save basis.
- Invest £150,000 in 2016/17 and 2017/18 carers' support, in particular dementia support, to expand the Alcester scheme to other areas of the county.
- Invest £100,000 in 2016/17 and 2017/18 on falls prevention to prevent admissions to hospital.
- Add £1,990,000 to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

Rationale
All Members are aware of the significant financial challenge ahead and the fundamental change to services and service delivery that will be required to deliver a balanced budget in future years. Setting aside some dedicated resource to invest in adult social care projects that will contribute towards closing the growing gap between demand and resource for social care is therefore a forward-looking, prudent approach.

This investment is also consistent with the requirement for the health and social care system to jointly produce a place-based Sustainability and Transformation Plan, through to March 2021, that includes prevention, self-care, client empowerment and a digital approach.

Comment from the Head of Finance
"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Minutes of the meeting of Council held on 23 February 2016 Minute 2 – Appendix B

2016/17 Budget – Transitional Grant and Other Information

Labour Group Amendment

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- Invest £500,000 in 2016/17 and 2017/18 towards supporting adult social care, focussing on supporting sustainable solutions and quality services for vulnerable people.
- Invest £300,000 in 2016/17 and 2017/18 in a targeted approach to Children Centres focusing on front-line community work and developing local solutions in the areas of most social need.
- Invest £50,000 in 2016/17 in supporting the development of Super Kitchens.
- Invest £350,000 in 2016/17 and 2017/18 focused on developing and identifying immediate solutions to children and young people with mental health issues.
- Invest £108,000 in supporting the library network
- Invest £100,000 in 2016/17 towards protecting the current level of vital road safety education work in our schools while enabling a more realistic timescale to develop new ways of funding it.
- Add £432,000 to the Medium Term Contingency to manage and provide flexibility to the implementation of current planned and future spending reductions.

Rationale

We are disappointed that Government does not recognise the service needs of people to Warwickshire. The Government's £2.990 million for each of 2016/17 and 2017/18 is only a Transitional Grant. It will not provide stability of services for our residents.

We are taking the opportunity in some service areas to protect from immediate cuts now and enable some areas a little breathing space so that they can consider how they will reduce their services to the residents of Warwickshire.

We have not used the full amount of Transitional Grant made available, as we know that the financial pressure, this year, in key service areas will mean we need flexibility to be able to continue to provide vital services for our residents for as long as possible.

Comment from the Head of Finance

"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Minutes of the meeting of Council held on 23 February 2016   Minute 2 Appendix C

2016/17 Budget – Transitional Grant and Other Information
Liberal Democrat Amendment

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- Invest £500,000 in 2016/17 and 2017/18 in supporting adult social care, focussing on supporting sustainable solutions for carers and seeking better use of new technology to allow older people to live independently in their own homes for longer.
- Invest £300,000 in 2016/17 and 2017/18 in front line community work using the invest-to-save principle and focused on the mental health issues of supporting children and young people.
- Invest £108,000 in 2016/17 towards supporting the Library network.
- Invest £100,000 in 2016/17 towards protecting the current level of vital road safety education work in our schools while enabling a more realistic timescale to develop new ways of funding it.
- Add £1,182,000 to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

Rationale
We recognise that the Government's £3.0 million for each of 2016/17 and 2017/18 is a Transitional Grant and is only one-off funding, and that it does not meet the needs of Warwickshire County Council. However it does allow us the opportunity in some service areas to invest now for future savings, and to enable some areas the breathing space needed so that they can prepare for the future with less funding.

We have not used the full amounts of Transitional Grant made available, as we know that extra resources will be needed to address future pressures.

Comment from the Head of Finance
"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Minutes of the meeting of Council held on 23 February 2016 Minute 2 Appendix D

2016/17 Budget – Transitional Grant and Other Information
Green Group Amendment

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- To spend £367,000 in 2016/17 on invest-to-save and economic development activities with a high cost benefit ratio, as follows:
  - £50,000 on energy efficiency investment in our own buildings
  - £42,000 maintaining the staffing in the arson reduction team
  - £50,000 on investing in the in house adoption and fostering service
  - £75,000 on developing cycling bids for capital money and developer funding
  - £100,000 for developing a business case for Stockingford station
  - £50,000 on supporting town centre Wifi projects

- To add the balance of £2,623,000 of the Transitional Grant to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

Comment from the Head of Finance

"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Minutes of the meeting of Council held on 23 February 2016   Minute 2 Appendix E

2016/17 Budget – Transitional Grant and Other Information

Conservative Group amended Proposal

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- Invest £250,000 in 2016/17 and 2017/18 in assistive technology within adult social care on an invest-to-save basis.
- Invest £150,000 in 2016/17 and 2017/18 carers' support, in particular dementia support, to expand the Alcester scheme to other areas of the county.
- Invest £100,000 in 2016/17 and 2017/18 on falls prevention to prevent admissions to hospital.
- Invest £300,000 in 2016/17 and 2017/18 in front line community work using the invest-to-save principle and focused on the mental health issues of supporting children and young people.
- Invest £108,000 in 2016/17 towards supporting the library network, including community libraries.
- Invest £100,000 in 2016/17 towards protecting the current level of vital road safety education work in our schools while enabling a more realistic timescale to develop new ways of funding it.
- Use £42,000 to maintain the staffing in the Arson Reduction Team in 2016/17
- Add £1,140,000 to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

Comment from the Head of Finance

"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Minutes of the meeting of Council held on 23 February 2016 Minute 2 Appendix F

2016/17 Budget – Transitional Grant and Other Information

Agreed Proposal

Resolved

That Council agrees to use the £2,990,000 additional one-off Transitional Grant for 2016/17 as follows:

- Invest £250,000 in 2016/17 and 2017/18 in assistive technology within adult social care on an invest-to-save basis.
- Invest £150,000 in 2016/17 and 2017/18 carers' support, in particular dementia support, to expand the Alcester scheme to other areas of the county.
- Invest £100,000 in 2016/17 and 2017/18 on falls prevention to prevent admissions to hospital.
- Invest £300,000 in 2016/17 and 2017/18 in front line community work using the invest-to-save principle and focused on the mental health issues of supporting children and young people.
- Invest £108,000 in 2016/17 towards supporting the library network.
- Invest £100,000 in 2016/17 towards protecting the current level of vital road safety education work in our schools while enabling a more realistic timescale to develop new ways of funding it.
- Invest £300,000 in 2016/17 and 2017/18 to support frontline family support work with individuals in the most need in line with the developing 0-5 strategy.
- Invest £35,000 in developing cycling bids for capital money and developer funding
- Use £42,000 to maintain the staffing in the Arson Reduction Team in 2016/17
- Add £505,000 to the Medium Term Contingency to manage the implementation of further spending reductions required for 2017 to 2020.

Comment from the Head of Finance

"This proposal does not increase the significant financial risk to the authority in future years and does not increase the need to deliver savings in future years beyond that required as a result of the Local Government Finance Settlement."

Council

22 March 2016

Treasury Management Strategy 2016/17

Recommendations from Cabinet

1. That the County Council approves the Treasury Management Strategy and Investment Strategy for 2016/17 and that its provisions have immediate effect in the current financial year 2015/16.

2. That the Prudential Indicators (see **Appendix A**) as approved by Council in February 2016 are noted.

3. That the County Council requires the Head of Finance to ensure that net borrowing does not exceed the prudential level as specified in **Appendix A**, taking into account current commitments, existing plans, and the proposals in the budget report.

4. That the County Council delegates authority to the Head of Finance to undertake all the activities listed in **Appendix G** of this report, subject to the use of any new financial instruments being approved by Cabinet.

5. That the County Council requires the Head of Finance to implement the Minimum Revenue Provision Policy as specified in **Appendix H**.

1 Introduction

Background

1.1 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing security of capital and sufficient liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasions, debt previously drawn may be restructured to meet Council risk or cost objectives.

Statutory Requirements

1.4 The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.5 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included in section 7 of this report). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA Requirements

1.6 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (original 2001 Code) was adopted by this Council on 24 January 2002 by Cabinet. The revised Code (published in November 2009) was adopted on 25 February 2010 by Cabinet.

1.7 The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement, to include the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual (stewardship) Report covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Resources and Fire & Rescue Overview and Scrutiny Committee.

Treasury Management Strategy for 2016/17

1.8 The proposed strategy for 2015/16 is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Capita Asset Services (Capita).

1.9 The strategy covers:

- Treasury limits for 2016/17 to 2018/19
- Prudential Indicators
- Prospects for Interest Rates
- Borrowing Strategy
- Debt Rescheduling
- Annual Investment Strategy
- Minimum Revenue Provision Strategy

Balanced Budget Requirement

1.10 Under Section 33 of the Local Government Finance Act 1992, it is a statutory requirement for the Council to produce a balanced budget. In particular, Section 32 states a local authority must include the revenue costs that flow from capital financing decisions in its budget requirement for each financial year. Therefore increases in capital expenditure must be limited to a level whereby charges to revenue derived from increases in interest charges (caused by increased borrowing to finance additional capital expenditure and any increases in running costs from new capital projects) are limited.

2 Treasury Limits for 2016/17 to 2018/19

2.1 It is a statutory duty under Section 3 of the Act and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales, the Authorised Limit represents the legislative limit specified in the Act.

2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and the impact upon its future council tax is 'acceptable'.

2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion in corporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit can be found in **Appendix A** of this report. Explanations of the terminology employed in the Appendix can be found in **Appendix B.**

3 Prudential Indicators for 2016/17 to 2018/9

3.1 Prudential and Treasury Indicators (**Appendix A** to this report) are relevant for the purposes of setting an integrated Treasury Management Strategy.

3.2 Council approved the Prudential Indicators as part of the budget resolution in February 2016. These indicators will be revised, if necessary, for the Council approved capital programme.

3.3 The Prudential Indicators are relevant for the purposes of setting an integrated Treasury Management Strategy. The indicators are provisional and based on the current agreed capital programme.

4 Prospects for Interest Rates

4.1 The Council has appointed Capita as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. The table below sets out Capita's view on the future Bank Rate.

Capita Bank Rate Forecast

Period	Bank Rate %
Until December 2016	0.50
Until June 2017	0.75
Until December 2017	1.00
Until June 2018	1.25
Until December 2018	1.50
Until March 2019	1.75

4.2 A detailed view of the current economic background is contained within **Appendix C** to this report.

5 Borrowing Strategy

5.1 The Council is currently maintaining an over borrowed position. This means there is no current need for capital borrowing (the Capital Financing Requirement). Based on the estimates of medium term capital expenditure, the Council's gross borrowing covers the Capital Financing Requirement until 2018/19.

5.2 The Treasury Team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the Resources and Fire & Rescue Overview and Scrutiny Committee at the next opportunity.

5.3 The Capita forecast for the PWLB new borrowing rate is as follows:

Annual Average %	PWLB Borrowing Rates % (including certainty rate adjustment)		
	5 year	25 year	50 year
Mar 2016	2.00	3.40	3.20
Jun 2016	2.10	3.40	3.20
Sep 2016	2.20	3.50	3.30
Dec 2016	2.30	3.60	3.40
Mar 2017	2.40	3.70	3.50
Jun 2017	2.50	3.70	3.60
Sep 2017	2.60	3.80	3.70
Dec 2017	2.70	3.90	3.80
Mar 2018	2.80	4.00	3.90
Jun 2018	2.90	4.00	3.90
Sep 2018	3.00	4.10	4.00
Dec 2018	3.10	4.10	4.00
Mar 2019	3.20	4.10	4.00

5.4 In view of the above forecast, the Council's borrowing strategy will be based upon the following:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates.
- Internal borrowing will be weighed against potential long term costs that will be incurred if market loans at long term rates are higher in future years.
- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- PWLB borrowing for periods under ten years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a current concentration in longer dated debt.

5.5 Against this background and the risks within the economic forecast, caution will be adopted within the treasury operations in 2016/17. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast in world economic activity or a sudden increase in inflation risks, then the portfolio position will be reappraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years

Policy on borrowing in advance of need

5.8 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

5.9 In determining whether borrowing will be undertaken in advance of need, the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to fund in advance of need;
- ensure the ongoing revenue liabilities created, and the implications on future plans and budgets have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate time periods and repayment profiles;
- consider the impact on temporarily (until required to finance capital expenditure) increasing cash balances and the consequent increase in exposure to counterparty and other risks in light of the residual level of such risks given the controls in place to manage them.

Scheme of Delegation

5.10 The scheme of delegation in terms of financing options and decisions to be taken by the Head of Finance is shown in **Appendix G.**

6 Debt Rescheduling

6.1 As short term borrowing rates will be considerably cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of debt repayments.

6.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings;
- helping to fulfil the strategy
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).

6.3 Consideration will also be given to identify if there is any potential for making savings by running down investment balances in order to repay debt prematurely as short term interest received on investments is likely to be lower than interest paid on current debt.

6.4 The Council has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt position. However, the premium that would be incurred by doing so means there would need to be careful analysis of the cost and benefit from such early repayment. It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority is a founder member and would consider the agency alongside the PWLB in the event that borrowing was required.

7 Annual Investment Strategy

Investment Policy

7.1 The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

7.2 The Council's investment priorities will be security first, liquidity second and then return.

7.3 In accordance with the above, and in order to minimise the risk to investments, the Council has stipulated in **Appendix E**, the minimum acceptable credit quality of counterparties for inclusion on the lending list.

7.4 Furthermore, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which the institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to monitor market pricing such as Credit Default Swaps and overlay that information on top of the credit ratings.

7.5 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny of the suitability of potential investment counterparties. The aim of the strategy is to generate a list of highly creditworthy counterparties which will enable diversification and therefore avoid concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.

7.6 Investment instruments identified for use in the financial year are listed in **Appendix E** under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules.

Creditworthiness Policy

7.7 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that it maintains a policy covering both the categories and types of investment that It will invest in and the criteria for choosing investment counterparties with adequate security and the monitoring of their security. This is set out in the specified and non-specified investment sections in **Appendix E**. Also that It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

7.8 The Head of Finance will maintain a counterparty list in compliance with the criteria and will revise and submit the criteria to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

7.9 The Council will ensure that it maintains its policy covering both the categories and types of investment, the criteria for choosing investment counterparties with adequate security, and the monitoring of that security. Moreover, it will ensure it has sufficient liquidity in its investments. For this purpose, it will follow procedures for determining the maximum periods for which funds may be committed according to future cash flow requirements. The Head of Finance will maintain a list of counterparties in compliance with the stated criteria, providing a high quality pool of counterparties which the Council may use.

7.10 Credit rating information is supplied by Capita, our treasury consultants, on all counterparties that comply with the stated criteria. Any counterparty failing to meet the criteria will be deleted from the counterparty lending list. Any rating changes, watches (notification of a likely change), or outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

Country Limits

7.11 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or an equivalent rating from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria at the current time are shown in **Appendix F**. This list will be amended by officers as and when ratings change in accordance with this policy.

Investment Strategy

7.12 The Council has in-house managed funds that are mainly cash flow derived and a core balance available for investment over a maximum one year period. Investments will be made with regard to the core balance, cash flow requirements and the outlook for short term interest rates.

7.13 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

End of Year Investment Report

7.14 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

External Fund Managers

7.15 The County Council uses a number of external managers to spread risk and obtain maximum market exposure. The fund managers will use both specified and non-specified investments and must comply with the terms set out in **Appendix E**. External fund managers actively used are listed below.

Fund Manager	**Product/Fund Name**
CCLA	Public Sector Deposit Fund
CCLA	Local Authority Property Fund
Standard Life	Short Duration Cash Fund
Aberdeen Asset Management	Sterling Liquidity Fund
Federated Investors	Sterling Liquidity Fund
Columbia Threadneedle	UK Social Bond Fund
Aviva Investors	Sterling Core Liquidity Fund

Policy on the Use of External Service Providers

7.16 The Council uses Capita as its external treasury management advisers. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subject to regular review.

Role of the Section 151 Officer

7.17 Please see **Appendix G**.

Pension Fund Cash

7.18 This Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, implemented 1 January 2010. With effect 1 April 2010, the Council does not pool pension fund cash with its own cash balances for investment purposes.

Any investments made by the pension fund directly with this local authority after 1 April 2010 must comply with the requirements of SI 2009 No 393.

8 Minimum Revenue Provision

8.1 The Council's policy on Minimum Revenue Provision (MRP) is shown in Appendix H.

Background papers

None

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APPENDICES

A. Prudential and Treasury Indicators

B. Prudential Term Explanations

C. Capita Economic Commentary

D. Treasury Management Scheme of Delegation

E. Schedule of Specified and Non Specified Investments

F. Approved Countries for Investments

G. The Treasury Management Role of the S151 (Responsible) Officer: Head of Finance

H. Minimum Revenue Provision

Appendix A

PRUDENTIAL INDICATOR	2014/15	2015/16	2016/17	2017/18	2018/19
(1). AFFORDABILITY PRUDENTIAL INDICATORS					
	Actual	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	91,458	106,585	88,677	52,529	15,211
	%	%	%	%	%
Ratio of financing costs to net revenue stream	9.23	9.14	9.37	8.96	8.73
Gross borrowing requirement	£'000	£'000	£'000	£'000	£'001
Gross Debt	393,485	388,424	363,424	362,274	352,274
Capital Financing Requirement as at 31 March	332,825	360,965	371,996	365,666	347,535
Under/(Over) Borrowing	(60,660)	(27,459)	8,572	3,392	(4,739)
	£'000	£'000	£'000	£'000	£'001
In year Capital Financing Requirement	11,899	28,140	11,031	(6,330)	(18,131)
	£'000	£'000	£'000	£'000	£'001
Capital Financing Requirement as at 31 March	332,825	360,965	371,996	365,666	347,535
Affordable Borrowing Limit	£	£	£	£	£
Position as agreed at March 2015 Council	-5.98	1.90	11.22	12.13	
Increase per council tax payer					
Updated position of Current Capital Programme					
Increase per council tax payer	-5.96	1.90	5.05	-2.53	-2.35

PRUDENTIAL INDICATOR	2014/15	2015/16	2016/17	2017/18	2017/19
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS					
	approved	approved	estimate	estimate	estimate
Authorised limit for external debt -	£'000	£'000	£'000	£'000	£'001
Borrowing	501,915	526,219	497,346	461,130	449,993
other long term liabilities	12,000	12,000	12,000	12,000	12,000
TOTAL	**513,915**	**538,219**	**509,346**	**473,130**	**461,993**
Operational boundary for external debt -	£'000	£'000	£'000	£'000	£'001
Borrowing	418,263	438,516	414,455	384,275	374,994
other long term liabilities	10,000	10,000	10,000	10,000	10,000
TOTAL	**428,263**	**448,516**	**424,455**	**394,275**	**384,994**
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	200%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	25%	25%	25%	25%	25%
Upper limit for total principal sums invested for over 364 days	£	£	£	£	£
(per maturity date)	£0	£0	£0	£0	£0

Maturity structure of new fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Appendix B

PRUDENTIAL INDICATORS

Ratio of financing costs to net revenue stream

The ratio of financing costs to net revenue stream shows the estimated annual revenue costs of borrowing, less net interest receivable on investments, plus repayments of capital, as a proportion of annual income from council taxpayers and central government. The estimates of financing costs include current and future commitments based on the capital programme.

Gross Borrowing

Gross borrowing refers to the Authority's total external borrowing and other long term liabilities versus the Capital Financing Requirement.

Actual and Estimated Capital Expenditure

Actual and estimates of capital expenditure for the current and future years.

Capital Financing Requirement

The Capital Financing Requirement (CFR) represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third party contributions at the time of spending. The CFR measures the Authority's underlying need to borrow externally for a capital purpose. The Authority has a treasury management strategy which accords with the CIPFA Code of Practice for Treasury Management in the Public Services.

Authorised Limit

In respect of its external debt, the Authority approves authorised limits for its total external debt gross of investments. These limits separately identify borrowing from other long-term liabilities such as finance leases. Authorised Limits are consistent with the Authority's current commitments, service plans, proposals for capital expenditure and associated financing, cash flow and accord with the approved Treasury Management Policy statement and practices. The Authorised Limit is based on the estimate of most likely prudent, but not necessarily the worst case scenario and provides sufficient additional headroom over and above the Operational Boundary.

Operational Boundary

The Operational Boundary for external debt is based on the same estimates as the authorised limit but reflects the Head of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in-year monitoring. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

Limits on Interest Rate Exposure

This means that the Authority will manage fixed and variable interest rate exposure within the ranges. This provides flexibility to take advantage of any favourable movements in interest rates.

Appendix C

Economic Commentary (Capita's View)

Economic Background

UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008. The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

Forward View

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX D

Treasury Management Scheme of Delegation

(i) County Council

- approval of annual strategy.
- budget consideration and approval.
- approval of the division of responsibilities.

(ii) Cabinet

- scrutinise the proposed annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.

(iii) Resources and Fire & Rescue Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations.

Appendix E

Specified Investments

All such investments will be sterling denominated, with maturities up to maximum of one year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' Credit Criteria	**Use**
DMO Deposit Facility	--	In-house
Term deposits: Local Authorities	--	In-house
Nationalised Banks	Short-term F1, Support 1	In-house and External Manager
Term deposits: UK Banks	Short-term F1, Long-term A, Viability a, Support 3	In-house and External Manager
Term deposits: Bank Council uses for current account	--	In-house and External Manager
Term deposits: UK Building Societies	Top five largest societies as reported semi-annually. (To be continually monitored)	In-house and External Manager
Term deposits: Overseas Banks	Short-term F1+, Long-term AA, Viability aa, Support 1	In-house and External Manager
Certificates of deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	External Manager
Money Market Funds	AA	In-house and External Manager
UK Government Gilts, Treasury Bills	--	External Manager
Gilt Funds and Bond Funds	Long-term A	External Manager

Non-Specified Investments

	*** Minimum Credit Criteria**	**Use**
Term deposits: UK banks and building societies with maturities in excess of one year with a maximum of three years allowed for in-house deposits	Short-term F1, Long-term A, Viability a, Support 3	In-house and External Manager
Fixed Term Deposit with Variable Rates and Variable Maturities	Short-term F1, Long-term A, Viability a+, Support 3	In-house and External Manager
Certificates of Deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	External Manager
UK Government Gilts with maturities in excess of 1 year	--	External Manager
Local Authority Mortgage Scheme	As per scheme conditions	In-house
Investment in the Local Government Association Mutual Bond Agency, the local Government Money Market and Property investment vehicles managed on behalf of the Local Government Association by CCLA.	--	--

Appendix F

Approved Countries for Investments

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

The Treasury Management Role of the S151 (Responsible) Officer: Head of Finance

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- entering into repurchase transactions where appropriate

Appendix H

MINIMUM REVENUE PROVISION

1. What is a Minimum Revenue Provision?

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).

2. Statutory Duty

Statutory Instrument 2008 no. 414 s4 lays down that:

“A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.”

There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.

3. Government Guidance

Along with the above duty, the Government issued guidance in February 2008 which requires that a Statement on the Council’s policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to “have regard” to the guidance therefore means that:

a. Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

b. It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

4. Warwickshire County Council Policy

We have decided not to use any of the options outlined in the statutory guidance but to adopt an alternative approach, which we believe is prudent.

The MRP provision will be calculated on the average remaining useful life of the Council's asset portfolio. We will calculate and apply the remaining useful life over two categories of asset:

- Land, buildings and infrastructure;
- Vehicles, plant and equipment.

The proportion of debt outstanding in each category of asset will be determined by the value of assets included in the balance sheet at the end of each financial year.

For land, buildings and infrastructure the, average remaining useful life will be calculated every five years, in line with our policy on revaluing our assets, e.g. 20 years average remaining life will result in 5% straight line MRP.

For vehicles, plant and equipment, the remaining useful life is assumed to be five years e.g. 5 years average remaining useful life will result in 20% straight line MRP.

Council

22 March 2016

Earmarking of Smallholdings Capital Receipts to maintain the Council's Land Bank

Recommendations

(1) That Council approves earmarking of up to 5% of capital receipts generated from the sale of smallholdings land and buildings to provide capital to purchase agricultural land and buildings to prevent erosion of the land bank, in accordance with the Warwickshire County Farms and Smallholdings Strategy 2015-2025.

(2) That Council approves that the Capital Receipts Policy is amended in accordance with Recommendation 1. above.

1.0 Key Issues

1.1 Cabinet approved the revised Warwickshire County Farms and Smallholdings Strategy 2015-2025 (the Strategy) at its meeting on 10th December 2015. Subsequent to the Cabinet meeting, various delegation responsibilities were amended or added to the Deputy Leader and Strategic Director of Resources via a report to the Leader which was approved on 22nd January 2016. Cabinet also agreed to recommend to Council recommendations 1 and 2 above.

1.2 The Strategy was considered by the Corporate Services Overview and Scrutiny Committee on 4th September 2014 and 15th July 2015. At the 15th July 2015 meeting comments were made in support of the Council retaining the existing size of the Smallholdings Estate (the Estate).

1.3 The report in the exempt part of this agenda (entitled Capital Programme provision for Strategic Site Promotion and Planning Applications) identifies a number of farms within the Estate which have potential for redevelopment and generation of significant capital receipts. The total area of these sites is over 165 hectares (408 acres) which comprises approximately 8.25% of the Estate. The Estate currently comprises approximately 2,000 hectares (5,000 acres).

2.0 Options and Proposal

2.1 Purchase of replacement land to maintain the existing size of the Estate will require capital. It is proposed that capital is generated from earmarking up to 5% of any capital receipts from disposal of property within the Estate.

2.2 The earmarking figure of 5% represents an average of estimated development land values for the identified Strategic Sites and estimated values of replacement agricultural property and associated acquisition costs. The 5% represents a ceiling figure per disposal. If the acquisition of agricultural property to maintain the existing size of the Estate does not require the full 5% of capital receipts to be expended any surplus will continue to be used to repay debt, in accordance with the current capital receipts policy.

2.3 It is recognised that acquiring replacement agricultural property is dependent on availability and there may be a considerable delay from disposal of property and the acquisition of replacement property. In a number of circumstances property may become available for acquisition by auction, or off market. This was recognised in the report to Cabinet on 10th December 2015 and delegation powers and responsibilities were amended or added via a report to the Leader approved on 22nd January 2016 as summarised below:

1) Amends the delegation to the Deputy Leader to authorise the purchase of land and property for agricultural purposes where the value is over £100,000 and below £500,000.

2) Delegates to the Strategic Director of Resources in consultation with the Portfolio Holder responsible for Property (currently the Deputy Leader), where time constraints do not permit reporting to a member body, authority to purchase land and property, including by auction subject to the following:

   (a) where the purchase price exceeds £500,000 the consent of the relevant Overview and Scrutiny Chair or appropriate Chair to an urgent decision will be required and.

   (b) any purchases made under these powers will be reported for information to the next available Cabinet

3.0 Next steps

3.1 Following disposal of any part of the Estate, the Estates and Smallholdings Service will seek to acquire replacement agricultural property seeking authority as in 2.3 (1) above where possible; or in accordance with 2.3 (2) above if time constraints do not permit reporting timescales to be met.

4.0 Background papers

4.1 None.

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