

Document Pack



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TUESDAY 26TH JANUARY 2016

TO: ALL MEMBERS OF THE POLICY & RESOURCES SCRUTINY COMMITTEE

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **POLICY & RESOURCES SCRUTINY COMMITTEE** WHICH WILL BE HELD IN THE CHAMBER, COUNTY HALL, CARMARTHEN, AT **10:00AM** ON **WEDNESDAY 3RD FEBRUARY 2016**, FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

Mark James

CHIEF EXECUTIVE



PLEASE RECYCLE

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POLICY & RESOURCES SCRUTINY COMMITTEE 13 MEMBERS

PLAID CYMRU GROUP – 5 MEMBERS

- | | | |
|----|------------|------------------------|
| 1. | Councillor | G. Davies (Vice-Chair) |
| 2. | Councillor | J.K. Howell |
| 3. | Councillor | A. Lenny |
| 4. | Councillor | D. Price |
| 5. | Councillor | D.E. Williams |

INDEPENDENT GROUP – 4 MEMBERS

- | | | |
|----|------------|-------------------------|
| 1. | Councillor | T. Bowen |
| 2. | Councillor | W.J.W. Evans |
| 3. | Councillor | A.G. Morgan |
| 4. | Councillor | D.W.H. Richards (Chair) |

LABOUR GROUP – 4 MEMBERS

- | | | |
|----|------------|-----------------|
| 1. | Councillor | D.J.R. Bartlett |
| 2. | Councillor | J.S. Edmunds |
| 3. | Councillor | A.W. Jones |
| 4. | Councillor | R. Thomas |

AGENDA

1. APOLOGIES FOR ABSENCE
2. DECLARATIONS OF PERSONAL INTEREST
3. DECLARATION OF PROHIBITED PARTY WHIPS
4. PUBLIC QUESTIONS (NONE RECEIVED)
5. FORTHCOMING ITEMS 5 - 8
6. COMPLYING WITH THE NEW WELSH LANGUAGE STANDARDS 9 - 14
7. ICT STRATEGY UPDATE 15 - 18
8. PROCUREMENT PROGRESS REPORT 19 - 38
9. QUARTERLY TREASURY MANAGEMENT AND PRUDENTIAL INDICATOR REPORT – 1ST APRIL TO 31ST DECEMBER 2015 39 - 54
10. TREASURY MANAGEMENT POLICY AND STRATEGY 2016-17 55 - 102
11. EXPLANATION FOR NON-SUBMISSION OF SCRUTINY REPORT 103 - 104
12. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 6TH JANUARY 2016 105 - 110

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**POLICY & RESOURCES
SCRUTINY COMMITTEE
3rd FEBRUARY 2016**

**Forthcoming items for next meeting –
Wednesday 16th March 2016**

Discussion Topic	Background
Well-Being of Future Generations (Wales) Act 2015 (including LSB Review)	This Bill introduced in 2014 (previously the Sustainable Development Bill), is seen by Welsh Government as an opportunity to help tackle the generational challenges Wales faces in a more joined up and integrated way – ensuring Welsh public services make key decisions with the long term well-being of Wales in mind. This item will also provide the Committee with an opportunity to have sight of the review of the current Local Service Board and provide feedback prior to any final decisions on the way forward being taken.
Tackling Poverty Action Plan	This is a key priority for the Welsh Government, Carmarthenshire’s Local Service Board and Carmarthenshire County Council. This update report will provide the Committee with an opportunity to monitor the progress being made by the Council in terms of tackling poverty.
LSB Annual Report 2015	The Committee has a key role to play in monitoring the work of the Local Service Board (LSB) and outcomes achieved through the implementation of the Integrated Community Strategy.
Asset Management Plan	This will provide the Committee with an opportunity to be consulted during the formulation of the Council’s Asset Management Plan.

Discussion Topic	Background
Budget Monitoring 2015/16	This is a standard item which allows members to undertake their monitoring role of the departmental and corporate budgets.
Actions & Referrals Update	This quarterly report provides an update on progress made in relation to actions and requests from previous meetings.

As requested by members of the Committee at its meeting in February 2014, the latest version of the Committee's Forward Work Programme is included with the forthcoming items (on next page).

Policy & Resources Scrutiny Committee – Forward Work Programme 2015/16 (as at 25th January 2016)

11 June 2015	24 July 2015	5 October 2015	25 November 2015	6 January 2016	3 February 2016	16 March 2016	22 April 2016
Revised Corporate Strategy	EOY Performance / Monitoring 2014/15	TIC Review (Wales Audit Office report)	Spend on external expertise – to include legal expertise. (Annual Report)	3-year Revenue Budget Consultation 2016/17 to 2018/19	Compliance Strategy for Welsh Language Standards	Well-Being of Future Generations (Wales) Act 2015 (including LSB Review)	Combined Spend on Private Sector and Third Sector Services – TIC review
Draft CCC Improvement Plan 14/15 and Annual Report 13/14	EOY Budget Monitoring 2014/15	Budget Monitoring 2015/16	Welsh Language Skills Strategy	5-year Capital Programme Consultation 2016/17 to 2020/21	ICT Strategy Update	LSB Annual Report 2015	Revised Procurement Strategy
P&R Scrutiny Committee Forward Work Programme 2015/16	Treasury Management Annual Report 2014/15	Carmarthenshire Ageing Well Plan	Welsh Language Scheme Annual Report 2014/15		Treasury Management Policy & Strategy 2016/17	Budget Monitoring 2015/16	Council's Engagement Mechanisms (T&F Monitoring)
P&R Scrutiny Committee Annual Report 2014/15	Treasury Management 2015/16 (Q1)		Draft Strategic Equality Plan 2016-20		Treasury Management 2015/16 (Q3)	Asset Management Plan	TIC Annual Review 2015
	Strategic Equality Plan Annual Report 2014/15		Treasury Management 2015/16 (Q2)		Procurement Annual Report 2014/15	Tackling Poverty Action Plan	Asset Transfer Annual Report
	Actions & Referrals Update		Budget Monitoring 2015/16			Actions & Referrals Update	People Strategy – Monitoring Report
			Performance / Monitoring 2015/16 Quarter 2				
			Actions & Referrals Update				

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POLICY & RESOURCES SCRUTINY COMMITTEE 3rd FEBRUARY 2016

Complying with the new Welsh Language Standards

To consider and comment on the following issues:

- That the Policy & Resources Scrutiny Committee notes progress on implementing and complying with the new Welsh Language Standards.

Reasons:

- In September 2015 the Council was issued with its final set of Welsh language standards from the Welsh Language Commissioner. The final set includes a total of 170 different standards which the Council will need to comply with within the designated timescales (either 30 March 2016 or 30 September 2016).

To be referred to Executive Board / Council for decision: NO

Executive Board Member Portfolio Holder:

Cllr. Mair Stephens (Human Resources, Efficiencies & Collaboration)

<p>Directorate: Chief Executive's</p>	<p>Designations:</p>	<p>Tel Nos. / E-Mail Addresses:</p>
<p>Name of Head of Service: Wendy Walters</p>	<p>Assistant Chief Executive (Regeneration and Policy)</p>	<p>01267 224112 / wswalters@cararthenshire.gov.uk</p>
<p>Report Author: Gwyneth Ayers</p>	<p>Corporate Policy & Partnership Manager</p>	<p>01267 224659 gayers@cararthenshire.gov.uk</p>

EXECUTIVE SUMMARY

POLICY & RESOURCES SCRUTINY COMMITTEE 3RD FEBRUARY 2016

Complying with the new Welsh Language Standards

In September 2015 the Council was issued with its final set of Welsh language standards from the Welsh Language Commissioner. The final set includes a total of 170 different standards which the Council will need to comply with within the designated timescales (either 30 March 2016 or 30 September 2016).

Amendments from the draft standards

Following an initial consultation period on the standards back in June-July 2015 the Council submitted a detailed response to the Commissioner stating which draft standards were felt to be 'unreasonable and/or disproportionate'. The Commissioner has taken this feedback on board and has amended some of the standards that were causing the greatest concern. For example, most of the standards that included the reference to having to conduct meetings through the medium of Welsh without the use of simultaneous translation (standards 23, 25, 113 and 117) have now been amended to standards that allow the use of simultaneous translation and the draft standard relating to publishing all Executive Board papers bilingually has been amended to require the agenda and minutes of those meetings to be published bilingually (something the Council already does).

Final standards to consider appealing

The Commissioner has established a 'Challenge and Appeal' process which allows authorities to challenge any of their final set of standards that they believe is 'unreasonable and /or disproportionate'. Following consideration of the final set of standards by the Executive Board Member responsible for the Welsh Language, the Policy Team and the Welsh Language Advisory Panel, the Executive Board are proposing the Council appeal against the following standards:

No.	Standard
27CH	If you have invited more than one person to a meeting (which does not relate to the well-being of one of more of the individuals invited), and all of the persons invited have informed you that they wish to use the Welsh language at the meeting, you must conduct the meeting in Welsh (without the assistance of a simultaneous or consecutive translation service).
28	<p>If you invite more than one person to a meeting, and that meeting relates to the well-being of one or more of the individuals invited, you must:-</p> <p>(a) Ask that individual or each of those individuals whether he or she wishes for the meeting to be conducted in Welsh, and</p> <p>(b) If that individual, or if each of those individuals, informs you that he or she wishes for the meeting to be conducted in Welsh, conduct the meeting in Welsh (without the assistance of a simultaneous or consecutive translation service).</p>
73	If you receive an application for a grant in Welsh and it is necessary to interview an applicant as part of your assessment of the application, you must offer to conduct that interview in Welsh and, if the applicant so wishes, you must conduct the interview in Welsh (without the assistance of a simultaneous or consecutive translation service).

Reasons for Appealing

Although the Council will work towards achieving this as a principle for our services we will not be able to ensure we comply with these standards at all times across all service areas due to the current Welsh language skill mix of the workforce. Therefore, we would request that standard 27CH is changed to 27D, standard 28 is changed to 29 and standard 73 is changed to 74, all of which allows the use of simultaneous translation at such meetings. This will also enable the Council to communicate a consistent message to its staff and service users about expectations when arranging meetings which is in line with other standards the Council has received in its final set of standards all of which allows the use of simultaneous translation.

Next Steps

The Policy Team are currently in the process of working through the final set of standards to identify which ones the Council already complies with (as they were included in the Council's Welsh Language Scheme) and which ones we will need to take further steps to implement. The following steps are also being taken:

- Discussions with managers who are responsible for specific standards to ensure compliance and support to deliver.
- Development of guidance notes for staff on the practical steps that need to be considered and taken in their day to day work in order to ensure compliance with the standards.
- Development of an action plan to address any outstanding standards and provide basis for reporting on progress to the Commissioner. This will take into account any standards which may be challenging for the Council to ensure compliance by the set deadline.
- Alignment of the new Standards with the recommendations of the Council's Gweithgor report in order to ensure a streamlined approach to delivery.
- Development of an on-going communication plan to ensure all staff and councillors are aware of the requirements.
- Development of a new learning and development framework to support staff to further their Welsh language skills for use in the workplace in line with the Council's new Welsh Language Skills Strategy (approved by Full Council on 13 January 2016).
- Re-structuring of the Translation Unit.

The Council will aim to fully comply with all of the standards within the given timescales but it must also be noted that this may not be possible on all occasions due to complex arrangements for services, dependence on other services/partners, staff capacity to deliver or human error. Therefore, managers are being asked to keep a record of all steps being taken to develop services in order to comply with the standards and to monitor progress on a regular basis. In the event that we are not able to comply within the given deadline this will enable us to provide evidence of the steps being taken by the Council and to identify any barriers to fully complying. This will also then be used as evidence to the Commissioner of the progress the Council is making and proposed steps to address any barriers. If the Council fails to comply with any standards it runs the risk of being fined £5,000 for each individual standard.

DETAILED REPORT ATTACHED?	NO
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IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Wendy Walters, Assistant Chief Executive (Regeneration & Policy)

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	NONE	YES	YES	NONE

1. Policy, Crime & Disorder and Equalities

The final Compliance Notice received from the Welsh Language Commissioner on the 30 September 2015 requires the Council to comply with a new set of Standards either by 30 March 2016 or 30 September 2016 (as designated by the Commissioner for specific standards).

The new standards will replace the Council's existing Welsh Language Scheme.

2. Legal

The Welsh Language Standards Regulations 2015 came into force on 31 March 2015. These Regulations replace the responsibilities placed on Carmarthenshire County Council under the Welsh Language Act 1993 and will be imposed on the council on the 31 March 2016.

3. Finance

In order to ensure the Council fully complies with its duties a growth pressure bid for additional funding of £200,000 to support the appointment of a further five translators to support current and projected growth in demand for services has been submitted.

5. Risk Management Issues

Failure to comply with any individual standards runs the risk for the Council in incurring a £5,000 fine from the Welsh Language Commissioner.

6. Staffing Implications

It has been identified that a further five translators will be required to support current and projected growth in demand for services.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Wendy Walters, Assistant Chief Executive (Regeneration & Policy)

1. Local Member(s) – N/A

2. Community / Town Council – N/A

3. Relevant Partners – N/A

4. Staff Side Representatives and other Organisations – N/A

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THESE ARE DETAILED BELOW:

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Compliance Notice – Section 44 Welsh Language (Wales) Measure 2011	Hysbysiad Cydymffurfio Cyngor Sir Gâr Carmarthenshire County Council Compliance Notice

POLICY & RESOURCES SCRUTINY COMMITTEE 3rd FEBRUARY 2016

ICT Strategy Update

To consider and comment on the following issues:

- That the Committee consider and comment on the current position and progress of the ICT Strategy.

Reasons:

- That the Committee is enabled to exercise its scrutiny role in relation to performance monitoring.

To be referred to the Executive Board / Council for decision: NO

Executive Board Member Portfolio Holder: Cllr. David Jenkins (Resources)

<p>Directorate: Chief Executive's</p> <p>Name of Head of Service: John Roberts</p> <p>Report Author: John Roberts</p>	<p>Designation:</p> <p>Joint Head of ICT (Carmarthenshire County Council) and Joint Head of ICT & Central Support Services (Pembrokeshire County Council)</p>	<p>Tel No. / E-Mail Address:</p> <p>01437 775885 john.roberts@pembrokeshire.gov.uk</p>
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EXECUTIVE SUMMARY

POLICY & RESOURCES SCRUTINY COMMITTEE 3RD FEBRUARY 2016

ICT Strategy Update

The purpose of this report is to review progress against the existing ICT Strategy, as approved in December 2014.

Since September 2015 a Joint-Head of ICT has been in place between Carmarthenshire and Pembrokeshire Councils; this arrangement replaces the previous arrangement with Dyfed Powys Police. It should be noted that as a result of this the current ICT strategy, this may be reviewed.

Progress against the each Theme under the existing ICT Strategy is as follows:

Theme 1 – Giving Citizens Better Access to Council Services

A new corporate website has been launched alongside the 'do it online' marketing campaign. A number of services are now available online and further work is ongoing to integrate other back-office systems. In addition, a 'my account' application is being tested to allow citizens to register for access to personalised information such as council taxing billing.

All Council meetings are now webcast, allowing citizens to observe meetings online.

Theme 2 – Promoting Digital Inclusion

A programme to roll-out Wi-Fi to Council buildings has been commenced and wireless network points have been installed in all main buildings and meeting rooms. Expansion of this project and additional access points are planned for 2016.

Theme 3 – Supporting Business Efficiency

The managed print service project is complete ahead of schedule, the printer estate has been rationalised with the introduction of Multi-Function Devices and an acceleration of the roll out of WiFi access points.

A new licensing agreement with Microsoft has recently been entered into, allowing the Council to take advantage of additional products. One of which is currently being piloted in the IT department and will soon be rolled across the organisation, namely, Microsoft Skype for Business (formerly Lync).

This is a unified communication product which is very similar to the consumer product which many officers may currently use at home. Skype for Business provides the feature of presence (displaying officer availability), instant messaging, video conferencing from the desk and sharing documents live on screen across locations. Further, the product will be federated with other Local Authorities across the region which will allow this functionality across Councils. Skype for business should prove to be a powerful tool in enabling agile working.

The technology for a virtualised desktop is in place and will be trialled with a limited number of officers over the next few months.

Theme 4 – Sharing Information and Joining Up Services

Information governance training has been provided to 44 members of staff who were identified as Information Asset Owners. A further 50 members of staff will be attending training sessions in April 2016.

Info@work is now being used by over 2000 members of staff across the Authority as service areas utilise this technology to deliver their services more efficiently and effectively

A decision has been taken to focus resources on reducing the volume of incoming mail we receive as an Authority. Resources will be focused on the Do-it-online campaign agenda and ensuring internal correspondence is handled electronically.

The scanning framework to digitalise paper based records is available on the Intranet and its availability has been communicated to Heads of Service.

The Council File Plan (CFP) has now been fully implemented and is the central location for storing all electronic data that used to be held on over 200 file/print servers. Clear governance arrangements have been put in place for the CFP.

Theme 5 – Supporting Schools and Education

A new firewall and web filtering solution has been implemented on the schools network.

Following a review, a virtualised desktop solution was deemed not cost-effective for schools in terms of capital expenditure or the benefits that could be realised from support. Other methods are being utilised to increase support levels and reduce cost.

All primary and four secondary schools WiFi networks have been configured to permit ccc staff to access internet and corporate resources.

DETAILED REPORT ATTACHED?

NO

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: John Roberts Joint Head of ICT

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	NONE	NONE	NONE	NONE	NONE	NONE

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: John Roberts Joint Head of ICT

1. Local Member(s) – N/A
2. Community / Town Council – N/A
3. Relevant Partners – N/A
4. Staff Side Representatives and other Organisations – N/A

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW:

Title of Document	File Ref No. / Locations that the papers are available for public inspection
Corporate ICT Strategy 2015-18 – Executive Board (15th December 2014)	<p>Agenda: http://online.carmarthenshire.gov.uk/agendas/eng/EXEB20141215/index.asp</p> <p>Minutes: http://online.carmarthenshire.gov.uk/agendas/eng/EXEB20141215/MINUTES.HTM#P113_6323</p>
Corporate ICT Strategy 2015-18 – Policy & Resources Scrutiny Committee (24th November 2014)	<p>Agenda: http://online.carmarthenshire.gov.uk/agendas/eng/POLI20141124/index.asp</p> <p>Minutes: http://online.carmarthenshire.gov.uk/agendas/eng/POLI20141124/MINUTES.HTM</p>

POLICY & RESOURCES SCRUTINY COMMITTEE 3rd FEBRUARY 2016

Procurement Progress Report

To consider and comment on the following issues:

- That the Committee consider and receive the Procurement Progress Report.

Reasons:

- To enable Members to exercise their scrutiny role in relation to the management of Procurement.
- To ensure continuous service improvement in the Authority's approach to Procurement.

To be referred to the Executive Board / Council for decision: **NO**

Executive Board Member Portfolio Holder: Cllr. David Jenkins (Resources)

<p>Directorate: Corporate Services</p> <p>Name of Head of Service: Phil Sexton</p> <p>Report Author: Alan Aitken</p>	<p>Designations:</p> <p>Head of Audit, Risk & Procurement</p> <p>Procurement Manager</p>	<p>Tel Nos. / E-Mail Addresses:</p> <p>01267 246217 psexton@carmarthenshire.gov.uk</p> <p>01267 246236 aaiken@carmarthenshire.gov.uk</p>
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EXECUTIVE SUMMARY

POLICY & RESOURCES SCRUTINY COMMITTEE 3rd FEBRUARY 2016

Procurement Progress Report (March 2016)

The attached report provides members with a review of progress on the development of the Procurement function.

A new Procurement Strategy is currently being developed with a cross-party Members Focus Group (comprising nominated representatives from the Policy & Resources Committee) formed to assist with the development of the new Strategy.

The timing of developing a new Procurement Strategy fits with a number of key milestones including:

- The National Procurement Service
- Welsh Government Fitness Check
- Welsh Government Procurement Policy Statement
- Future Direction of the Procurement Service
- Current and Future Workplans

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: Phil Sexton Head of Audit, Risk & Procurement

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	YES	YES	NONE	NONE	NONE	NONE

2. Legal – The introduction of New European Commission (EC) Procurement Directives has resulted in a significant revision of process and documentation. This, together with increase informal challenge to procurement exercises will ensure that compliant procurement will continue to be reliant on expert Legal Advice from the in-house Legal Team.

3. Finance – Work is underway to formally capture the savings achieved through National Procurement Services (NPS) contracts.

NPS plan to charge a 0.45% commission on all expenditure linked to NPS activity.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Phil Sexton Head of Audit, Risk & Procurement

- 1. Local Member(s) – N/A
- 2. Community / Town Council – N/A
- 3. Relevant Partners – N/A
- 4. Staff Side Representatives and other Organisations – N/A

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE:

Title of Document	File Ref No. / Locations that the papers are available for public inspection

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PROCUREMENT PROGRESS REPORT

(March 2016)

1. Introduction

There is significant expectation on all parts of the Public Sector in Wales to procure as effectively as possible. Welsh Government have been keen to be seen as proactive in shaping how procurement is undertaken both centrally and locally.

Welsh Government's focus has been on the following:

1. Developing the National Procurement Service (NPS) for Wales (Section 2)
2. Undertaking Procurement Fitness Checks to ensure high standards across the entire Welsh Public Sector (Section 3)
3. Relaunching the Wales Procurement Policy Statement in June 2015 (Section 4)

This Report reviews the progress against the 3 initiatives above and set out the key challenges going forward (including the work undertaken with the Transformation Innovation & Change Team) – see Section 5.

Section 6 describes notable successes over the past 18 months.

Section 7 outlines the key issues to be tackled in 2016.

2. National Procurement Service (NPS)

Public sector bodies in Wales were asked to make a formal commitment to join the NPS for an initial 5 years and this was approved by Executive Board in December 2012. The NPS targets the procurement of “*common and repetitive spend*” amongst all the public sector bodies in Wales.

Implications for local suppliers have to date been limited. While we will work with NPS to try to structure tender exercises that will allow local suppliers to bid there is a risk that some small local suppliers will lose business. Where the Authority feels that it cannot realistically make use of an arrangement an ‘opt-out’ Business Case can be made to the NPS Board, however, experience shows that these are actively challenged and unlikely to be accepted.

Over the past 12 months the NPS has expanded its procurement influence far beyond the original Business Case and has now let a number of Framework Arrangements. NPS has also made available UK Government Crown Commercial Services arrangements to cover gaps in service provision as existing arrangements have been transferred from the public sector.

The NPS is to move to a self-funding model by the inclusion of **0.45% levy** on all contracts awarded. This could have a severe impact on budgets especially where NPS contracts turn out to be more expensive than existing arrangements.

2.1 NPS Established Arrangements

The Table below summarises NPS arrangements that are now in place:

NPS Category	NPS Contract/Framework	Currently used by CCC	Additional Comments
Construction & Facilities Management	General Building Materials	Yes	
	Provision of Furniture Solutions	Yes	
	Provision of Cleaning Services	No	This Framework mainly focuses on where External Contractors are used to provide Cleaning Services.
	Provision of Rock Salt	Yes	
	Provision of Cleaning & Janitorial Materials	April 2016 onwards for Cleaning Materials	CCC will be sourcing Cleaning Materials through this arrangement from April 2016 and is currently undertaking a “Mini Competition” to establish the designated supplier.
	Provision of Electrical, Heating, Plumbing & Assoc. Materials	Not immediately	Dovetailing with our current arrangement.

	Supply of Biomass Fuels	No	Not required at present.
Corporate & Business Support Services	Office Copier, Digital and Offset Paper Supply of Stationery and Paper	Not immediately	A temporary arrangement under another Framework is in place for 12 months following a Legal Challenge on the NPS arrangement. This allows us to compliantly purchase through our existing supplier. The cost and disruption involved in moving to the temporary NPS arrangement is not warranted.
	Print Services Framework	Will Join 1 st April 2016	CCC will dovetail when current arrangement expires. Lead Officer has confirmed that we will be utilising the NPS framework from 1 st April 2016.
Fleet & Transport	Framework for the Supply Vehicle Hire for Cars & Light Commercial Vehicles	Yes	
	The Supply of Liquid Fuels	Yes	WPC arrangement in place originally - now migrated to new NPS framework
	Framework for the Supply of Tyres and Associated Services	Yes	
(Information & Communication Technology (ICT))	IT Equipment & Associated Services - ITEAS (III) Framework Agreement	Not immediately	Ceredigion are preparing a mini tender exercise on the NPS framework. Not currently calling off NPS framework
	IT Products & Services (ITPS)	Yes	
People Services & Utilities Services	Managed Service for the Provision of Agency Workers	Not immediately	Fully engaged with NPS staff to dovetail existing arrangements over to NPS. NPS are currently undertaking a mini competition under the Framework arrangement on behalf of Pembrokeshire and Carmarthenshire (who are collaborating under this Lot). Bids will be returned by 4 th Feb and a 1 st of April start is targeted.
	Occupational Health & Associated Services	Not immediately	CCC will consider moving over to NPS once existing arrangement expires (2018)
	Business Travel & Accommodation	Not immediately	Dovetailing with our current arrangement.
	Assistive Technologies & Services Framework	Yes	
	Managed Service for Employee Benefit Schemes	Under Consideration	CCC will investigate the arrangement and consider in the light of the existing Local arrangement.
Professional	Welsh Translation &	Part (see	CCC will be making use of this

Services	Interpretation Framework Agreement	comments)	arrangement for pre-planned work and are engaged with NPS Staff. We will make our own arrangement for simultaneous translation that is required at short notice.
	Resource Efficient Wales Framework (Energy, Waste and Water)	Yes	WPC arrangement is now migrated to NPS.
	Construction Consultancy (Property) Framework	Not immediately	Dovetailing from our current arrangement.
	Legal Services by Solicitors Framework	Yes	Dovetailing into the NPS arrangement.
	Cash Collection Services	Yes	Currently a WPC arrangement that will dovetail into NPS

2.2 NPS Food Contracts

No NPS Food Contracts have been awarded to date however, CCC collaborated with the one of the last WPC tender exercises for the procurement of milk and the result is that a Local Supplier, Ddol Fach Dairy, based in Llanelli, have won the tender to supply all CCC milk from 1st April 2016 (2 Year Contract).

Ddol Fach Dairy were the largest incumbent supplier and are a family run small-medium enterprise (SME) and have also won the business to supply 4 other Local Authorities under the WPC arrangement.

The tendered prices will generate savings of £74K per annum with the approx breakdown as follows:

- CCC savings £26k
- Grant spend reduction £48k (Free School Milk)

The saving is an annual saving and represents a saving across the authority and not just the school meals service.

2.3 NPS Financial Savings 2014/15

Financial savings are being recorded and during the 2014/15 financial year the NPS claimed cashable savings of £7.9m across the Welsh Public Sector. NPS claimed savings of £56,997 (£25,222 claimed as cashable) for CCC for 2014/15 however, a closer examination indicated that only £40,000 could be identified based on ongoing contract usage. Concern has been raised by the Transport Division in relation to the Fuel Contract which predicts that the fuel costs are set to rise by as much as £35,000 per annum due to the new NPS Contract.

3. Welsh Government Procurement Fitness Check (KPMG)

In 2014, Welsh Government commissioned Procurement Fitness Checks of each Local Authority's procurement function in Wales.

Overall the assessment for Carmarthenshire was that the procurement function was **"Developing to Conforming"**.

The Summary below identifies the recommendations which came out of the Fitness Check and outlines the progress to date in addressing the recommendation.

Fitness Check Recommendations and Action to date:

Model Dimension	Recommended Action	Action to date
Procurement Leadership & Governance	Assign a Director to develop, champion and push forward the procurement agenda.	Director of Communities Department appointed as Strategic Lead on newly formed Procurement Governance Group
Procurement Strategy and Objectives	Bring officers together to develop a consistent approach and to maximise use of procurement resource and expertise.	Procurement Governance Group has been a key driver for sharing information and expertise across Departments. Policy & Resources Members Focus Group to be involved in the development of the new Procurement Strategy.
Defining the supply need	Take steps to allow officers to identify and analyse categories of spend and demand drivers.	Spend Analysis commissioned. This provided the Authority with a detailed analysis of where and how the Authority spends its money ie by sector, size of organisation, location of companies (local / regional / national / international). Major review of spend undertaken jointly between Procurement Unit and Departments (November / December 2015).
Commodity/project strategies and collaborative procurement	Consider implementing a category management approach. <i>(Category Management involves splitting procurement spend in to individual specialist categories)</i>	Limited scope to implement full Category Management within CCC given the limited size of the Corporate Procurement Unit. Working with Pembrokeshire CC to identify potential opportunities for Category Management with each Authority potentially leading on certain categories e.g. construction or ICT.
Contract and supplier management	Implement a central contracts register and introduce more commercial input into contract management.	Central contracts register is built and populated with known and volunteered contract information. This is being updated as spend becomes more visible from the spend analysis.
Key purchasing processes and systems	P2P and the integration of finance and procurement systems require a contracts register with all contracts listed.	In addition to the contracts register, officers are drawing up a Memorandum of Understanding (MOU) with Value Wales to agree the scope for P2P within the Authority. <i>(P2P allows Departments to undertake procurement from ordering to payment electronically)</i>
People	Develop a training plan	A Programme of procurement training has been

	to build procurement competency across the Authority.	delivered to officers across the Authority.
Performance Management	Develop a contract register to allow monitoring of compliant spend, contract compliance etc.	Work with TIC Team is ensuring that suitable metrics are developed and reported.

Excellent progress has been made to date and a comprehensive consideration of the recommendations can be demonstrated. We have been working closely with Welsh Government to feedback progress to date. Indications are that Welsh Government are satisfied with progress and the focus is now that all bodies will face a 2nd Procurement Fitness Check in 2016 which it is envisaged will be more strategic and aim to build upon the improvements brought about by the 1st Fitness Check.

4. Wales Procurement Policy Statement (June 2015)

The Minister for Finance and Government Business set out her vision for Public Sector Procurement in Wales by re-launching the Policy Statement in June 2015. The 10 Policy Statement Principles are set out within this Section and CCC's progress has been evaluated against each Principle together with the Key Actions.

Principle 1 - Strategic Aim

The Strategic direction of the Service has been influenced by a number of significant factors during the past year. These included:

- National Procurement Service (NPS)
- Welsh Government Procurement Fitness Check
- Re-launch of the Welsh Government Procurement Policy Statement
- Implementing New European Procurement Directives
- Internal Review of Procurement - TIC Review
- Closure of the Welsh Purchasing Consortium (WPC)

We are currently developing a new Procurement Strategy for the Authority. A Cross Party P&R Scrutiny Members Focus Group has been established to assist in the development of the new Strategy.

Principle 2 - Professionally Resourced

Staff numbers within the Corporate Procurement Unit currently stand at 7 FTE (plus 2 FTE Secondments which run to March 2017). A shortage of available, qualified and experienced staff across Wales has always demanded that the Authority train and develop its own Procurement Staff. All 7 FTE are experienced and qualified to a Professional Level (*Chartered Institute of Procurement and Supply*).

The Procurement Fitness Check made a number of references to the '*relatively small central procurement unit*' and noted that '*although there is ambition for CPU to develop and innovate its procurement activities.....it is limited by the capacity of the central team.*'

The final level of staffing will be influenced by the opportunities for investing in procurement to save monies and the scope for collaboration with NPS, Regional Frameworks or Local Partnership.

Principle 3 - Economic, Social and Environmental Impact

Welsh Government devised the **Sustainable Risk Analysis** as the key tool in identifying Economic, Social and Environmental impact of planned procurement activity. The use of this tool in respect of all spend in excess above £25K allows the CPU to fully consider and

develop specific economic, social and environmental clauses and requirements to be included in the tender exercise.

Procurement documentation has due regard to the delivery of positive economic, social and environmental impacts and these will form core elements (i.e. scored as part of the evaluation exercises).

Principle 4 - Community Benefits

Welsh Government view Community Benefits as a key tool for the regeneration of the Welsh economy. In a recent publication, Welsh Government stated that Community Benefits are integral to the *Wales Procurement Policy Statement*, 'it is about maximising the value from public procurement, building social clauses in projects / contracts and using procurement as a strategic tool'.

2015 saw a significant step forward in terms of the Community Benefits that have been delivered in existing contracts and frameworks and the development of the Authority's approach on a collaborative basis, with others, to drive the agenda forward in this area including.

- Carmarthenshire Homes Standards
- New Schools
- Construction & Civil Engineering Contracts
- Bus Contracts
- Domiciliary Care

Principle 5 - Open, Accessible Competition

The aim is to produce a procurement process that is open and transparent and based on standard approaches with the use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.

The Authority proactively carries out pre-market engagement to consult with prospective tenderers on the procurement requirement and have a tender support package in place. Working in conjunction with *Business Wales' Tender Support team*, this can influence the drawing up of the specification and can assist buyers in formulating the tender and its requirements. It also gives a good indication as to the volume and type of suppliers that are able to provide the goods or services in the marketplace.

Over the last 6 months officers from CPU have worked closely with our finance colleagues to embrace the All Wales *Supplier Qualification Information Database (SQuID)* risk based approach for the financial assessment element of our tendering process. This adopts a simple Pass/Fail type test. Each tender exercise is looked at individually and the most appropriate approach for the evaluation of tenderers applied. We have increasingly seen low risk tenders without the requirement for any form of financial assessment being included as part of the

tendering process. This has ensured only the absolute necessary information is requested, making the tendering process easier for prospective bidders to complete and the buyers to evaluate.

Principle 6 - Simplified Standard Processes

The Authority has worked in partnership with Bangor University's '*Winning in Tendering*' project to develop a simplified process. The CPU found that the same documentation was used for low value spend as for above threshold tenders, making the process overly complicated and time consuming for what is often a low value return in terms of the business rewarded.

The Authority was the first in Wales to develop a simplified procurement process for quotation exercises below the Council's £75,000 tender threshold, thereby reducing the workload for suppliers. Fewer but more pertinent questions are asked and by allowing self-certification to confirm that information was available rather than asking for the information at the outset, it was possible to reduce the cost of bidding and increase the speed of evaluation. As a result, this simplified process has reduced the time taken for suppliers to complete responses and officers to evaluate responses, which in turn, has reduced the costs involved to both the supplier and buyer. The key aim of the project is to improve and increase opportunities for Small and Medium Enterprises (SMEs) to bid.

Principle 7 - Collaboration

Collaboration is increasingly used as a route to procure. The advantages include potential economies of scale and reduced prices with the disadvantage being a potential loss of control and influence.

The growth of NPS (see Section 2) has resulted in the winding up of the Welsh Purchasing Consortium which previously represented the 16 Authorities in South & Mid Wales (WLGA are investigating the opportunity to provide a support / co-ordinating role to all Welsh Local Authorities).

Carmarthenshire continues to make maximum use of existing collaborative arrangements where these offer value for money and do not impact adversely on the local economy. These include use of a large number of Framework Arrangements including:

- Crown Commercial Service (CCS),
- Eastern Shires Purchasing Organisation (ESPO),
- Yorkshire Purchasing Organisation (YPO) and others.

In addition to specific Framework arrangements, Carmarthenshire is sharing a Procurement Forward Work Plan with Pembrokeshire County Council to ensure that any potential collaborative opportunities are identified sufficiently early to allow the preparation time necessary for joint exercises to be undertaken. The respective Procurement Managers are

meeting regularly and progress is being monitored by the respective Directors of Corporate Services / Finance for each Authority.

Carmarthenshire is currently leading on a new Regional Contractors Framework for Property Related Works (see Section 6.4). This is being undertaken on behalf of the 5 Regional Local Authorities along with a range of other participants including Colleges, Housing Associations and Pembrokeshire Coast National Park.

Principle 8 - Supplier Engagement and Innovation

The Authority has a long history of positive and early engagement with the local supply base which has been developed over a number of years.

The CPU continues to offer targeted advice and guidance based on a programme of proactive engagement with our local suppliers. CPU has a dedicated first point of contact within CPU to provide businesses with appropriate advice, guidance and links within the Authority to assist them in making the introductions required to signpost or direct how they can identify opportunities to trade with us and potentially the wider Welsh Public Sector.

Officers work closely with our partner agencies to deliver or signpost bespoke advice and guidance for potential suppliers. This includes pre-market engagement initiatives and targeted market briefing sessions for suppliers on specific procurement tenders, 'Meet the Buyer' sessions promoting 2nd Tier supply chain opportunities which complement the more traditional support areas of general *'How to Tender'*, *'e-tendering'* and *'Sell 2 Wales' Workshops*.

Supplier engagement has factored highly in the strategy adopted to stimulate interest and solicit local bids for the Council's business. Pre-market engagement days have been held in a variety of areas to seek the opinion of the market on our broad proposals and to help influence and develop the specification. For example the recently awarded Domiciliary Care Framework (see Section 6.3) engaged with potential providers prior to the tender being advertised to enable them to feedback on the approach for the requirement. This is seen as positive for both the Authority and the potential providers.

Briefing Days are intended to inform the market of procurement decisions that have already been taken and are intended to explain both the thinking and process involved in any particular exercise. These are often conducted in conjunction with the Business Wales Tender Support Team who are available to answer questions on the day and provide on- going training and support for bidders.

CPU have actively encouraged a joint bidding approach to allow companies to pool their resources to increase their collective capacity or coverage in order to compete for contracts that may otherwise have been too large for them to take on and service individually. With the right planning by both buyers and suppliers, Consortia can be well placed to deliver innovative solutions and responsive services. CPU worked in collaboration with Welsh Government, the Wales Co-operative Centre and the Wales Council for Voluntary Action

(WCVA) to agree the approach and engage further with interested parties to encourage collaborative consortium bids. An example where this was effective is the recently awarded ***Families First Framework*** for pre-school childcare (see Section 6.5) where a joint bid was successful. A Briefing on CCC's work in this area has recently been submitted to Welsh Government at the request of the Minister.

Principle 9 - Policy Development and Implementation

CPU is committed to adopting wider, strategic goals through our procurement activity and we update our policies and approaches accordingly, recognising that procurement can play a positive part e.g. Community Benefits Clauses.

Principle 10 - Measurement and Impact

In accordance with good management practice, procurement performance and outcomes will be monitored to support continuous improvement. The Welsh Government's Procurement Fitness Check programme provides a basis for considered improvements.

5. TIC Review of Procurement 2014/15

There is increasing clarity about what is needed to secure improvement and to take Procurement forward within CCC. The support of the Transformation, Innovation & Change Team (TIC) has been critical in re-defining the CPU's approach.

The TIC Review asked fundamental questions as to the purpose of the procurement function and challenged some of the existing preconceptions and practices of the organisation. This work highlighted areas for improved efficiency along with the opportunity to play a greater role in *Spend Analysis*, *Spend Management*, *Contract Compliance* and delivery of increased *Community Benefits* and *Business Support* (where the Corporate Procurement Unit (CPU) can manage contracts locally).

A key conclusion was that the CPU was good at managing the spend it was aware of but identified a number of barriers to promoting strategic influence over spend. TIC Programme Board commissioned a comprehensive *Spend Analysis*. The benefits of undertaking a Spend Analysis included:

- Managing suppliers according to risk and value
- Understanding the pattern of spend, the number of activities and the number of invoices generated (including lowest, highest and average value of invoices).
- To minimise "off contract spend"
- Opportunity to aggregate spend across Departments to maximise value for money opportunities

6. Key Successes

This section summarises some of the key successes which the Corporate Procurement Unit has supported over the past 18 months:

6.1 Targeted Recruitment and Training - Civil Engineering Training

Following the award of the South West Wales Regional Civil Engineering Contractors Framework in January 2015, a steering group was set up to help the contractors on the framework deliver and monitor the Community Benefits targets they had committed to in their tender submissions. Chaired by Carmarthenshire's Corporate Procurement Unit, the group quickly identified a major gap in the training in the area for this sector which this group could help to deliver (i.e. the need for an entry level operative qualification specific to Civil Engineering). Over the past 12 months a number of meetings have been held to identify the most appropriate way to secure funding and a training partner to proceed with a training qualification within the area. One such partner was identified from South East Wales who is experienced in delivering training at this level in Civil Engineering who will work alongside Coleg Sir Gar and TRJ (one of the Framework Contractors), to pilot a course in the region for a Civil Engineering Operative to commence in April 2016. The majority of contractors on the framework has already committed to signing up at least one employee onto the course when it starts.

This course is seen as a major step forward for the sector in this area. It is viewed by our own Engineering Design unit as critical to ensure we develop the necessary skills in this area to attract young people to work in the sector where many often find it difficult to recruit. Additional work is being done to work with Careers Wales to promote the sector in schools within the region, Contractors have been invited to support a Careers Convention run by Careers Wales in March, and they are assisting us in delivering meaningful Community benefits that support the school's curriculum.

6.2 Community Benefit Measurement – Cross Hands East Strategic Employment Site

Working closely alongside the contractor, the project helped to deliver significant benefits; headline figures captured via the Welsh Government's Community Benefits Measurement Tool highlighted for the £6.5 million spend, over the 12 month period, for every £1 spent in Wales £1.96 was reinvested back into the Welsh economy. The work delivered through this project has been a big success and will be replicated in call-offs under the South West Wales Regional Civil Engineering Framework over its 4 year lifetime. Benefits delivered included:

- Targeted Recruitment & Training - The project helped to support and deliver 2 apprenticeships, 1 trainee scheme, 6 work experience opportunities, 1 graduate placement and 2 work trails placements.
- A total of 4 new jobs were created, totalling 132 weeks of employment on the 12 month project.

- Local schools in the area were supported through mock interviews and careers advice including:
 - delivery of an Employment Day at Ysgol Dyffryn Taf, providing an insight into the Ecologist's Role in the Construction Industry with local secondary schools and a Construction Plant Day with Ysgol Bryngwyn School.
 - Introduction of 'Sally Safesteps' programme, aimed at primary schools in the area to raise awareness of the potential dangers of construction sites
 - The "Bridges to Schools" Programme is a more advanced school visit that is focused on secondary schools. The underlying theme is still Health and Safety but also to raise the profile of the construction industry and potential construction based careers. The programme requires students to construct a model replica of the Second Severn Crossing

6.3 Domiciliary Care

The Corporate Procurement Unit worked closely with the Commissioning Team in Communities Department to set up a Domiciliary Care Framework which was awarded in 2015 and has an anticipated total value of £40m over 4 years. The exercise was split into 4 Geographical lots with 6 Suppliers appointed onto the framework, and a select list sits behind the framework to ensure continuity of supply where the framework providers are up to capacity.

The framework agreement set out to achieve new ways of working for the provision of domiciliary care as it not only reflected the intent of the Social Services and Well Being Act (2014) but also to address some of concern that has adversely affected this sector. It was fundamental to the selection of providers that we were able to evidence crucial quality measures.

6.4 Regional Contractors Framework

The South West Wales Contractors Framework includes Ceredigion County Council, City and County of Swansea, Neath Port Talbot and Pembrokeshire County Council as well as 23 other regional organisations as named participants. The region was determined to secure a framework for Construction which was sustainable and offered sufficiently strong competition to provide value for money, whilst providing the best opportunity to support the local economy.

The framework has an estimated total value of £850m over 4 years and is split into 12 geographic and value banded Lots. The lotting strategy agreed with the partner Authorities ranged from 5 individual lots at the lower levels up to £1m to cover the geographical areas of the represented counties, 3 lots each for the East (NPT & C&CS) and West (CCC, CeCC & PCC) for the mid-range lots from £1m to £15m and one for the upper level of works in excess of £15m covering the region as a whole.

At the heart of the regional approach is the further integration of the supply chain and to expand the development of the local construction market, supply chain and skills through the appointed contractors, encouraging further extended training of existing employees

and future generations through shared apprenticeship schemes etc. and full engagement with local training groups such as CYFLE. Early engagement events were held prior to advertising the framework which was attended by 80 individuals, representing the various contractors. The initial advert for the framework was placed on 22nd June 2015. 27 contractors in total finally submitted various bids for the 84 places available on the 12 lots. The evaluation has now concluded with the standstill procedure running until early February 2016.

6.5 Families First

Funded by the Welsh Government, the Families First programme aims to transform service planning by enabling effective, multi-agency working and integrated delivery of services to families with additional needs. The aim is to reduce the number of families developing more complex needs and requiring intensive, specialist and statutory interventions. The programme encourages innovative service design and delivery focused on improving outcomes for families living in Carmarthenshire.

With a £1.4 million total value over 24 months duration (plus option to extend further 18 months), the procurement exercise originally had three individual lots: (1) Targeted Family Support, (2) Domestic Abuse support for Children and Young People aged 0-16 and (3) Disability support. In January 2014 a consultation event was held to engage with potential providers in the market place to have an input into the development of the tendering strategy and to encourage the opportunity for collaborative bids. These events were well attended and received by potential bidders. Carmarthenshire County Council were the first Authority to pilot the Welsh Government's Joint Bidding Guide for this exercise. 5 tender submissions were received and 3 of these were joint bids. The selection and interview panels were held in January 2015 with award of contracts for Lots 1 and 2 in April 2015. Furthermore, non-core Community Benefits were included in the tender documents to enhance the opportunities from these contracts around targeted recruitment, training and education.

6.6 Secure Print Management

A competition exercise from the Crown Commercial Services Framework was undertaken to implement a secure print management system corporately to provide a consistent, secure and cost effective approach to printing and copying for all users. Multi-Functional Devices have replaced printers across the Authority. It was necessary to include cost of change and buy-out of existing printers in the further competition documents to ensure that the transfer of contracts was as seamless as possible. The key driver was to rationalise the print estate and comply with print security measures. It is anticipated that this project will attract significant savings in the region of £100k per annum through the reduction of consumables, abandoned prints and increase the visibility of volumes across the authority. We also included non-core community benefits within this call-off exercise to maximise the benefits and opportunities of the contract.

6.7 Supporting Strategic Projects

The Corporate Procurement Unit has supported the following Strategic groups and project teams through the provision of on-going procurement advice and guidance. These are long term commitments and range from providing advice to the Strategic groups to assisting with individual procurement exercises.

- Extra Care Homes,
- Providing More Homes (Affordable Housing / Traveller Site Development)
- Leisure Trust
- Waste Contract Extension

7. Key Issues for 2016

Key Issues for 2016 include:

1. Development of new Procurement Strategy
2. Working with Departments to agree approach(es) to procurement of items / services highlighted by the Spend Analysis.
3. Co-ordinating procurement exercises with NPS and with internal Departments
4. Working with Pembrokeshire CC to identify opportunities for joint procurement
5. Review of 3rd Sector spend

POLICY & RESOURCES SCRUTINY COMMITTEE
3rd FEBRUARY 2016

**Quarterly Treasury Management and Prudential
Indicator Report –
1st April to 31st December 2015**

To consider and comment on the following issues:

- Members are requested to satisfy themselves that the activities undertaken in the attached report are consistent with the requirements of the Treasury Management Policy and Strategy approved by Full Council on the 24th February 2015.

Reasons:

- The Scrutiny Committee has a key role to play in scrutinising the Treasury Management function within the Authority.

To be referred to the Executive Board / Council for decision: YES

Executive Board – 1st February 2016

Executive Board Member Portfolio Holder: Cllr. David Jenkins (Resources)

<p>Directorate: Corporate Services</p> <p>Name of Director: Chris Moore</p> <p>Report Author: Anthony Parnell</p>	<p>Designations:</p> <p>Director of Corporate Services</p> <p>Treasury & Pensions Investments Manager</p>	<p>Tel Nos. / E-Mail Addresses:</p> <p>01267 224160 cmoore@carmarthenshire.gov.uk</p> <p>01267 224180 aparnell@carmarthenshire.gov.uk</p>
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EXECUTIVE SUMMARY

POLICY & RESOURCES SCRUTINY COMMITTEE 3RD FEBRUARY 2016

Quarterly Treasury Management and Prudential Indicator Report – 1st April to 31st December 2015

BRIEF SUMMARY OF PURPOSE OF REPORT

To inform Members of the activities within the Treasury Management Function for the period 1st April 2015 to 31st December 2015.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: **Chris Moore** **Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	NONE	YES	NONE	NONE	NONE	NONE

1. Policy, Crime & Disorder and Equalities

Policy: Within the requirements of the Treasury Management Policy and Strategy report 2015-2016.

3. Finance

The Authority's investments during the period returned an average return of 0.57%, exceeding the 7 day LIBID rate.

Gross interest earned on investments for the period amounted to £0.22m and interest paid on loans was £9.01m.

The Authority did not breach any of its Prudential Indicators during the period.

At the period end the investments included £0.7m of KSF investments.

82.5% of the claim submitted has now been received.

The administration of KSF is expected to continue for some time again and further updates will be provided in future reports.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: **Chris Moore** **Director of Corporate Services**

1. **Local Member(s) – N/A**
2. **Community / Town Council – N/A**
3. **Relevant Partners – N/A**
4. **Staff Side Representatives and other Organisations – N/A**

**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THESE ARE DETAILED BELOW

Title of Document	File Ref No. / Locations that the papers are available for public inspection
CIPFA – Treasury Management in the Public Services – Code of Practice – Revised	Corporate Services Department, County Hall, Carmarthen
Treasury Management Policy and Strategy 2015/16 – County Council (24th February 2015)	<p>Agenda http://online.carmarthenshire.gov.uk/agendas/eng/COCO20150224/index.asp</p> <p>Minutes http://online.carmarthenshire.gov.uk/agendas/eng/COCO20150224/MINUTES.HTM</p>

POLICY & RESOURCES SCRUTINY COMMITTEE

3RD FEBRUARY 2016

QUARTERLY TREASURY MANAGEMENT AND PRUDENTIAL INDICATOR REPORT

1st April 2015 – 31st December 2015

A QUARTERLY TREASURY MANAGEMENT REPORT

1. Introduction

The Treasury Management Policy and Strategy for 2015-2016 was approved by Council on 25th February 2015. Section B 1.1(2) stated that Treasury Management activity reports would be made during the year. This report outlines the Treasury Management activities in the period 1st April 2015 to 31st December 2015 and satisfies the reporting requirement stated above.

1.1 HRA Reform in Wales

As reported in the April - June 2015 quarterly report, the Council made a one off payment to the Welsh Government of £79m which removed the Authority's obligation to the Housing Subsidy system. The equivalent figure was borrowed from the PWLB on 2nd April 2015 and met the requirements of the HRA business plan and the overall requirements of the Council.

These loans were detailed in the April - June 2015 quarterly report.

2. Investments

One of the primary activities of the Treasury Management operation is the investment of surplus cash for which the Authority is responsible. As well as the Authority's own cash the County Council invests School Trust Funds and other Funds, with any interest derived from these investments being passed over to the relevant Fund.

All surplus money is invested daily on the London Money Markets. The security of the investments is the main priority. Appropriate liquidity should be maintained and return on investments the final consideration. It continues to be difficult to invest these funds as the market continues to be insecure and as a consequence appropriate counterparties are limited.

The total investments at 1st April 2015 to 31st December 2015 analysed between Banks, Building Societies, Local Authorities and Money Market Funds, are shown in the following table:

Investments	1.4.15				31.12.15			
	Call and notice	Fixed Term	Total		Call and notice	Fixed Term	Total	
	£m	£m	£m	%	£m	£m	£m	%
Banks and 100% wholly owned Subsidiaries	13.50	0.70	14.20	35	12.00	5.70	17.70	48
Building Societies	0.00	0.00	0.00	0	0.00	7.00	7.00	19
Local Authorities	0.00	25.00	25.00	61	0.00	5.00	5.00	13
Money Market Funds	1.50	0.00	1.50	4	7.40	0.00	7.40	20
TOTAL	15.00	25.70	40.70	100	19.40	17.70	37.10	100

Investments on call are available immediately on demand.
Fixed term investments are fixed to a maturity date.

The £37.10m includes £0.70m (17.5% of original claim) invested in Kaupthing Singer and Friedlander which has been reduced from the original £4.0m by distributions.

During the period the total investments made by the Council and repaid to the Council (the turnover) amounted to £673.2m. This averaged approximately £17.14m per week or £2.45m per day. A summary of turnover is shown below:

	£m
Total Investments 1st April 2015	40.70
Investments made during the quarter	334.80
Sub Total	375.50
Investments Repaid during the quarter	(338.40)
Total Investments at 31st December 2015	37.10

The main aims of the Treasury Management Strategy is to appropriately manage the cash flows of the Council, the required short term and longer term market transactions and the risks associated with this activity. Lending on the money market secures an optimum rate of return and also allows for diversification of investments and hence reduction of risk, which is of paramount importance in today's financial markets.

The benchmark return for the London money market is the “7 day LIBID rate”. For 2015-2016 the Council has compared its performance against this “7 day LIBID rate”. For the period under review the average “7 day LIBID rate” was 0.36% whereas the actual rate the Council earned was 0.57%, an out performance of 0.21%.

This outperformance can be quantified to £80k additional interest earned compared to the “7 day LIBID rate”.

The gross interest earned on investments for the period amounted to £0.220m.

The income from investments is used by the Authority to reduce the net overall costs to the Council taxpayer.

3. Update on the investments with Kaupthing Singer & Friedlander (KSF)

No dividends were received during 1st April 2015 to 31st December 2015. 82.5% of the claim submitted remains unchanged. The administrators currently expect the total repayment to be up to 85% of the original claim with the next dividend expected before 31st March 2016.

4. Security, Liquidity and Yield (SLY)

Within the Treasury Management Strategy Statement for 2015-2016, the Council’s investment priorities are:

- Security of Capital
- Liquidity and
- Yield

The Council aims to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions.

Attached in Appendix 1 is the Investment Summary and Top 10 Counterparty Holdings (excluding the £0.70m in KSF) as at 31st December 2015.

5. Borrowing

One of the methods used to fund capital expenditure is long term borrowing. The principal lender for Local Authorities is the Public Works Loan Board (PWLB).

Under the Treasury Management Strategy it was agreed to borrow when interest rates are at their most advantageous.

The total loans at 1st April 2015 and 31st December 2015 are shown in the following table:

Loans	Balance at 01.04.15 £m	Balance at 31.12.15 £m	Net Increase/ (Net Decrease) £m
Public Works Loan Board (PWLB)	275.64	363.59	87.95
Market Loan	3.00	3.00	0.00
Salix, HILS & TCL	1.20	1.67	0.47
TOTAL	279.84	368.26	88.42

The Salix interest free loans have been provided by an independent publicly funded company dedicated to providing the public sector with loans for energy efficiency projects.

Town Centre Loans (TCL) – In November 2015 the Council received £0.7m interest free repayable funding from the Welsh Government with the aim of reducing the number of vacant, underutilised and redundant sites and premises in Llanelli town centre and to support the diversification of the town centre by encouraging more sustainable uses for empty sites and premises. The funding has to be repaid to the Welsh Government by 31st March 2031.

5.1 New Borrowing

As mentioned in 1.1, loans were borrowed during the period to remove the HRA from the housing subsidy system. These loans were detailed in the April - June 2015 quarterly report.

The following loans were borrowed during the period to fund the capital programme:

Loan Reference	Amount (£m)	Interest Rate	Start Date	Period	Maturity Date
504388	5.00	3.18%	28th September 2015	45yrs	28th September 2060
504389	5.00	3.17%	28th September 2015	46yrs	28th September 2061
Total	10.00				

5.2 Interest Paid

Interest paid on loans in the period was:

PWLB Interest Paid £m	Market Loan Interest Paid £m	Total Interest Paid £m
8.87	0.14	9.01

6. Rescheduling and Premature Loan Repayments

No rescheduling opportunities arose during the period and there were no premature repayments of debt.

7. Leasing

No leases were negotiated in the period ended 31st December 2015.

8. Conclusion

The Treasury Management function for the period ended 31st December 2015 has been carried out within the policy and guidelines set in the Treasury Management Policy and Strategy 2015-2016.

B. QUARTERLY PRUDENTIAL INDICATOR REPORT

1. Introduction

As part of the 2015-2016 Budget and the Treasury Management Policy and Strategy 2015-2016 Council adopted a number of Prudential Indicators. These Indicators are designed to ensure that any borrowing or other long-term liabilities entered into for capital purposes were affordable, sustainable and prudent.

The Indicators are required by the Local Government Act 2003 and the Revised Prudential Code of Practice in order to control Capital Finance. The Prudential Code also required that those Prudential Indicators that were forward looking should be monitored and reported. Some of the indicators are monitored by officers monthly, and are only reported if they are likely to be breached, others are to be monitored quarterly by the Executive Board.

2. The Monitored Prudential Indicators

2.1 Affordability Prudential Indicator

2.1.1 Ratio of Financing Costs to Net Revenue Stream

The indicator set for 2015-2016 in the Budget was:

	2014-2015
	%
Non –HRA	5.68
HRA	35.00

An examination of the assumptions made in calculating this indicator concluded that there have been no changes in the period.

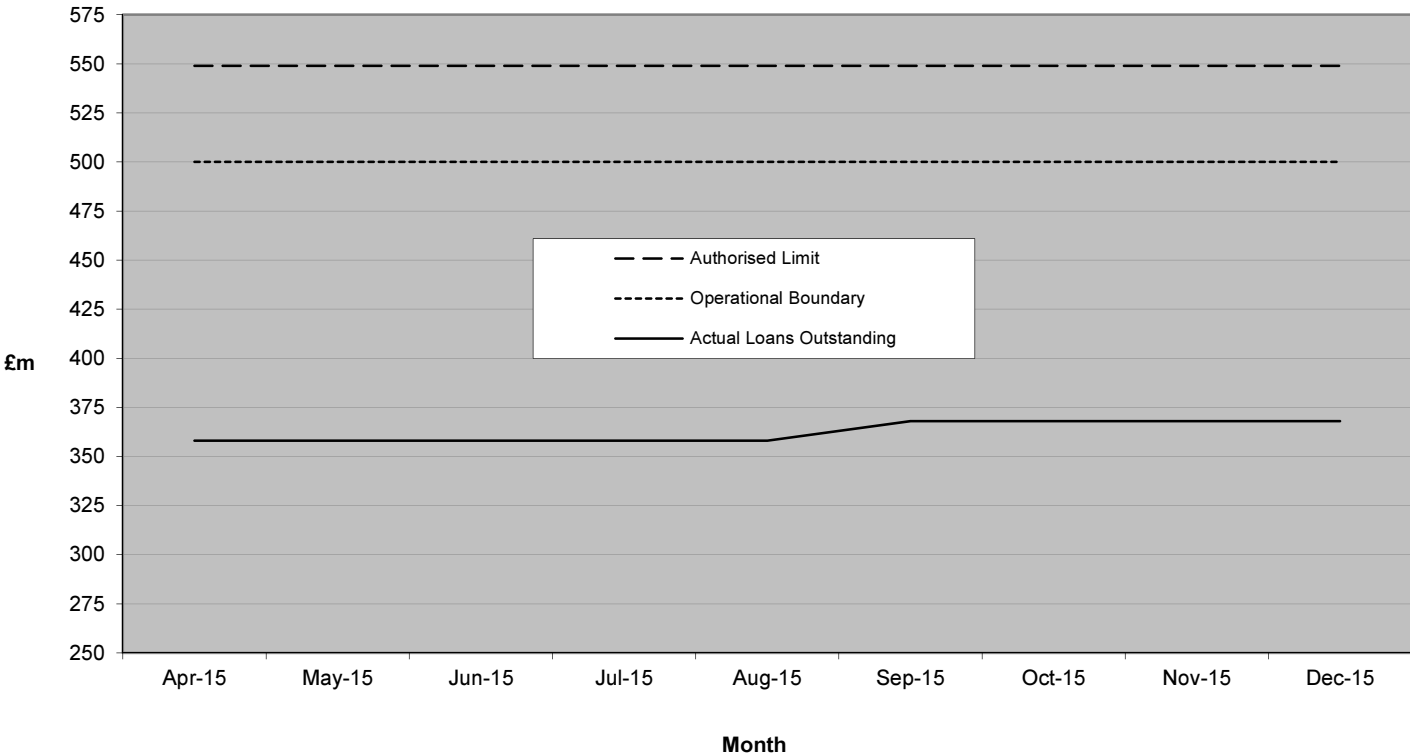
2.2 Prudence Prudential Indicators

2.2.1 The Gross Borrowing and Capital Finance Requirement (CFR) indicator

The indicator set by the Budget for Gross Borrowing and CFR was that the Director of Corporate Services envisaged no difficulty in meeting the requirement of the Gross Borrowing being less than the accumulated CFR for 2015-2016. An examination of assumptions made when calculating the Prudential Indicator show that there have been no material changes.

2.2.2 Authorised Limit and Operational Boundary

The actual value of loans outstanding must not exceed the Authorised Limit. In normal activity actual loans outstanding should be close but less than the Operational Boundary. The Operational Boundary can be breached in the short term due to adverse cash flows.



	Apr-15 £m	Jun-15 £m	Sep-15 £m	Dec-15 £m
Authorised Limit	549	549	549	549
Operational Boundary	500	500	500	500
Loans Outstanding	358	358	368	368

Neither the Authorised Limit nor the Operational Boundary have been breached.

2.3 Treasury Management Prudential Indicators

2.3.1 Interest Rate Exposure

Position as at 31st December 2015:

	Fixed Interest Rate £m	Variable Interest Rate £m	TOTAL £m
Borrowed	365.26	3.00	368.26
Invested	(17.70)	(19.40)	(37.10)
Net	347.56	(16.40)	331.16
Limit	480.00	48.00	
Proportion of Net Borrowing Actual	104.95%	(4.95)%	100.00%
Limit	150.00%	10.00%	

The Authority is within limits set by the 2015-2016 indicators.

2.3.2 Maturity Structure Of Borrowing

	Structure at 31.12.15 %	Upper Limit %	Lower Limit %
Under 12 months	2.61	15	0
12 months to 2 years	1.07	25	0
2 years to 5 years	7.57	50	0
5 years to 10 years	11.77	50	0
10 years to 20 years	18.24	50	0
20 years to 30 years	21.32	50	0
30 years to 40 years	25.47	50	0
40 years and above	11.95	50	0

The Authority is within the limits set by the 2015-2016 indicators.

2.3.3 Maximum principal sums invested longer than 364 days

	2015-2016 £m
Limit	10
Actual as at 31 st December 2015	NIL

3. Conclusion

For the period 1st April 2015 to 31st December 2015 the actual Prudential Indicators to be monitored by the Executive Board are within the limits set by the Budget 2015-2016 and the Treasury Management Policy and Strategy 2015-2016. This is also true for the indicators being monitored by officers.

Investment Summary as at 31st December 2015

Carmarthenshire County Council

Totals		
Total	£36,400,000	
Calls & MMFs	£24,400,000	67%
Fixed Deposits	£12,000,000	33%
Specified	£36,400,000	100%

Weighted Average		
Yield		0.63%
Maturity (Days)		
Total Portfolio	Total Portfolio	28.47
Long Term		
Short Term		
AAA	-	23.18
AA	F1	0.00
A	F1	28.37
BBB	F2	42.00
CCC	C	0.00

Risk Factors		
< 1 year	£2,717	0.007%
1 - 2 years	£0	0.000%
2 - 3 years	£0	0.000%
3 - 4 years	£0	0.000%
4 - 5 years	£0	0.000%
Total Portfolio	£2,717	0.007%

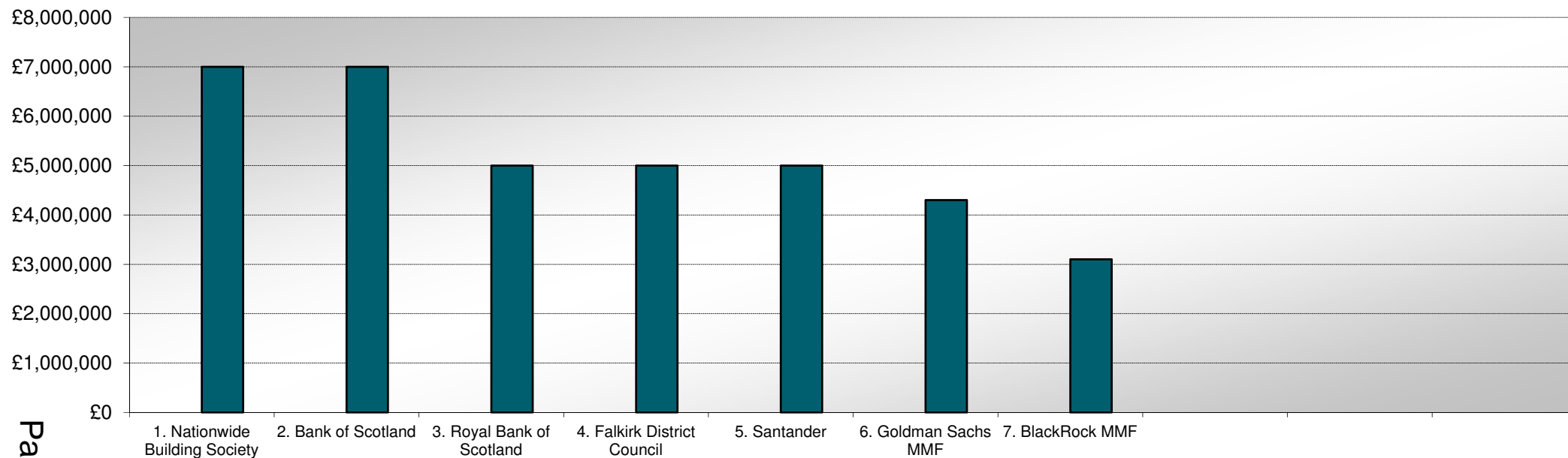
Maturity Structure		
< 1 Week	£19,400,000	53%
< 1 Month	£0	0%
2 - 3 Months	£17,000,000	47%
3 - 6 Months	£0	0%
6 - 9 Months	£0	0%
9 - 12 Months	£0	0%
12 Months+	£0	0%
Total	£36,400,000	100%

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Top 10 Counterparty Holdings

Carmarthenshire County Council

Counterparty	Principal	% of Total Holding	WAM (Days)	WAYield	WADefault
1. Nationwide Building Society	£7,000,000	19.23%	75	0.78%	0.019%
2. Bank of Scotland	£7,000,000	19.23%	1	0.40%	0.000%
3. Royal Bank of Scotland	£5,000,000	13.74%	42	0.70%	0.027%
4. Falkirk District Council	£5,000,000	13.74%	56	0.57%	0.000%
5. Santander	£5,000,000	13.74%	1	1.05%	0.000%
6. Goldman Sachs MMF	£4,300,000	11.81%	1	0.44%	0.000%
7. BlackRock MMF	£3,100,000	8.52%	1	0.37%	0.000%



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POLICY & RESOURCES SCRUTINY COMMITTEE 3rd FEBRUARY 2016

Treasury Management Policy and Strategy 2016-17

To consider and comment on the following issues:

- To consider the content of the report, as this information will form the basis of this Committee's role in scrutinising the activity and function during the year.

Reasons:

- To comply with the revised CIPFA Treasury Management Code of Practice and CIPFA Prudential Code 2011.
- To formally endorse the Treasury Management Strategy for 2016-17 including the Treasury Management Indicators.

To be referred to the Executive Board / Council for decision: YES

- Executive Board – 1st February 2016
- County Council – 23rd February 2016

Executive Board Member Portfolio Holder: Cllr. David Jenkins (Resources)

<p>Directorate: Corporate Services</p> <p>Name of Director: Chris Moore</p> <p>Report Author: Anthony Parnell</p>	<p>Designations:</p> <p>Director of Corporate Services</p> <p>Treasury & Pensions Investments Manager</p>	<p>Tel Nos. / E-Mail Addresses:</p> <p>01267 224160 cmoore@carmarthenshire.gov.uk</p> <p>01267 224180 aparnell@carmarthenshire.gov.uk</p>
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EXECUTIVE SUMMARY

POLICY & RESOURCES SCRUTINY COMMITTEE 3RD FEBRUARY 2016

Treasury Management Policy and Strategy 2016-17

The attached report provides members with a copy of the proposed Treasury Management Policy and Strategy 2016-17.

As per the revised CIPFA Code of Practice on Treasury Management 2011, the Council is required to maintain a Treasury Management Policy which states the policies and objectives of the Authority's treasury management activities and to have its Treasury Management Policy & Strategy approved annually before the start of the financial year.

Section B (1.1 (Clause 4)) in the attached Treasury Management Policy and Strategy 2016-2017 nominates the Policy and Resources Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Section D (9) of the strategy includes a section on member and officer training. This Council has addressed this important issue by:

- Reviewing the treasury management function and ensuring officers are suitably qualified
- Arranging external training for officers
- Arranging on- going training for those members charged with governance of the treasury management function

This strategy will be considered by the Executive Board on 1st February 2016 and is brought to this Committee before consideration at County Council on 23rd February 2016.

The Treasury Management Policy and Strategy 2016-17 and the following appendices are attached:

- Appendix A – Treasury Management Practices (TMPs)
- Appendix B – Security, Liquidity and Yield Benchmarking
- Appendix C – Schedule of Approved Counterparties for Lending 2016-17 (as at 4th January 2016)
- Appendix D – The Prudential Indicators 2016-17
- Appendix E – Minimum Revenue Provision (MRP) Statement

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report.

Signed: **Chris Moore** **Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
YES	YES	YES	NONE	NONE	NONE	NONE

1. Policy, Crime & Disorder and Equalities

Council has adopted the revised CIPFA Code of Practice on Treasury Management 2011, one of the requirements is that an annual Treasury Management Policy and Strategy be approved by Council before the commencement of the year to which it relates.

2. Legal

Under the Local Government Act 2003 and the revised CIPFA Code of Practice on Treasury Management 2011, local authorities must set out their Treasury Management Indicators that relate to the Authority's capital spending and its borrowing.

3. Finance

The Treasury Management Policy and Strategy details the procedures that the Authority adheres to in managing its treasury management function.

Interest paid and earned has a direct impact on the Authority's Revenue Budget. The estimated projections are included in the Budget which is to be presented to Council on 23rd February 2016.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below:

Signed: Chris Moore Director of Corporate Services

1. Local Member(s) – N/A
2. Community / Town Council – N/A
3. Relevant Partners – N/A
4. Staff Side Representatives and other Organisations – N/A

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THESE ARE DETAILED BELOW

Title of Document	File Ref No. / Locations that the papers are available for public inspection
CIPFA – Treasury Management in the Public Services – Code of Practice – Revised	Corporate Services Department, County Hall, Carmarthen
The Local Government Act 2003	http://www.legislation.gov.uk/ukpga/2003/26/contents
Guidance issued by the Welsh Assembly	Corporate Services Department, County Hall, Carmarthen
CIPFA – Prudential Code for Capital Finance in Local Authorities – Revised	Corporate Services Department, County Hall, Carmarthen

POLICY AND RESOURCES SCRUTINY COMMITTEE
3rd FEBRUARY 2016

REPORT OF THE DIRECTOR OF CORPORATE SERVICES

TREASURY MANAGEMENT POLICY AND STRATEGY 2016-2017

A. INTRODUCTION

This Council carries out its treasury management activities in accordance with the Prudential Code of Practice first developed for public services in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code was last revised in 2013. The Council also carries out its treasury management activities in accordance with the CIPFA Treasury Management Code of Practice 2011.

The revised Code identifies three key principles:

1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
2. The Council's policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their Council. The Council's appetite for risk should form part of its annual strategy and should ensure that priority is given to security and liquidity when investing funds.
3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible Councils to employ in support of their business and service objectives; and that within the context of effective risk management, the Council's treasury management policies and practices should reflect this.

B. CIPFA PRUDENTIAL CODE AND CIPFA TREASURY MANAGEMENT CODE OF PRACTICE

1. This Council has adopted the Revised CIPFA Prudential Code 2013 and the Revised CIPFA Treasury Management Code of Practice 2011.

This Revised CIPFA Treasury Management Code of Practice 2011 stipulates that there should be Member scrutiny of the treasury policies, Member training and awareness and regular reporting.

The Council has adopted the four clauses shown in 1.1 as part of its financial procedure rules and the Policy and Resources Scrutiny Committee is responsible for ensuring effective scrutiny of the treasury

management strategy and policies, before making recommendations to Council.

The policies and parameters within this report provide an approved framework within which the officers undertake the day to day treasury activities.

1.1 The four clauses adopted are:

- (1) This Council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
- (2) This Council will receive reports on its treasury management policies, practices and activities, including an annual strategy in advance of the year, a mid year review report and a year end annual report, in the form prescribed in its TMPs.
- (3) This Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices, and the quarter 1, mid year and quarter 3 monitoring reports to the Executive Board, and for the execution and administration of treasury management decisions to the Director of Corporate Services, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- (4) The Council nominates the Policy and Resources Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.2 **Treasury Management Practices (TMPs)**

The Schedule of TMPs is shown in Appendix A.

C. TREASURY MANAGEMENT POLICY

1. This Council defines its Treasury Management activities as:

The management of the Council's investments and cash flows, its banking, money market and capital market transactions and the effective

control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

This policy holds indefinitely until circumstances dictate that a change is necessary. Any changes must be done before the beginning of the financial year to which it relates, or in exceptional circumstances within the year if approved by Council.

It is the Director of Corporate Services responsibility to implement and monitor the Treasury Management Policy, revising and re-submitting the Policy for consideration to the Executive Board and the Council if changes are required.

D. TREASURY MANAGEMENT STRATEGY 2016-17

1. INTRODUCTION

- 1.1 The Treasury Management Strategy provides details of the expected activities of the Treasury Management function in the financial year 2016-17.
- 1.2 The Council's financial procedure rules require an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further treasury reports will be produced during the year if the strategy needs updating and a year-end annual report on actual activity for the year.
- 1.3 The strategy covers:
 - Treasury Indicators and Limits on Activity
 - Prospects for interest rates
 - Borrowing Strategy
 - Investment Strategy
 - Debt Rescheduling and Premature Repayment of Debt
 - Performance Indicators
 - Treasury Management Advisers
 - Member and Officer Training

1.4 HRA Reform in Wales

The Council made a one off payment of £79m to the Welsh Government, under the recent Housing Reform, on 2nd April 2015 which removed the Council's obligation to the Housing Subsidy System. This one off payment is compensation, ensuring the HRA will no longer make future annual payments to the Welsh Government. It is expected that the overall impact will be beneficial to the Council

This amount was borrowed from the Public Works Loan Board and met the requirements of the HRA business plan and the overall requirements of the Council.

The additional borrowing of £79m has been reflected throughout the Policy & Strategy document and accompanying appendices.

2. TREASURY INDICATORS AND LIMITS ON ACTIVITY

2.1 Under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities (revised in 2013), local authority capital spending and its borrowing to fund that spending is limited by what is affordable, prudent and sustainable. The Prudential Code sets out a number of indicators that enables the authority to assess affordability and prudence. The Prudential Indicators that related to Treasury Management were reclassified as Treasury Indicators in recent revisions of the Codes and are:

- Upper Limit for Fixed Rate Exposure
- Upper Limit for Variable Rate Exposure
- Limits on the Maturity Structure of Borrowing
- Limits on Total Principal Sums Invested Long Term

In addition the Prudential Code requires that the total external debt does not exceed the Authorised Limit for external debt and only exceeds the Operational Boundary for external debt temporarily on occasions due to variation in cash flow. Full Council when approving the Budget sets the Authorised Limit and the Operational Boundary.

2.2 The Treasury Management Indicators for 2016-17 are:

2.2.1 Interest rate exposure limits for 2016-17 are estimated as follows:

Estimated Average Position for 2016-17			
	Fixed Interest Rate	Variable Interest Rate	Total
	£m	£m	£m
Borrowed	+401	+3	+404
Invested	(20)	(30)	(50)
Net Debt	+381	(27)	+354
Proportion of Total Net Debt	+108%	(8%)	+100%

It is recommended that the following exposure limits are adopted:

	Fixed Interest Rate	Variable Interest Rate
Proportion of Total Net Debt	150%	10%

2.2.2 It is recommended that the following exposure limits for 2016-17, 2017-18 and 2018-19 are adopted:

Interest Rate Exposures	2016-17	2017-18	2018-19
	Upper	Upper	Upper
	£m	£m	£m
Limits on fixed interest rates based on net debt	445	445	455
Limits on variable interest rates based on net debt	20	20	20

2.2.3 It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows:

	Upper Limit	Lower Limit
Under 12 months	15%	0%
12 months to 2 years	25%	0%
2 years to 5 years	50%	0%
5 years to 10 years	50%	0%
10 years to 20 years	50%	0%
20 years to 30 years	50%	0%
30 years to 40 years	50%	0%
40 years and above	50%	0%

2.2.4 Maximum principal sums invested longer than 364 days:

	2016-17	2017-18	2018-19
	£m	£m	£m
Maximum principal sums invested longer than 364 days	10	10	10

3. PROSPECTS FOR INTEREST RATES

Based on the average projection from a number of sources we can expect the trend in the Bank Rate, set by the Monetary Policy Committee, over the next three years to be as follows:

	Current	2016-17	2017-18	2018-19
	%	%	%	%
Average Bank Rate	0.50	0.88	1.50	1.94

4. BORROWING STRATEGY 2016-17 – 2018-19

4.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will continue to take a cautious approach to its treasury management strategy.

Borrowing interest rates have been volatile during 2015 as, alternating bouts of good and bad news have prompted optimism, and then pessimism in financial markets. Director of Corporate Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

The option of delaying borrowing and running down investment balances is likely to continue for the time being. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times due to an overall current trend of falling rates. It reduces counterparty risk and hedges against any expected fall in investment returns.

The Council continues to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

The timing of any action is important and the Director of Corporate Services and treasury advisers will monitor prevailing rates for any opportunities during the year.

4.2 **The Council's agreed policy is to raise funding only from the following:**

- Public Works Loan Board (PWLB)
- Market Long-Term including European Investment Bank (EIB)
- Market Temporary
- Local Authorities
- Overdraft
- Internal Capital Receipts and Revenue Balances
- Leasing
- Welsh Government and Central Government

4.3 **Borrowing in advance of need**

The Council has some flexibility to borrow funds in advance of future years.

The Director of Corporate Services may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Director of Corporate Services will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing needed (CFR) over the three year planning period; and
- Not to borrow more than 12 months in advance of need.

Risks associated with any advance borrowing activity will be appraised in advance and subsequently reported through the quarterly reporting mechanism.

5. **INVESTMENT STRATEGY 2016-17 – 2018-19**

5.1 **INTRODUCTION**

5.1.1 The Investment Strategy has been prepared with due regard to:

The Local Government Act 2003

Regulations made under the Local Government Act 2003 (as amended)

2013 Revised Prudential Code for Capital Finance in Local Authorities

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008

Guidance issued by the Welsh Government

2011 Revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

5.1.2 **Key Objectives**

The Council's investment strategy primary objectives are:

- safeguarding the repayment of the principal and interest of its investments on time
- ensuring adequate liquidity

- the investment return being the final objective

Following the interest rate views above, the current investment climate has counterparty security risk as the over-riding risk consideration. As a result of concerns over Eurozone sovereign debt and the potential negative impact on the banking industry, officers have implemented detailed operational procedures which are included in the treasury management procedure manual. These procedures tighten the controls already in place in the approved investment strategy.

5.1.3 Risk Benchmarking

A development in the revised Codes and the WG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. The approach taken is attached at Appendix B.

5.2 DEFINITIONS

5.2.1 A credit rating agency is one of the following three companies: Fitch Ratings Limited (Fitch), Moody's Investors Service Limited (Moody's) and Standard and Poors (S&P).

5.2.2 An investment is a transaction that relies upon the power in section 12 of the Local Government Act 2003 and is recorded in the balance sheet under the heading of investments within current assets or long-term investments.

5.3 INVESTMENT COUNTERPARTIES

The Director of Corporate Services maintains a counterparty list in compliance with the following criteria and revises the criteria and submits them to Council for approval as necessary. This criteria is separate to that which approves Specified and Non-Specified investments as it selects which counterparties the Council will approve rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by all three agencies, one meets the Council's criteria, the others do not, the institution will fall outside the lending criteria.

5.3.1 Investment Counterparty Selection Criteria

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. To meet this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections.
- 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.

5.3.2 **UK Banks 1 (Upper Limit)** – This Council will use banks which have at least the following Fitch, Moody's and Standard & Poors ratings:

Short Term – F1, P-1, A-1

Long Term – AA-, Aa3, AA-

UK Banks 2 & UK Building Societies (Middle Limit) – This Council will use all UK Banks and Building Societies which have at least the following Fitch, Moody's and Standard & Poors ratings:

Short Term – F1, P-1, A-1

Long Term – A, A2, A

UK Banks Part Nationalised – Royal Bank of Scotland Group plc (Royal Bank of Scotland and National Westminster Bank). These banks will be included if they continue to be part nationalised or they meet the ratings above.

The UK Government (HM Treasury) holds 72.9% stake within Royal Bank of Scotland Group.

UK part nationalised banks which are significantly owned by the UK Government will be included as investment counterparties, as long as they continue to have appropriate UK Government support. UK Government backing provides a credit quality overlay above that provided by the credit rating agencies. The Royal Bank of Scotland Group plc will be monitored for any material reduction in state ownership or deterioration of the credit rating which suggests a reduction of its use or suspension from the counterparty list.

UK Banks 3 – The Council's banker for transactional purposes if it falls below the above criteria. Balances will be minimised in both monetary size and time.

Money Market Funds – The Council will use AAA rated money market funds (MMFs) that are credit rated by at least two of the three credit rating agencies. These are pooled investment funds whose primary aims are

liquidity and security and allow daily access to funds when required. Their operations are strictly regulated by the credit rating agencies and are operated by a financial institution but do not form part of that institutions assets, should the sponsoring institution fail the MMF is entirely separate, effectively owned by the investors. These types of funds invest in a range of instruments and institutions and therefore provide a low risk spread of investments.

UK Government (including gilts and the DMADF)

Local Authorities (including Police & Fire Authorities)

5.3.3 Use of additional information other than credit ratings

Additional requirements under the Revised CIPFA Treasury Management Code of Practice 2011 require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example, negative rating watches/outlooks, individual/viability and support ratings) will be applied to compare the relative security of differing investment counterparties.

The UK Government, like other Western governments, are initiating market regulations which will mean they may not bail out financial institutions in the future. This will not be initiated until corresponding rules and regulations are in place so that institutions are much stronger and less likely to fail. Whilst not an immediate concern, officers will continue to monitor the situation and changes to future investment strategies are likely.

5.3.4 The time and monetary limits for institutions on the Council's Counterparty List are shown below: (Specified and Non-Specified Investments)

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category - Short Term and Long Term	F1 AA-	P-1 Aa3	A-1 AA-	£10m	3 years
Middle Limit Category - Short Term and Long Term	F1 A	P-1 A2	A-1 A	£7m	1 year
Part Nationalised	-	-	-	£7m	1 year
Council's Banker (not meeting criteria above)	-	-	-	£3m	1 day
Other Institution Limits:					
- Any One Local Authority (including Police & Fire authorities)	-	-	-	£10m	3 years
- Any AAA Rated Money Market Fund	-	-	-	£5m	Daily Liquidity
- Debt Management Account Deposit Facility	-	-	-	£40m	6 months

5.3.5 There are two types of investments – Specified and Non Specified

5.3.5.1 Specified Investments

These investments are sterling investments of not more than one-year maturity. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

- (1) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
- (2) A local authority, police authority and fire authority.
- (3) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
- (4) A body that has high credit quality (which may include a high credit rating by a credit rating agency) such as a bank or building society. For this purpose a body with a short term rating of F1, P-1 or A-1 will be considered high quality.

5.3.5.2 Non Specified Investments

These investments are any other type of investment (i.e. not defined as Specified in 5.3.5.1 above).

The maximum sum and time limit for non specified investments is £5m per counterparty with a limit of 3 years.

Non specified investments will only be made in local authorities, bodies with a minimum long-term credit rating of AA– and in AAA rated money market funds.

Note: Barclays Bank plc are the Council's current bankers. The bank's credit ratings have fallen below the criteria for a specified investment; therefore no deposits will be made with the exception of the bank's overnight (Moneymaster) account. Barclays Bank plc will be monitored for any credit rating increase which could lead to a reintroduction to the counterparty list.

The average day to day operational balance on the account will not exceed £3m in these circumstances. See 5.3.4 above.

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded.

5.3.6 The Monitoring of Investment Counterparties

The credit ratings of counterparties are monitored regularly. The officers receive credit rating information (changes, rating watches and rating outlooks) from the treasury management advisers as and when ratings change, and counterparties are checked promptly. Occasionally ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Corporate Services, and if required new counterparties which meet the criteria will be added to the list.

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under exceptional current market conditions the Director of Corporate Services will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

Further restrictions would be the greater use of the Debt Management Account Deposit Facility (DMADF – an account within the Government Debt Management Office which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

The present Schedule of Approved Counterparties for Lending 2016-17 is shown in Appendix C.

5.4 **LIQUIDITY OF INVESTMENTS**

Investments are made for periods which coincide with the Council's cash flow requirements.

When investing (within the risk criteria mentioned above), the aim is to achieve a level of return greater than would be secured by internal investments. The "7 day LIBID rate" is the recognised rate which the Council aims to improve on when lending money.

5.5 **SERVICE INVESTMENTS**

In addition to the regular treasury management lending, the Council undertakes service investments. These are distinctly different from the treasury investments, as the allocation of resources generally supports a service strategy or policy decision and consequently the investments will have variable time limits. These type of investments usually provide either cash flow support or capital support to an outside organisation.

Prior to making these investments, appropriate financial review procedures will be undertaken, including Profit and Loss, Balance Sheet and cash flow monitoring, as appropriate.

6. **DEBT RESCHEDULING AND PREMATURE REPAYMENT OF DEBT**

As short term borrowing rates are likely to be considerably cheaper than longer term fixed interest rates, there may be potential 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 the current treasury position and the size of the cost of debt repayment (premiums incurred).

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 treasury strategy
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as

short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Council at the earliest meeting following its action.

7. **PERFORMANCE INDICATORS**

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators used for the treasury function are:

- Debt (Borrowing) – New borrowing rate to outperform the average PWLB rate for the year
- Debt – Average weighted debt rate movement year on year
- Investments – Return on Investments to outperform the average “7 day LIBID rate”

The results of these indicators will be reported in the Treasury Management Annual Report for 2016-17.

8. **TREASURY MANAGEMENT ADVISERS**

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

Capita provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports
- Economic and interest rate analysis
- Debt services which includes advice on the timing of borrowing
- Debt rescheduling advice surrounding the existing portfolio
- Generic investment advice on interest rates, timing and investment instruments
- Credit ratings/market information service comprising the three main credit rating agencies

The current contract with Capita Asset Services expires on the 31st October 2016. A tendering process will be undertaken prior to this date.

Under current market rules and the Revised CIPFA Treasury Management Code of Practice 2011 the responsibility for treasury management decisions remains with the Council at all times ensuring that undue reliance is not placed upon the external service providers.

The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will 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.

9. **MEMBER & OFFICER TRAINING**

The increased member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for members and officers. This Council has addressed this important issue by:

- Reviewing the treasury management function and ensuring officers are suitably qualified
- Arranging external training for officers
- Arranging training for those members charged with governance of the treasury management function

RECOMMENDATIONS

1. **That the Policy & Resources Scrutiny Committee formally endorses the Treasury Management Policy and Strategy for 2016-17 and recommendations therein.**
2. **That the Policy & Resources Scrutiny Committee formally endorses the Treasury Management Indicators, Prudential Indicators and the MRP Statement and recommendations therein.**

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TREASURY MANAGEMENT PRACTICES (TMPs)

TMP1 RISK MANAGEMENT

General Statement

The Director of Corporate Services or those persons to which delegation has been made 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 TMP 6 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 below.

1.1 Credit and Counterparty Risk Management

Explanation

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

Council Action

This Council 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 Annual Treasury Management Policy and Strategy Statement. 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 arrangements.

A detailed list of counterparties to which the Council will lend is appended to the Annual Treasury Management Policy and Strategy Statement.

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1.2 Liquidity Risk Management

Explanation

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

Council Action

The Council through its Treasury Management officers will ensure that at all times there will be a surplus of cash available which can be called upon at a moment's notice. Through its investments the Council holds cash on call account(s) which is available at any time. By the use of an effective projected cash flow exercise the likelihood of cash being not readily available when required would be rare.

Robust daily, weekly, monthly and annual cash flow forecasting is in place. Call accounts and fixed term investments are utilised to their full potential.

This 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.

1.3 Interest Rate Risk Management

Explanation

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

Council Action

This Council 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 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 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.

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1.4 Exchange Rate Risk Management

Explanation

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

Council Action

Currently the Council only invests in sterling products. Hence, there is no exchange rate risk.

1.5 Refinancing Risk Management

Explanation

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

Council Action

This 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 Council 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 overreliance on any one source of funding if this might jeopardise achievement of the above.

1.6 Legal and Regulatory Risk Management

Explanation

The risk that an organisation 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 organisation suffers losses accordingly.

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Council Action

This 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 TMP 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 organisation, particularly with regard to duty of care and fees charged.

This 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 minimize the risk of these impacting adversely on the Council.

1.7 **Fraud, Error and Corruption, and Contingency Management**

Explanation

The risk that an organisation 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 commonly referred to as operational risk.

Council Action

This 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.

1.8 **Market Risk Management**

Explanation

The risk that, through adverse market fluctuations in the value of the principal sums the organisation invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

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Council Action

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.

TMP2 PERFORMANCE MEASUREMENT

Explanation

Performance measurement is a process designed to calculate the effectiveness of a portfolio's or manager's investment returns or borrowing costs and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

Council Action

This 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, of the availability of fiscal or other grant or subsidy incentives, and of the scope of other potential improvements.

TMP3 DECISION MAKING AND ANALYSIS

Explanation

It is vital that the treasury management decisions of organisations in the public service should be subjected to prior scrutiny. In addition all records should be kept of the processes and the rationale behind those decisions. In respect of each decision made the Council should:

- 3.1 ensure that its results are within the limits set in the Prudential Indicators.
- 3.2 be clear about the nature and extent of the risks to which the Council may become exposed.

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- 3.3 be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- 3.4 be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interest, and to deliver good housekeeping.
- 3.5 ensure that third parties are judged satisfactorily in the context of the Council's credit worthiness policies, and that limits have not been exceeded.
- 3.6 be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.
- 3.7 in respect of borrowing the Council should evaluate the economic and market factors that influence the manner and timing of any decision to fund.
- 3.8 consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- 3.9 consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
- 3.10 consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.
- 3.11 in respect of investment decisions, the Council should consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- 3.12 consider the alternative investment products and techniques available, especially the implications of any which may expose the Council to changes in the value of its capital.

Council Action

This 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 issues relevant to those decisions were taken into account at the time.

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TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Explanation

It is important that the Council is clear about the treasury management instruments, methods and techniques used as one of the main issues to be taken into account when reaching decisions in the need to protect public funds. This treasury management practice requires that the Council is equipped with the skills and experience to evaluate and control the risks and advantages associated with using the instruments available to it before including them in the approved list. This principle applies to investment, borrowing and other means of raising capital and project finance, and to the use of one off-market or financial derivative instruments such as interest rate swaps.

Council Action

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the policy, and within the limits and parameters defined in Treasury Management Practice 1 Risk Management.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Explanation

It is considered vital that there should be a clear division of responsibilities, included in a written statement of the duties of each post engaged in Treasury Management. It is especially important that staff responsible for negotiating and closing deals are not responsible for recording them, or for maintaining the cash book. This is in order to create a framework for internal check, and reflects both the variety of activities in treasury management and the very often large sums involved.

Council Action

This 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

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management decisions, and the audit and review of the treasury management function.

If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with Treasury Management Practice 6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Director of 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 of Corporate Services will ensure there is a proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

TMP6

REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Explanation

It is recommended that the Council's treasury management policy statement should specify formal reporting arrangements by the Director of Corporate Services to full Council.

Council Action

This 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.

The following reporting process has been agreed by the Council:

6.1 Annual Reporting Requirements before the start of the year:

- Review of the Council's approved clauses, treasury management policy statement and practices
- Strategy report on proposed treasury management activities for the year
- Proposed Treasury Management and Prudential Indicators

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6.2 Quarter 1 and Quarter 3 Reporting Requirements during the year which will be presented to both Executive Board and Policy and Resources Scrutiny Committee:

- Activities undertaken
- Variations (if any) from agreed policies/practices
- Performance report
- Performance against Treasury Management and Prudential Indicators

6.3 Mid-Year Reporting Requirements during the year which will be presented to Council, Executive Board and Policy and Resources Scrutiny Committee:

- Activities undertaken
- Variations (if any) from agreed policies/practices
- Performance report
- Performance against Treasury Management and Prudential Indicators

6.3 Annual Reporting Requirements after the year end

- Transactions executed and their revenue (current) effects
- Report on risk implications of decisions taken and transactions executed
- Compliance report on agreed policies/practices, and on statutory/regulatory requirements
- Performance report
- Report on compliance with Revised CIPFA Treasury Management Code of Practice 2011 recommendations
- Performance against Treasury Management and Prudential Indicators

By undertaking the above it will ensure, as a minimum, that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and

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that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Explanation

It is recommended that the Council brings together for budgeting and management control purposes, all of the costs and revenues associated with the Council's treasury management activities, regardless of how the Council has actually organised the treasury management function. In this context the Council's treasury management budgets and accounts should clearly identify.

- Manpower numbers and related costs
- Premises and other administrative costs
- Interest and other investment income
- Debt and other financing costs (or charges for the use of assets)
- Bank and overdraft charges
- Brokerages, commissions and other transaction-related costs
- External advisers' and consultants' charges

It is normal practice for the external auditor to have access to all papers supporting and explaining the operation and activities of the treasury management function. The auditor will be expected to enquire as to whether the Revised CIPFA Treasury Management Code of Practice 2011 has been adopted, and whether its principles and recommendations have been implemented and adhered to. Any serious breach of the recommendations of the Revised CIPFA Treasury Management Code of Practice 2011 should be brought to the external auditor's attention.

Council Action

The Director of Corporate Services will prepare, and this 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

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instruments, methods and techniques. The Director of 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 calculation and compliance of Treasury Management and Prudential Indicators will be examined by the Wales Audit Office.

This 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.

This 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.

TMP8 CASH AND CASH FLOW MANAGEMENT

Explanation

The preparation of cash flow projections on a regular and timely basis provides a sound framework for effective cash management. Procedures for their preparation and review/modification, the periods to be covered, sources of data etc. should be an integral part of the schedules to the Council's approved treasury management practices.

Council Action

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of 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 of Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with Treasury Management Practice 1 liquidity risk management and Prudential Indicators.

TMP9 MONEY LAUNDERING

Explanation

Money Laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. Also, organisations such as Councils that

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undertake business under the Financial Services Act, or engage in certain specified activities, are required to set up procedures to comply with Money Laundering Regulations 2007. These require Councils:

- To set up procedures for verifying the identity of clients
- To set up record-keeping procedures for evidence of identity and transactions
- To set up internal reporting procedures for suspicions, including the appointment of a money laundering reporting officer
- To train relevant employees in their legal obligations
- To train those employees in the procedures for recognising and reporting suspicions of money laundering

The Council should establish whether the Money Laundering Regulations 2007 apply to them. And it is for individual organisations to evaluate the prospect of laundered monies being handled by them, and to determine the appropriate safeguards to be put in place. It is the legal responsibility of every person engaged in treasury management to make themselves aware of their personal responsibilities, but the Revised CIPFA Treasury Management Code of Practice 2011 recommends that Councils bring them to their staff's attention and consider the appointment of a member of staff to whom they can report any suspicions.

Council's Action

This 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.

TMP10 TRAINING AND QUALIFICATIONS

Explanation

All Councils should be aware of the growing complexity of treasury management. Modern treasury management demands appropriate skills, including a knowledge of money and capital market operations, an awareness of available sources of funds and investment opportunities, an ability to assess and control risk, and an appreciation of the implications of legal and regulatory requirements.

Every Council should provide the necessary training, having assessed the professional competence of both those involved in the treasury management function, and those with a policy, management or supervisory role. If necessary, they should ensure that access exists to the necessary expertise and skills from

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external sources. Arrangements to ensure the availability of suitable skills and resources should recognize the prospect that staff absences may, at times, demand that others step in who do not normally have involvement on a day-to-day basis with the treasury management function.

When feasible in the context of the size of a particular organisation and its treasury management function, career progression opportunities should be provided and succession issues should be properly addressed. Secondments of senior management to the treasury management function for appropriate periods may benefit the effectiveness of the function as a whole.

Council Action

This 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 of Corporate Services will recommend and implement the necessary arrangements.

The Director of Corporate Services will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

There are a number of service providers available to support the treasury management activities of public service organisations.

Perhaps the most active and long-standing of these have been the money-broking companies, whose role it is to act as intermediaries, making introductions between the prospective parties to transactions.

It is not the role of brokers to provide advice on the creditworthiness of those organisations to which public service organisations may lend. They may provide information already in the public domain, but may not interpret it. The use of brokers is a matter for local decision. But it is considered good practice, if their services are used, to ensure that business is spread between a reasonable number of them, and certainly no fewer than two. And it is not uncommon for their services to be the subject of a competitive tendering process every few years.

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Direct dealing with principals is a not uncommon feature of treasury management in the public services which, if nothing else, can provide a useful check on brokers' performance.

An issue that causes some debate is whether it is necessary or desirable for public service organisations to tape conversations with brokers and principals. This is a matter for local discretion, particularly in the context of the costs involved, but is generally to be recommended.

Most public service organisations require the services of clearing bankers, and a growing number make use of the services of a wider group of banks, particularly to meet their need for private finance and partnership funding. The principles of competition need to be recognised here, too. Certainly, it is highly desirable to subject clearing banking services to competition, perhaps as frequently as every three or four years.

There has also been a growing tendency for public service organisations to employ external advisers and consultants, often for the purposes of a general treasury management advisory service, but also for specific purposes, such as the securing and structuring of funding and for partnership arrangements. These, too, should be the subject of regular competitive tendering.

Further, many public service organisations employ the services of external investment managers to help manage their surplus cash and, where relevant, their pension fund, trust fund or endowment fund assets.

CIPFA advises all organisations using the services of external service providers to document comprehensively the arrangements made with them.

Council Action

The Council recognises that responsibility for treasury management decisions remain with the Council 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 overreliance 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 of Corporate Services.

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TMP12 CORPORATE GOVERNANCE

The Revised CIPFA Treasury Management Code of Practice 2011 recommends that public service organisations state their commitment to embracing the principles of corporate governance in their treasury management activities, notably openness and transparency.

It is CIPFA's view that:

- adoption of the principles and policies promoted in the Revised CIPFA Treasury Management Code of Practice 2011 and in these guidance notes will in itself deliver the framework for demonstrating openness and transparency in an organisation's treasury management function
- publication of and free access to information about an organisation's treasury management transactions and other public documents connected with its treasury management activities will further assist in achieving this end
- establishing clear treasury management policies, the separation of roles in treasury management and the proper management of relationships both within and outside the organisation will establish the integrity of the function
- robust treasury management organisational structures, together with well-defined treasury management responsibilities and job specifications, will enhance accountability
- equality in treasury management dealings, absence of business favouritism and the creation of keen competition in treasury management will lay the groundwork for fairness.

The following paragraphs further emphasise the practices that CIPFA believes an organisation should employ to ensure the principles of corporate governance are successfully implemented.

Procedural responses

The policies, strategies of treasury management should link clearly to the organisation's other key policies and strategies. In the management of risk, in particular, treasury risk management should be an integral part of its overall risk management processes, culminating in a well-defined, organisation-wide strategy for the control of risk and contingency planning.

The management and administration of treasury management should be robust, rigorous and disciplined. Over the years, some of the most significant examples of treasury mismanagement, in both the public services and the private sector, have resulted from procedural indiscipline. This has frequently been as a result of a failure to apply otherwise well-documented management and administration

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systems, or through failures in transmission, documentation or deal recording processes.

Reporting arrangements should be applied so as to ensure that those charged with responsibility for the treasury management policy have all the information necessary to enable them to fulfil openly their obligations; and that all stakeholders are fully appraised of and consulted on the organisation's treasury management activities on a regular basis.

The procedures for monitoring treasury management activities through audit, scrutiny and inspection should be sound and rigorously applied, with an openness of access to information and well-defined arrangements for the review and implementation of recommendations for change.

The application and interpretation of performance data should be clear, concise and relevant to the organisation's treasury management activities.

Stewardship responsibilities

The Director of Corporate Services should ensure that systems exist to deliver proper financial administration and control, and a framework for overseeing and reviewing the treasury management function.

As regards a control framework, an organisation's formal policy documents should define clearly procedures for monitoring, control and internal check.

With regard to delegation it is vitally important that those involved in the implementation of treasury management policies and the execution of transactions are unambiguously empowered to undertake their tasks, and that reporting lines are well-defined.

An organisation's adoption of and adherence to the Revised CIPFA Treasury Management Code of Practice 2011 should be widely broadcast, as should the principles of the Revised CIPFA Treasury Management Code of Practice 2011 and the method of its application in the organisation.

The organisation's procedures for reviewing the value of the treasury management function, and the implementation of opportunities for improvement, should be both continuous and open to examination.

The governance of others

In respect of the organisation's dealings with counterparties, external service providers and other interested parties, clear procedures should exist to enable the organisation, as far as is practicable, to monitor their adherence to the legal or regulatory regimes under which they operate.

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Council Action

This 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.

In respect of external service providers appropriate financial review procedures will be undertaken, including Profit and Loss, Balance Sheet and cash flow monitoring, as appropriate.

This Council has adopted and has implemented the key recommendations of the Revised CIPFA Treasury Management Code of Practice 2011. This is considered vital to the achievement of proper corporate governance in treasury management, and the Director of Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

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Appendix B

SECURITY, LIQUIDITY AND YIELD BENCHMARKING

Member reporting on the consideration and approval of security and liquidity benchmarks will continue. These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Management Report.

1. Security

In context of benchmarking, assessing security is a subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy.

The table below shows average defaults for differing periods of investment grade products for each Fitch/Moody's and Standard & Poor's long term rating category.

Long term rating	1 year	2 years	3 years
AAA	0.04%	0.09%	0.17%
AA (includes AA- and AA+)	0.01%	0.03%	0.13%
A	0.06%	0.20%	0.37%
BBB	0.15%	0.50%	0.91%
BB	0.71%	2.21%	3.94%
B	3.15%	7.44%	11.46%
CCC	22.21%	31.48%	37.72%

The Council's minimum long term rating criteria is currently "AA-" for any investment greater than one year and "A" for any investment up to one year. The average expectation of default for a one, two or three year investment in a counterparty with a "AA-" long term rating would be 0.06% of the total investment and the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.06% of the total investment. This is only an average, any specific counterparty loss is likely to be higher, but these figures do act as a proxy benchmark for risk across the portfolio.

Appendix B

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- **0.13% historic risk of default when compared to the whole portfolio.**
-

In addition, the security benchmark for each individual year is:

	1 year	2 years	3 years
Maximum	0.06%	0.03%	0.13%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Annual Treasury Management Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

2. Liquidity

This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts 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” (Revised CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft facility - £0.5m
- Liquid short term deposits of at least £10m available immediately on call

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- **WAL benchmark is expected to be 0.5 years, with a maximum of 1 year.**

3. Yield

Benchmarks are currently widely used to assess investment performance. The local measure of the yield benchmark is:

- Investments – Return on Investments to outperform the average 7 day LIBID rate

Security and liquidity benchmarks are intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. Proposed benchmarks for the cash type investments are shown above and form the basis of reporting in this area.

Appendix C

**Schedule of Approved Counterparties for Lending 2016-2017
(as at 4th January 2016)**

	<u>Fitch</u>		<u>Moody's</u>		<u>Standard and Poors</u>		<u>Money Limit</u> £'m	<u>Time Limit</u> years
	<u>Short Term</u>	<u>Long Term</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Short Term</u>	<u>Long Term</u>		
<u>Upper Limit</u>	<u>F1</u>	<u>AA-</u>	<u>P-1</u>	<u>Aa3</u>	<u>A-1</u>	<u>AA-</u>	<u>10</u>	<u>3</u>
UK Banks								
HSBC Bank Plc	F1+	AA-	P-1	Aa2	A-1+	AA-	10	3
<u>Middle Limit</u>	<u>F1</u>	<u>A</u>	<u>P-1</u>	<u>A2</u>	<u>A-1</u>	<u>A</u>	<u>7</u>	<u>1</u>
UK Banks								
Banco Santander Central Hispano Group - Santander UK Plc	F1	A	P-1	A1	A-1	A	7	1
Lloyds Banking Group								
- Bank of Scotland Plc	F1	A+	P-1	A1	A-1	A	7	1
- Lloyds Bank	F1	A+	P-1	A1	A-1	A	7	1
UK Building Societies								
Nationwide	F1	A	P-1	A1	A-1	A	7	1
<u>UK Banks Part Nationalised</u>								
Royal Bank of Scotland Group								
- National Westminster Bank Plc							7	1
- Royal Bank of Scotland Plc							7	1
<u>Council's Banker - Barclays</u>							3	1 day
<u>Other Institution Limits</u>								
Local Authorities								
Any One Local Authority (including police and fire authority)							10	3
Money Market Funds								
Any AAA Rated Money Market Fund							5	1
Debt Management Office							40	6 months

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Appendix D

1. THE PRUDENTIAL INDICATORS

The following indicators are based on the figures put forward within the Capital and Revenue Plans set out in this report.

1.1. Affordability

1.1.1. Estimates of ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	5.96%	6.45%	6.79%
HRA (inclusive of settlement figure)	37.58%	35.65%	33.87%

The estimates of financing costs include current commitments and the proposals in this budget report.

The indicators show the proportion of income taken up by capital financing costs. Indicative Aggregate External Finance (AEF) for 2017/2018 is a 2% decrease on 2016/2017 and for 2018/19 a 2% estimated decrease on 2017/2018.

1.1.2. Estimates of the incremental impact of capital investment decisions on the Council Tax

A fundamental measure of affordability.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

All capital projects that would have had revenue implications have been removed from the capital programme. This will reduce the call on council tax payers since less revenue is needed to fund new projects.

Incremental Impact on Council Tax			
£	2016/17	2017/18	2018/19
Increase in Band D Council Tax	2.15	2.20	0.56

Appendix D

These figures show the likely effect on Council Tax of the proposals; they are **not** Council Tax estimates.

1.1.3. Estimates of the incremental impact of capital investment decisions on housing rent levels

A fundamental measure of affordability.

Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

The proposed changes are shown as the total revenue impact on Housing Rents. Items in the capital programme where there is already a commitment to carry out that scheme are excluded from this Indicator.

Incremental Impact on Weekly Housing Rent			
	2016/17	2017/18	2018/19
Increase in Housing Rent	0.00	0.00	0.00

The final affect on the housing rent will be constrained by the Welsh Government Social Housing Rents Policy.

1.2. Prudence

1.2.1. The Capital Financing Requirement (CFR)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	260	263	259
HRA	131	131	144
HRAS	77	76	74
TOTAL	468	470	477

Appendix D

1.2.2. The Gross Borrowing and Capital Financing Requirement indicator

The control mechanism to limit external debt.

Estimated gross borrowing for the four years starting with the last full year (2014/15) must not exceed the CFR in the medium term, but can in the short term due to cash flows.

Ensures borrowing is only for approved capital purposes.

The Director of Corporate Services reports that the authority complied with this requirement in 2014/15 and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

Details of Gross Borrowing:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt at 1 st April	259	280	379	404	424
Expected Change in Debt	21	20	25	20	23
HRAS	-	79	-	-	-
Gross debt at 31st March	280	379	404	424	447
CFR	374	468	468	470	477
Under / (Over) borrowing	94	89	64	46	30

1.2.3. External Debt

The Authorised Limit and the Operational Boundary:

The Authorised Limit prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	514.5	516.5	523.5
Other Long-Term Liabilities	0.5	0.5	0.5
Total	515.0	517.0	524.0

Appendix D

The Operational Boundary for external debt is based on the same estimates as the authorised limit, but without the additional headroom for unusual and unexpected cash movements, and equates to the level of projected external debt. This is clearly subject to the timing of borrowing decisions.

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	467.9	469.9	476.9
Other Long- Term Liabilities	0.1	0.1	0.1
Total	468.0	470.0	477.0

The Council is asked to approve both the Authorised Limit and the Operational Boundary shown above.

1.2.4. Actual External Debt

The Council's actual external debt at 31st March 2015 was £280m. The actual external debt is not directly comparable to the authorised limit and operational boundary because the actual external debt reflects the position at a point in time.

It is recommended that the above Prudential Indicators are adopted and that the Director of Corporate Services is given delegated authority by Council to change the balance between borrowing and other long-term liabilities.

Other long-term liabilities are other credit arrangements, which are, in the main, finance leases.

Appendix E

MINIMUM REVENUE PROVISION (MRP) STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

Welsh Government regulations were issued with effect from 1st April 2010 which require the full Council to approve a Minimum Revenue Provision (MRP) Statement in advance each year. A variety of options were provided to councils to replace the existing Regulations, as long as there is a prudent provision.

Council have already approved the following approaches for calculating MRP:

Supported Borrowing and Capital Expenditure incurred before 1st April 2008

Based on CFR

The calculation is based on 4% of the opening Capital Financing Requirement (CFR) each year.

Unsupported Borrowing

Asset Life Method

Under this method the borrowing value is divided by the estimated life of the asset.

Capital Expenditure on the Modernising Education Programme (MEP) and Local Government Borrowing Initiative (LGBI) 21st Century Schools is classed as Unsupported Borrowing. It is estimated that asset lives within these programmes are 30 years and this is the period that will be used to determine the MRP.

Asset lives within the Fleet Programme range from 1 to 10 years, these are the periods that will be used to determine the MRP.

Local Government Borrowing Initiative (LGBI) Highways. It is estimated that asset lives within this programme are 20 years and this is the period that will be used to determine the MRP.

Housing Revenue Account

The calculation is based on 2% of the opening Capital Financing Requirement (CFR) each year.

Council is recommended to approve the following MRP Statement for 2016/2017:

For Supported and Unsupported Capital Expenditure, the MRP policy will continue to follow the approaches above.

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**POLICY & RESOURCES
SCRUTINY COMMITTEE
3rd FEBRUARY 2016**

**Explanation for non-submission
of scrutiny report**

ITEM	RESPONSIBLE OFFICER(S)	EXPLANATION	REVISED SUBMISSION DATE
TIC Third Sector Review	Wendy Walters / Sam Watkins	<p>Proposals are now being considered for alternative governance arrangements to assess and review the Authority's support for Third Sector Organisations.</p> <p>The revised governance arrangements are set to result in a new Third Sector Funding Challenge panel being chaired by the Head of Audit, Risk & Procurement and involving Procurement input.</p> <p>The Group will be required to challenge existing funding and identify opportunities for alternative strategies.</p> <p>An update will be provided to the Committee at its meeting in April 2016.</p>	24th April 2016

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Agenda Item 12

POLICY & RESOURCES SCRUTINY COMMITTEE
6th JANUARY 2016

Present: Councillor G. Davies (Chair)

Councillors: D.M. Cundy, J.K. Howell, A. Lenny, D. Price, D.W.H. Richards and D.E. Williams.

Councillor M.K. Thomas – Substitute for Councillor J.S. Edmunds

Also in attendance:

Councillor D. Jenkins, Executive Board Member (EBM), Resources

Councillor L.M. Stephens, Executive Board Member (EBM), Human Resources, Efficiencies, Collaboration and Welsh Language Champion

The following officers were in attendance:

Mr. M. James – Chief Executive

Mr. C. Moore – Director of Corporate Services

Mr. P. Thomas – Assistant Chief Executive (ACE), People Management & Performance

Mrs. W. Walters – Assistant Chief Executive (ACE), Regeneration & Policy

Mr. O. Bowen – Interim Head of Financial Services

Mr. J. Fearn – Head of Corporate Property

Mrs. L. Rees Jones – Head of Administration & Law

Mr. P. Sexton – Head of Audit, Risk & Procurement

Mr. U. George – Senior Accountant

Ms. B. Dolan – Senior Consultant

Venue: Chamber, 3 Spilman Street, Carmarthen (10:00am – 11:20am)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors T. Bowen, J.S. Edmunds and A.G. Morgan.

Councillor Glynog Davies (Vice-Chair) chaired the meeting as Councillor Hugh Richards (Chair) had to leave shortly after the start.

The Chair and Chief Executive thanked Councillor Deryk Cundy for his positive contributions to the work of the Committee as this was his last meeting.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest.

3. DECLARATION OF PROHIBITED PARTY WHIPS

There were no declarations of prohibited party whips.

4. PUBLIC QUESTIONS (NONE RECEIVED)

None were received.

5. FORTHCOMING ITEMS

The Committee was provided with a list of forthcoming items to be considered at its next scheduled meeting on Wednesday, 3rd of February 2016. The ACE Regeneration & Policy advised that the Well-Being of Future Generations (Wales) Act 2015 report would not be ready in time for the next meeting due to the timing of the publication of the guidance by Welsh Government (WG). The Committee agreed to defer the report to the meeting arranged for the 16th of March 2016.

UNANIMOUSLY RESOLVED to note the forthcoming items, subject to the amendment above.

6. REVENUE BUDGET STRATEGY CONSULTATION 2016/17 TO 2018/19

The Committee considered the Revenue Budget Strategy 2016/17 to 2018/19 (Appendix A) which had been endorsed by the Executive Board for consultation purposes at its meeting on 16th of November 2015. It was advised that Welsh Government (WG) had announced the provisional settlement on the 9th of December and that Carmarthenshire would see a 1% cut in budget rather than the 3.3% on which the Strategy was predicated. This equated to an additional £7.5m for the 2016/17 budget however this also included the Outcome Agreement Grant. WG had funded £35m to protect education and £21m to protect social care on an all Wales basis which equated to £2.1m and £1.3m respectively for Carmarthenshire. It was still unclear what the protection of school budgets entailed. Eleven grants had not yet been confirmed however the reduction in the Waste Grant (now the Single Environment Grant) was far less than anticipated at 6% rather than the 25-50% which was previously indicated by the Minister. In summary, the deficit in efficiency savings identified for 2016/17 would not now be needed, however delivery of the £13.6m identified savings was required.

The following issues were discussed during consideration of the report:

Concern was expressed about the timing of the WG announcement of the final settlement in early March, given the need to set the level of Council Tax by 11th of March. It was asked what might be the impact of any variations in the final settlement. The Director of Corporate Services advised that this was difficult to answer. A means of accommodating minor adjustments were being planned for and WG officers had previously indicated that they were not anticipating much movement. The picture would be clearer in early February following the end of the consultation period on 20th of January. The overall timescales and the lateness of the announcements were linked to the Westminster Comprehensive Spending Review.

Disappointment was expressed that the protection of education was unclear. The Director of Corporate Services stated that our Strategy is to plan to passport the £2.1m onto schools which would reduce the efficiency savings they were expected to deliver in 2016/17 to £3.4m. The Chief Executive advised that he was representing Local Government in dialogue with WG about the protection of education. It was his understanding that all local authorities were planning to pass their share of the £35m onto schools. There was also ongoing dialogue about potentially including £90m specific education grants in the Revenue Support Grant (RSG) which would mean £5.4m more for Carmarthenshire. He added that 4 rural authorities had suffered the highest cuts under the provisional settlement and WG was proposing a rural deprivation grant of £5m to assist them.

It was noted that the benchmarking of support services across Wales had been referred to in the member budget seminars. An update was requested. The Director of Corporate Services stated that the Regional Treasurers Group of 6 local authorities was working through the KPMG report commissioned by WG to consider the reasons for any variations. It was however some months from conclusion.

The Charging Digest was referred to and it was asked why some fees had not increased. The ACE Regeneration & Policy advised that generally increases were based on inflation however some within her remit were statutory fees, whilst others were set on a market basis. The Director of Corporate Services added that the general policy was that fees should be increased at a minimum in line with inflation unless there was a justified reason not to, for example, the level of inflation was sometimes so low that the administrative cost of implementing an increase outweighed the benefit.

Further information was requested in relation to the new charge for payroll overpayment invoicing of external organisations. The Interim Head of Financial Services advised that that the charge would be applied where organisations had not notified payroll of transfers or terminations.

RESOLVED to:

6.1 Accept the report.

6.2 Endorse the Charging Digest.

7. FIVE YEAR CAPITAL PROGRAMME – 2016/17 - 2020/21

The Committee considered the 5 year capital programme which had been approved by the Executive Board for consultation on the 4th of January. It was advised that the timing of the provisional settlement had meant that this Scrutiny Committee was the only one being consulted however it was also planned to present the programme to a members' seminar. The overall programme was more than £221m capital investment and was strongly linked to regeneration and job creation in the county. The EBM Resources added that he was keen to hear the Committee's views.

The following issues were discussed during consideration of the report:

It was asked whether or not it was intended to complete the Carmarthen West new school within the 5 year span of the programme and also if the external funding was the “roof tax” from the housing development. The Director of Corporate Services advised that the completion of the school was subject to the timing of the housing development build although the funding model provided the school within the 21st Century Band A programme timeline. The infrastructure needs would utilise the first tranche of the roof tax however subsequently the funds would be used for the school.

Recent press reports about the utilisation of an additional £20m of earmarked reserves to support the new capital programme were referred to and clarification requested about WG’s position in light of these. The Director of Corporate Services stated that reserves earmarked for the capital programme had been set aside for a number of years. A review of all earmarked reserves had been carried out, as had been undertaken in previous years and some, such as the reserve for job evaluation and single status, could now be released. The WG Minister might bring in legislation following the Assembly elections requiring his approval to use reserves, however this Council would have a long term supported capital programme linked with regeneration and job creation and would be able to demonstrate the prudent and planned use of reserves.

It was asked if the £2m set aside each year for Disabled Facilities Grants was adequate to meet demand. The Director of Corporate Services advised that the overall programme was developed with departments input. Historical demand data showed that £2m was adequate however the situation would be monitored.

A question was asked whether or not the £300k budget for coastal erosion was sufficient given recent climatic events and flooding. The Director of Corporate Services stated that the bids from departments were assessed by the Strategic Asset Steering Group which also monitored the programme and would respond to any changes in demand.

Further information was requested in relation to the Tywi Valley Transport Corridor Concept. The Director of Corporate Services advised that this was a cycleway proposed from Carmarthen to Llandeilo planned over a number of years utilising the WG Local Transport Grant (LTG). The ACE Regeneration & Policy added that the project had huge links with tourism and other external funding sources were being investigated.

It was asked why the Ammanford Valley Distributor Road Phase 2 had not been considered a priority in the draft capital programme given the links with regeneration in the area, particularly in light of some of the projects included in the programme. The Director of Corporate Services stated that priority was given to projects with external funding. The Phase 2 project was linked with WG LTG and dependent on the timing of that being available. He added that the Wind Street/ Tirydail Junction project in Ammanford was included and fully funded. The Chief Executive noted that Phase 2 was not high on the WG priority list and the Executive Board continued to lobby WG Transport Minister to place it higher up the list and provide the funding. A motion was proposed and seconded to ask the Executive Board to re-consider including the Ammanford Valley Distributor Road Phase 2 in the new capital programme. An amendment was proposed and seconded to add a request to the Executive Board to continue to lobby the WG for funding for the Phase 2 project.

UNANIMOUSLY RESOLVED

7.1 That the draft Five Year Capital Programme 2016/17 – 2020/21 be endorsed subject to 7.2.

7.2 To request that the Executive Board re-consider including the Ammanford Valley Distributor Road Phase 2 in the new capital programme and continue to lobby the Welsh Government for Local Transport Grant funding for the project.

8. EXPLANATION FOR NON-SUBMISSION OF SCRUTINY REPORT

The Committee received an explanation for the non-submission of the Well-Being of Future Generations (Wales) Act 2015. The change to the date of the re-submission under minute 5 was noted

UNANIMOUSLY RESOLVED that the explanation be noted, subject to minute 5.

9. TO SIGN AS A CORRECT RECORD THE MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 25TH NOVEMBER 2015

RESOLVED that the minutes of the previous meeting held on 25TH of November 2015, be signed as a correct record.

CHAIR

DATE

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