Slough Borough Council
www.slough.gov.uk

Taking pride in our communities and town

Date of issue: Wednesday, 28 January 2015

MEETING	**OVERVIEW & SCRUTINY COMMITTEE** (Councillors Nazir (Chair), Smith, Bal, Chahal, N Holledge, Malik, Pantelic, Rana and Usmani)
DATE AND TIME:	THURSDAY, 5TH FEBRUARY, 2015 AT 6.30 PM
VENUE:	MEETING ROOM 3, CHALVEY COMMUNITY CENTRE, THE GREEN, CHALVEY, SLOUGH, SL1 2SP
DEMOCRATIC SERVICES OFFICER: **(for all enquiries)**	SHABANA KAUSER 01753 787503

NOTICE OF MEETING

You are requested to attend the above Meeting at the time and date indicated to deal with the business set out in the following agenda.

RUTH BAGLEY
Chief Executive

AGENDA

PART 1

AGENDA ITEM	REPORT TITLE	PAGE	WARD
	Apologies for absence.		
	CONSTITUTIONAL MATTERS		
1.	Declaration of Interest *All Members who believe they have a Disclosable Pecuniary or other Pecuniary or non pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to the circumstances described in Section 3 paragraphs 3.25 – 3.27 of the Councillors' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 3.28 of the Code.*		

AGENDA ITEM	REPORT TITLE	PAGE	WARD
	The Chair will ask Members to confirm that they do not have a declarable interest. All Members making a declaration will be required to complete a Declaration of Interests at Meetings form detailing the nature of their interest.		
2.	Minutes of the Last Meeting held on 11 November 2014	1 - 4	
	SCRUTINY ISSUES		
3.	Member Questions *(An opportunity for Committee Members to ask questions of the relevant Director/ Assistant Director, relating to pertinent, topical issues affecting their Directorate – maximum of 10 minutes allocated).*		
4.	Performance and Finance Report 2014/15 – Quarter 3	To Follow	All
5.	Medium Term Financial Strategy 2015/2019	To Follow	All
6.	Revenue Budget 2015/16	To Follow	All
7.	Capital Strategy 2015/2020	5 - 22	All
8.	Treasury Management Strategy 2015/16	23 - 48	All
9.	Five Year Plan 2015/2020	49 - 62	All
10.	Children's Services Transition Project	63 - 86	All
11.	Forward Work Programme	87 - 92	All
12.	Attendance Record	93 - 94	-
13.	Date of Next Meeting - 3 March 2015	-	-

Press and Public

You are welcome to attend this meeting which is open to the press and public, as an observer. You will however be asked to leave before the Committee considers any items in the Part II agenda. Please contact the Democratic Services Officer shown above for further details. The Council allows the filming, recording and photographing at its meetings that are open to the public. Anyone proposing to film, record or take photographs of a meeting is requested to advise the Democratic Services Officer before the start of the meeting. Filming or recording must be overt and persons filming should not move around the meeting room whilst filming nor should they obstruct proceedings or the public from viewing the meeting. The use of flash photography, additional lighting or any non hand held devices, including tripods, will not be allowed unless this has been discussed with the Democratic Services Officer.

Overview & Scrutiny Committee – Meeting held on Tuesday, 11th November, 2014.

Present:- Councillors Nazir (Chair), Smith (Vice-Chair), Bal (until 8pm), Chahal, N Holledge, Malik and Rana

Apologies for Absence:- Councillor Usmani

PART I

24. Declaration of Interest

Councillor Bal declared a personal interest in that a family member was employed by Slough Borough Council

25. Minutes of the Last Meeting held on 11th September 2014

Resolved – That the minutes of the last meeting held on 11th September, 2014 be approved as a correct record.

26. Member Questions

None were received.

27. Performance and Finance Report: Quarter 2

The Assistant Director, Finance and Audit, outlined details of the latest forecast financial information for 2014/15 financial year. Although the Council was forecast to overspend by £0.76 million this was a much better position in comparison to the previous financial report where a potential overspend of £1.55 million had been reported. The main area showing an overspend related to the children and families service area with a forecast overspend of £0.65 million.

Key areas of concern on the Council's balanced scorecard were highlighted. The following indicators were given a red status as they were more than 5% adrift of their currently defined target values:

- *Average staff sickness rate (days lost per FTE).* Year to date sickness rate of 8.9 days was above the current target of 6.5 days. Managers and Staff were encouraged to use the overall Balanced Scorecard diagnostically to focus on areas of high sickness. Members requested further details regarding sickness levels and specifically a breakdown of figures by directorate and categories of sickness be provided. It was agreed that this information would be included in the Quarter 3 Financial and Performance report.
- *Percentage of single assessments completed and authorised within 45 working days.* Although there was marked improvement in compliance with these timescales (85% in July), performance in the past two

months had fallen below this level. The national target for this measure was 100%.

- *Number (and %) of Adult Safeguarding Alerts that led to a strategy meeting per month.* For the whole of the 2014/15 period this indicator was above the target tolerance. Performance had been flagged to the safeguarding team and data accuracy investigations were underway.

In summarising the six gold projects, Members were advised that five had been assessed as Amber and one as Red. Responding to concerns regarding the red status of the Safeguarding Improvement Plan, Members were advised that various developments were on going and although there were clear indications of improvements, significant further work was required prior to a change in status to amber.

A Member commented that figures relating to homelessness and unemployment had risen. It was explained that a 60% increase in homeless figures and welfare benefit changes had led to financial pressures and that the Housing Team were working to mitigate these factors.

Responding to a query regarding the Council's capital projects, it was noted that the Council had spent 22% of its available 2014/15 capital budget in the first half of the year. Any capital overspend would be reported and the reasons for the overspend outlined. An annual review of the capital programme was carried out adjusted accordingly should there have been any overspends.

The Assistant Director informed the Committee that there had been a significant increase in business rates within the Borough which had had a positive impact on the Council's financial position. It was explained that although the collection rate was slightly lower when compared to 2013/14, this was due to a change in legislation which allowed customers to pay over 12 instalments as opposed to 10 instalments.

Resolved – That the report be noted.

28. Treasury Management Annual Report

The Assistant Director, Finance & Audit introduced a report which summarised treasury activity in 2013-14 and the first part of 2014-15. The report detailed the position in relation to the Council's borrowings and investment activity.

Members noted that external debt had been reduced during 2013/14 and investment income of £0.542m had been achieved, with a rate of return of 0.59%. The Treasury Management Strategy 2014/15 adopted by Council in February 2014 increased diversity in the portfolio, whilst continuing to prioritise security and liquidity over yield.

A Member queried the decision to change the Council's banking from the Co-Operative Bank to Lloyds Bank. It was explained that Moody's had downgraded the long term rating of Co-Op bank from Caa1 to Caa2, reflecting the agency's view that the ongoing deleveraging process at the Co-Op would lead to a smaller and less systematically important institution.

Members discussed the approach to debt repayment and the range of strategies that local authorities were taking in relation to treasury management. Members were informed that the remaining balance due from its previous investment in Icelandic Banks had been refunded.

Responding to why investments had been made with Newcastle City Council and Northumberland County Council, it was explained that in August 2014 the Council invested £5m each with the local authorities for a period of three years at rates of 1.40% and 1.5% respectively. These were seen as favourable rates for the credit risk the Council was taking on. It was also brought to Members attention that the Council was investigating the possibility of establishing a subsidiary housing company, to increase revenue income and that a report would be taken to Cabinet regarding this matter in the near future.

Resolved – That the Treasury Management activities for 2013-14 and the beginning of 2014-15, as set out in the body of the report, be noted.

29. Estate Services: Procurement & Commissioning of Services - Verbal Update

The Assistant Director, Housing and Environment, updated the Committee regarding the commissioning of services to tenants and leaseholders. Members were reminded that the previous contract with Interserve was due to expire in 15 months and that this presented an ideal opportunity to shape the services for the future.

Members were informed that a recent Customer Satisfaction Survey had identified that the majority of service users wanted to be involved in setting the framework for the scope of future services. It was noted that a number of focus groups had been established to involve tenants in identifying and suggesting improvements for inclusion in any future contract.

Members questioned the Assistant Director as to what the length of the contract was anticipated to be and what changes would be made with regard to ensuring that smaller businesses within the Slough area were given trade. It was explained that officers were in the process of setting up a database of local businesses and investigating the possibility of them receiving similar rates from suppliers as those given to major contractors. It was envisaged that the contract would be for a period between five to seven years. The timetable for the contract being re-tendered was outlined and Members informed that the new contract would be implemented from April 2016.

Resolved – That the update be noted.

(Councillor Bal left the meeting)

30. Town Centre Car Parking Task and Finish Group

Members were reminded that at the Overview and Scrutiny Committee meeting in September 2014, a Task and Finish Group be established to discuss and examine the need for a more defined policy on town centre car parking. The Scrutiny Officer reported that the Task and Finish Group had met in October 2014 and formulated the Terms of Reference within which the review would be carried out. It was noted that membership of the group included Councillors Bal, Mellor, Nazir, Plenty and Strutton and that the first meeting of the Group had been scheduled for 9th December 2014. It was anticipated that the findings and recommendations of the Group would be reported to the Committee in March 2015.

Resolved – That the Terms of Reference for the Town Centre Car Parking Task and Finish Group, as set out in the report, be agreed.

31. Forward Work Programme

Details of the Committee's Work Programme for the municipal year 2014/15 were outlined.

A number of Members expressed concern in relation to developments regarding the establishment of the Children's Trust and running of the service in the interim period. It was agreed that a report detailing the latest position with regard to Children's Services be submitted to the January meeting of the Committee and that Members be invited to a meeting of the Education and Children's Services Scrutiny Panel when the matter was being considered.

Resolved: a) That details of the Work Programme 2014/15 be noted.

b) That an update on the Children's Trust be provided at the January 2015 meeting.

c) That Overview and Scrutiny Committee Members be invited to a meeting of the Education and Children's Services Panel when the Children's Trust is discussed.

32. Attendance Record

Resolved – That details of the Members Attendance record be noted.

33. Date of Next Meeting - 13 January 2015

The date of the next meeting was confirmed as 13th January 2015.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.25 pm)

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview & Scrutiny Committee **DATE:** 5th February 2015

CONTACT OFFICER: Joseph Holmes; Assistant Director, Finance & Audit
(For all enquiries) (01753) 875358

WARD(S): All

PART I
FOR COMMENT & CONSIDERATION

CAPITAL STRATEGY: 2015-20

1 Purpose of Report

To enable the Committee to scrutinise and comment on the Capital Strategy 2015-20 and the capital programme for 2015-16.

2 Recommendation(s)/Proposed Action

The Committee is requested to scrutinise and comment on the Capital Strategy 2015-2020 and make any references to Cabinet prior to the Strategy being recommended to Council on 19th February 2015.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Five-Year Plan

The Slough Joint Wellbeing Strategy (SJWS) is the document that details the priorities agreed for Slough with partner organisations. The SJWS has been developed using a comprehensive evidence base that includes the Joint Strategic Needs Assessment (JSNA). Both are clearly linked and must be used in conjunction when preparing your report. They have been combined in the Slough Wellbeing Board report template to enable you to provide supporting information highlighting the link between the SJWS and JSNA priorities.

3a. Slough Joint Wellbeing Strategy Priorities

This paper assists in the achievement of all of the Strategy's priorities.

- Economy and Skills
- Health and Wellbeing
- Regeneration and Environment
- Housing
- Safer Communities

3c Five-Year Plan

The Plan's objectives are:

- Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay
- There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough

- The centre of Slough will be vibrant, providing business, living, and cultural opportunities
- Slough will be one of the safest places in the Thames Valley
- More people will take responsibility and manage their own health, care and support needs
- Children and young people in Slough will be healthy, resilient and have positive life chances
- The Council's income and the value of its assets will be maximised
- The Council will be a leading digital transformation organisation

This report helps achieve all of the above objectives by providing an overall financial strategy to support the delivery of the Five-Year Plan.

4 **Other Implications**

(a) Financial: As detailed within the report.

(b) Risk Management

Risk	**Mitigating action**	**Opportunities**
Legal	None	none
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	None
Communications	None	None
Community Safety	None	None
Financial	Detailed within the report	None
Timetable for delivery – capital programme delivered under the 80% mark	Monthly review at Capital Strategy Board and quarterly by O&S / Cabinet	Ability to increase the deliver of capital schemes
Project Capacity	None	None
Other	None	None

(c) Human Rights Act and Other Legal Implications

No specific legal implications arising from this report.

(d) Equalities Impact Assessment

Equalities Impact Assessments will be conducted, if required, for projects contained within the Capital Strategy.

5 **Supporting Information**

5.1 Purpose

5.1.1 The capital strategy is one of four key strategic financial documents that the Council utilises in order to deliver its corporate objectives. The Council has a wide ranging number of capital commitments and purposes. The capital strategy, as with all other corporate documents, needs to underpin the delivery of the 5 year plan for the Council through to 2020.

5.1.2 The capital strategy is guided by a variety of core principles:

- That the capital strategy is affordable within the overall financial envelope for the Council
- That the capital strategy supports the outcomes expressed in the five year plan
- Any additional capital funding in excess of the current borrowing requirement should have a neutral impact on the revenue budget over the life of the strategy excluding delivering statutory capital schemes e.g. ICT compliance
- That the Council maximises its assets to generate revenue savings or capital receipts in line with the asset management strategy and the objectives of the corporate plan
- That the Council maintains education and transport funding within Government grants
- To deliver value for money through ‘Invest to Save projects’ to generate on-going revenue savings and to ensure that whole life costs are captured
- That where borrowing is required, it is undertaken in line with CIPFA’s prudential code
- To take into account the asset management strategy, including highways & transport plans
- That there is a ten year payback on general fund secured capital schemes

5.2 Current Medium Term Financial Position

5.2.1 As detailed in the Council’s Medium Term Financial Strategy (MTFS) the Council is facing a significant reduction in its anticipated financial resources. By 2018-19 the Council’s anticipated net budget will be reduced by 13% from the 2013-14 equivalent size and during this period the Council will face a number of demand and policy led pressures. Further detail can be found within the MTFS document for separate approval in February.

5.2.2 For there to be any net growth in the council financed element of the capital strategy, the Council will need to increase the amount of revenue monies set aside to pay back potential future borrowing, or assume greater investment returns to mitigate the use of internal balances. As detailed within the Treasury Management Strategy, the Council will only borrow as a last resort once it has exhausted all other sources of funding; however, revenue monies need to be set aside to fund any additional borrowing costs otherwise the Council will not have sufficient resources to repay its borrowings if that occurs.

5.2.3 For the purpose of the 2015-16 financial year, the Council is assuming that internal balances will remain strong and that these will be utilised with additional treasury management returns picking up the cost of decrease investment balances.

5.2.4 The summarised capital programme has been provided below in table 1.1. This table highlights the key expenditure areas and the financing requirement for the capital programme over the period of the strategy. As noted in the introductory section of this paper, the Council's capital strategy is now over a five year period, and it is over this period that the Council needs to consider if additional borrowing will need to be undertaken. For example, if the first year showed a net cost of £10m but the subsequent four years showed £2.5m p.a. of net capital receipts, then the Council could take the decision not to borrow the £10m over the longer term, and finance the capital programme through short term borrowing initially that would be reduced by the net receipts coming into the capital programme.

Table 1.1 Summarised Capital Programme

Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20	Total
TOTAL HRA EXPEND	**11,544**	**11,489**	**10,264**	**10,364**	**9,002**	**52,663**
Funding	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Total**
Section 106	0	0	0	0	0	0
Capital Receipts	-900	-1,200	-1,500	-1,500	-1,200	-6,300
Major Repairs Reserve	-6,500	-6,500	-6,500	-6,500	-6,500	-32,500
RCCO	-4,144	-3,789	-2,264	-2,364	-1,302	-13,863
TOTAL HRA FINANCING	**-11,544**	**-11,489**	**-10,264**	**-10,364**	**-9,002**	**-52,663**

Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Total General Fund	45,502	32,960	10,900	12,351	10,784	112,497
Funding	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**Total**
Section 106	-32	0	0	0	0	-32
Grants	-20,925	-24,953	-7,363	-9,064	-9,564	-71,869
Revenue Contributions	0	0	0	0	0	0
LABV Receipts	-5,061	-3,875	-136	0	0	-9,072
Capital Receipts	-2,411	-2,067	-2,067	-2,067	0	-8,612
Borrowing requirement	-17,073	-2,065	-1,334	-1,220	-1,220	-22,912
Total Funding	**-45,502**	**-32,960**	**-10,900**	**-12,351**	**-10,784**	**-112,497**
Revenue cost - if borrowed p.a	*-1140*	*-138*	*-89*	*-81*	*-81*	*-1530*
Revenue cost - loss of investments p.a	*-145*	*-18*	*-11*	*-10*	*-10*	*-195*

5.2.5 The total revenue financing required over the life of the capital strategy to fund a borrowing requirement of **£23m** is **£1.5m**, with the largest peak in the 2015-16 financial years. This is where there is a strong alignment between the treasury management strategy and the capital strategy. On the latest estimates on the Treasury Management strategy and the actual cash available to fund the capital programme, once reserves, and grants received, but not applied, have been taken into account, the Council has some short term cash funding available for the first year of the capital strategy, so will not be required to borrow in the short term to fund capital expenditure. However, it is absolutely vital that the Council begins to set aside revenue funding to finance long term capital commitments during the life of the capital strategy, and this is linked to the Minimum Revenue Provision detailed further below in this report.

5.2.6 The minimum required to be set aside for **£23m** of capital borrowing per annum (given the main assets being build this would be over an assumed 20 year lifecycle) would equate to an increase in revenue cost of borrowing of **£1.5m**[1] from 2015-16 if the Council went out to borrow from the PWLB. As noted above, at present, the Council will utilise any internal balances first before undertaking any new borrowings. There is clearly a cost of doing this, but this is far lower than borrowing and with average returns at 0.85%. With the capital programme for 2015-16 requiring £15m, the cost to the Council of this in lost investment income would be £126k. It is expected that this pressure will be funded through improved Treasury Management returns through the 2015-16 Treasury Management Strategy.

5.3 Key elements

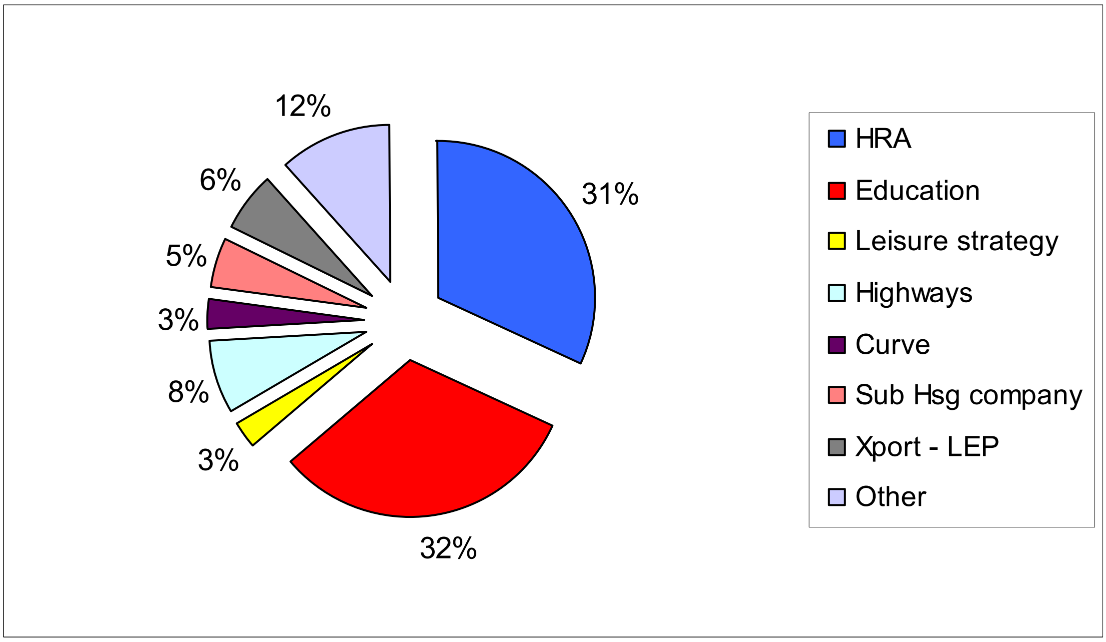
5.3.1 As can be seen from the above, of the capital programme funded via general sources, a third relates to expenditure through the Slough Regeneration Partnership and two thirds on other general fund activity. The key elements of the Slough Regeneration Partnership expenditure relate to the building of the Curve .The Council is also proposing to spend a significant proportion of its overall capital programme on the HRA. The Council will continue to review the options available for the provision of leisure facilities. No capital costs have been assumed within this capital strategy; an individual report will be brought to Cabinet at a future meeting concerning leisure facilities and the cost of this will be highlighted accordingly and incorporated into a future capital strategy.

5.3.2 There are some new items in the capital programme for the future financial years, these include:

- The proposal to create a subsidiary housing company – see separate Cabinet reports
- Aspiration for the Council to invest in LED street lighting to drive out revenue savings going forward
- Sustained investment in the Council's education provision (see appendix C for further details)
- Approval for investment, with the Local Economic Partnership (LEP) to invest in key transport infrastructure programmes across the borough
- Continued investment in the cemetery and crematorium, with additional costs for new works to extend the capacity and complete additional asset maintenance works
- Highlighting the potential required spend for new leisure facilities, though these will be subject to a separate business case and will form part of the leisure strategy. No figures have been attached to this as yet and will depend upon the outcome of the Leisure Strategy. Once decisions have been made concerning the long term capital proposals these will be included within this document for 2016-21.
- Sustained maintenance of the Council's highways infrastructure assets

[1] Assuming borrowing from the Public Works Loans Board at the rate as at December 2014

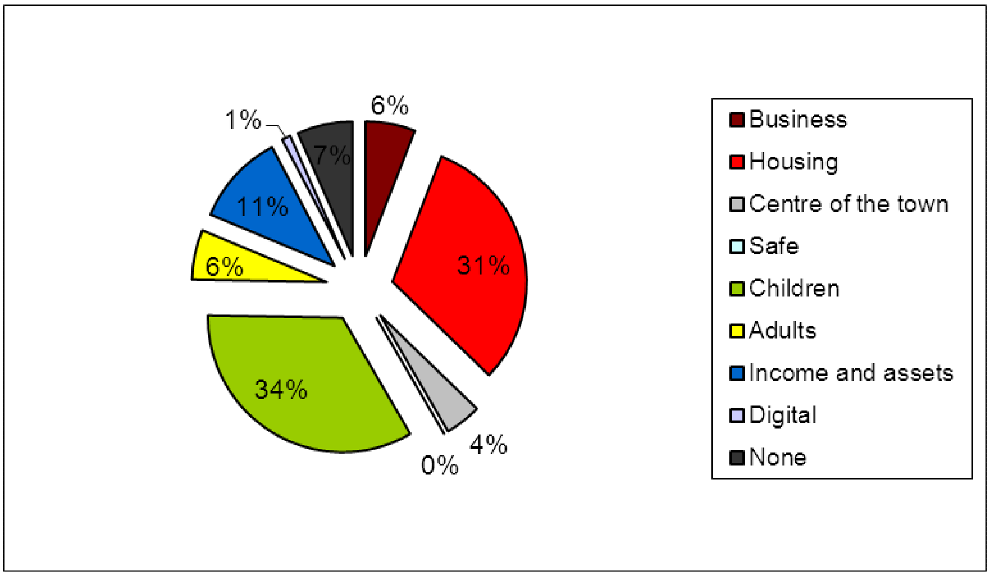
Chart 2.1: Key items included in the Capital Strategy



5.4 Delivery the Council's priorities

5.4.1 Below is a chart detailing how much the Council is planning to spend on its corporate priorities for the year ahead:

Chart 2.2: Capital spend against outcomes

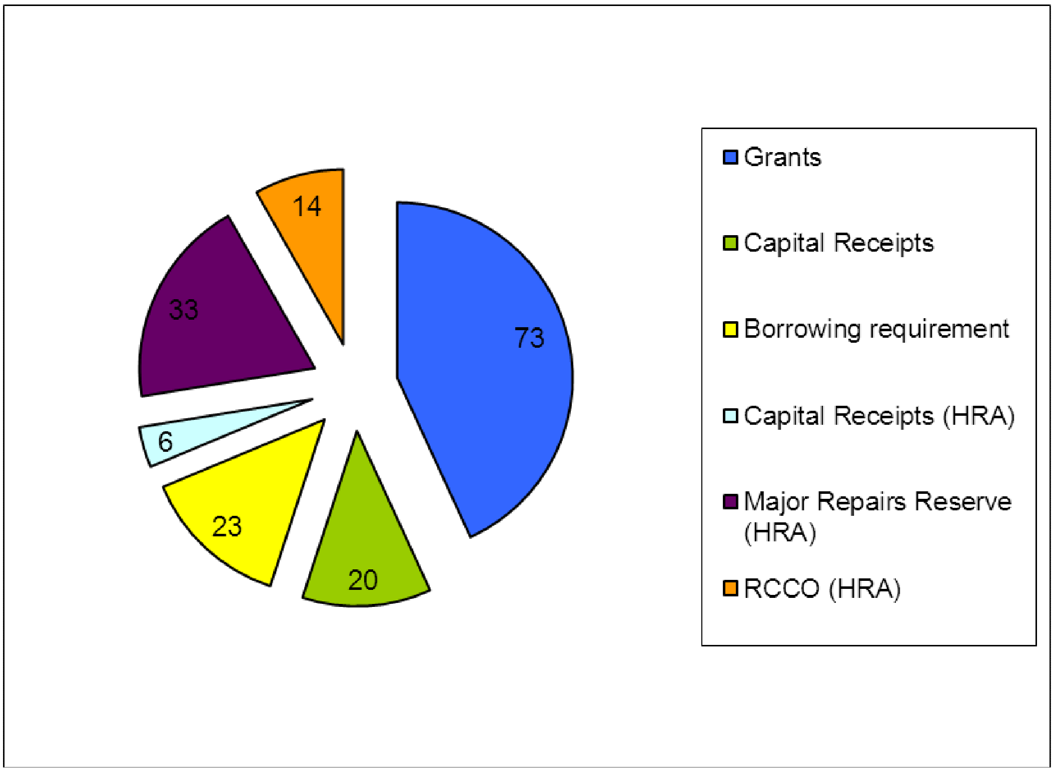


The above chart shows where the Council is due to spend capital sums over the life of the strategy in accordance with the latest draft outcome Plan for future years

5.5 <u>Financing the capital programme & prudential code</u>

5.5.1 The Council has a variety of sources of funding for the capital strategy and these are summarised below:

Graph 1.1: Capital financing / £m: 2015-20



5.5.2 The majority of the Council's capital financing comes via grant funding and through capital receipts (be that general fund or HRA). The Council is actively reviewing its assets, and more detail of this is included within the Asset Strategy. This review is looking at assets that the Council holds across the borough and is seeking to maximise returns from these, be this by maximise revenue streams from the asset or through disposal.

5.5.3 The main sources of income are:

- Capital Receipts (general fund)

  The prime areas of capital receipts comes from monies received via the Council involvement within the Slough Regeneration Partnership (SRP). This is income derived from the various sites included within the initial sites included, and firstly the ledgers road site and Wexham nursery site. The Council is also anticipated receiving capital receipts from other sites and these are detailed further in the Asset Strategy.

- Grant Funding

The Council receives a variety of capital funding streams, with the main areas of grant funding coming from the various Government departments. The Council strategy is based on the assumptions that all education related expenditure and transport expenditure is funded entirely within grant funds received from Government. The Council will seek every opportunity to maximise its use of grant funding across the organisation as well as utilise any opportunities from HRA funding.

- S106 receipts

The Council receives some funding of its capital programme from s106 receipts; with the advent of the Community Infrastructure Levy (CIL), the s106 funding will diminish. In the absence of a formal CIL charging mechanism no assumptions have been made with regards future CIL receipts.

- Revenue Contributions

These will be minimised wherever possible; the most effective way to fund capital expenditure is through spreading the cost of the asset over the lifetime of the asset. However, in some circumstances, where the Council might received one-off monies for example, funding a capital scheme from revenue sources might be more beneficial.

- Borrowing

  Where the Council has capital commitments that exceed its funding sources from the above, the Council is required to borrow in line with the prudential code. CIPFA's prudential code governs how Council borrows funds and ensures that it does so within an affordable framework. The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the [Department for Communities and Local Government's Guidance on Minimum Revenue Provision.

  The broad aim of the Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

- Revenue contributions (HRA). The abolition of the HRA subsidy system and its replacement by the self-financing regime from April 2012 has enabled the HRA to retain more of its rental income. This additional income is being used to support the building of affordable homes in the capital programme as well as other elements of the capital programme. As a result, new affordable/social homes will be built within the borough to help replace those sold under the Right To Buy (RTB) regime.

- Capital Receipts (HRA). The majority of HRA capital receipts arise from the sale of council homes under the RTB regime. Under the changes to the RTB regime, the Council has signed an agreement with the Government allowing it retaining a high proportion of those capital receipts provided they are used to build 'replacement' affordable/social homes.

- Major Repairs Reserve (HRA). This reserve is a revenue funded reserve used to maintain the Council's housing stock at a 'Decent Homes' standard and is a major contributor to funding the HRA capital programme.

5.6 Minimum Revenue Provision Statement

5.6.1 The Council must set aside revenue monies to repay future debt via the Minimum Revenue Provision (MRP). The MRP is vital to ensure that the Council has a sustainable and financed capital programme going forward. If the Council does not set aside suitable revenue monies to finance capital expenditure then when the time comes to borrow funds, the Council will experience a sudden budgetary pressure. the MRP therefore ensure that future debt is financed.

5.6.2 CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003. The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

5.6.3 MRP in 2015/16: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

5.6.4. The MRP Statement will be submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

5.6.5. The Authority will apply Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing.

5.6.6. The prudential framework allows for two types of borrowing – supported and unsupported. When the government determines its revenue grant allocation, it makes assumptions about the anticipated level of capital expenditure and includes the funding in its allocation. This is known as supported borrowing. Unsupported borrowing is that which can be undertaken in addition to the supported element under the prudential framework.

5.6.7. In the October 2010 spending review the government announced that from 2011/12 it would no longer be providing for new supported borrowing through the settlement. It indicated this funding would come via capital grant in order to make the process more transparent. Therefore any borrowing assumptions in the 2015-2020 Capital programme will be on the basis of unsupported borrowing.

5.6.8. MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability

5.7 **Community Investment Fund**

5.7.1 The Community Investment fund programme for 2015/16 has an indicative budget of £650k with the majority of this fund being spent on neighbourhood enhancements through identified member need in the wards across the borough.

6 Comments of Other Committees

This report was considered by the Cabinet on 19th January 2015. Any comments from the Committee will be referred to Cabinet at its meeting on 9th February 2015.

7 Conclusion

The Committee are requested to scrutinise and comment on the Capital Strategy 2015-20 and the capital programme for 2015-16.

8 Appendices Attached

‘A’ - Summary of draft 2015-20 General Fund strategy
‘B’ - Summary of draft HRA strategy
‘C’ - Summary of draft Education capital summary

9 Background Papers

‘1’ - Local Government Finance consultation and final settlement – 2014

‘2’ - Medium Term Financial Strategy – 2015-19

Appendix A

Project	15-16	16-17	17-18	18-19	19-20	Total
Education Services						
Primary Expansions (Phase 2 for 2011)	7,109	7,450	187			14,746
Town Hall Conversion	650	1,872	62			2,584
Expand Littledown School						0
Schools Modernisation Programme	3,401	100				3,501
SEN Resources Expansion	700	317	250	250	250	1,767
Children's Centres Refurbishments	45	40	40	40	40	205
DDA/SENDA access Works	90	50	50	50	50	290
Youth/Community Centres Upgrade	25	25	25	25	25	125
2 Year Old Expansion Programme	615					615
Special School Expansion-Primary, Secondary & Post 16	1,080	3,800	100			4,980
Children's Centres IT	45					45
School Meals Provision	55					55
Secondary Expansion Programme	500	4,000	4,500	7,000	7,500	23,500
Total Education Services	**14,315**	**17,654**	**5,214**	**7,365**	**7,865**	**52,413**
Customer & Community Services						
Cemetery Extension	1007					1,007
Repairs to Montem & Ice	80					80
Crematorium Project	664					664
Leisure Capital Improvements-Langley, Ten Pin, The Centre	913					913
Baylis Park Restoration	150					150
Cippenham Green	500					500
IT Infrastructure Refresh	350	350	350	350	350	1,750
Community Investment Fund	650	500	400	300	300	2,150
Community Leisure Facilities	150	150	150			450
Leisure Strategy						0
New Ice	3,500					3,500
Total Customer & Community Services	**7,964**	**1,000**	**900**	**650**	**650**	**11,164**
Community and Wellbeing						
Supported Living	500					500
Extra Care Housing	500					500
Care Act	280					280
Total Community and Wellbeing	**1,280**	**0**	**0**	**0**	**0**	**1,280**
Resources, Housing and Regeneration						
Disabled Facilities Grant	364	364	364	364	364	1,820
Highway & Land Drainage Improvements	70	70	70	70	70	350
Corporate Property Asset Management	250	250	250	250	250	1,250
Major Highways Programmes	765	765	765	765	765	3,825
Major Highways Programmes		2067	2067	2067		6201
Highway Reconfigure & Resurface	500	500	500	500	500	2,500
Colnbrook By-pass	131					131
Garage Sites Stage 7	32					32
Demolitions	100	100	100	100	100	500
Stoke Poges Footbridge	410					410

Project	15-16	16-17	17-18	18-19	19-20	Total
A332 Windsor Road Widening Scheme LEP/Other	2,211					2,211
A332 Windsor Road Widening Scheme SBC	2,300					2,300
Flood Defence Measures SBC/EA Partnership						0
Arbour Park	650	1,000				1,650
Plymouth Road (dilapidation works)	120	120	120	120	120	600
Land acquisition (Chalvey)	500					500
Housing Subsidiary	4,570	4,170				8,740
Bath Road Redevelopment	300	100				400
Salt Hill Car Park	100					100
Northborough Park	250					250
A355 Tuns Lane LEP Transport Scheme	2,800	2,600				5,400
A355 Tuns Lane Transport Scheme SBC		100				100
Redevelopment of Thomas Grey Centre	50	2,000	450			2,500
Installation of 3 Electric Vehicle Rapid Chargers	200					200
Carbon Management	100	100	100	100	100	500
The Curve	5,170					5,170
Total RHR (including Heart of Slough)	**21,943**	**14,306**	**4,786**	**4,336**	**2,269**	**47,640**
Total	***45,502***	***32,960***	***10,900***	***12,351***	***10,784***	***112,497***
Key:						
Grant Funded	*20,925*	*24,953*	*7,363*	*9,064*	*9,564*	*71,869*
Borrowing	*22,134*	*5,940*	*1,470*	*1,220*	*1,220*	*31,984*
Section 106	*32*	*0*	*0*	*0*	*0*	*32*
Capital Receipts	*2,411*	*2,067*	*2,067*	*2,067*	*0*	*8,612*
Revenue	*0*					
New	7,581	6,370	550	100	100	14,701

Appendix B – HRA Capital programme

Project	Lead Officer	*Revised 2014-15 Budget £'000*	15-16	16-17	17-18	18-19	19-20	Total
Housing Revenue Account								
Affordable Warmth/Central Heating	N Aves/Adrian T							
Boiler Replacement	N Aves/Adrian T	*667*	1,001	1,001	500	500	500	3,502
Heating / Hot Water Systems	N Aves/Adrian T	*320*	320	320	317	317	317	1,591
Insulation programmes	N Aves/Adrian T	*823*	788	788				1,576
Window Replacement	N Aves/Adrian T	*600*			112	112		224
Front / Rear Door replacement	N Aves/Adrian T	*548*	359	269	125	125	125	1,003
Internal Decent Homes Work	N Aves/Adrian T							0
Kitchen Replacement	N Aves/Adrian T	*1,402*	1,402	1,121	410	410	410	3,753
Bathroom replacement	N Aves/Adrian T	*692*	692	554	256	256	256	2,014
Electrical Systems	N Aves/Adrian T	*263*	263	263	136	136	136	934
External Decent Homes Work	N Aves/Adrian T							0
Roof Replacement	N Aves/Adrian T	*187*	187	187	628	628	628	2,258
Structural	N Aves/Adrian T	*598*	598	321	802	802	803	3,326
DISH	N Aves/Adrian T							
Decent Homes		***6,100***	**5,610**	**4,824**	**3,286**	**3,286**	**3,175**	**20,181**
	N Aves/Adrian T							
Winvale Refurbishment	N Aves/Adrian T	*44*						0
Garage Improvements	N Aves/Adrian T	*468*	170	170	150	150	150	790
Mechanical Systems /Lifts	N Aves/Adrian T	*374*	69	123	100	200	200	692
Capitalised Repairs	N Aves/Adrian T				46	46	46	138
Security & Controlled Entry Modernisation	N Aves/Adrian T	*50*	44	44				88
Darvills Lane - External Refurbs	N Aves/Adrian T				200	200	200	600
Estate Improvements/Environmental Works	N Aves/Adrian T	*278*	150	150	221	221	221	963
Replace Fascias, Soffits, Gutters & Down Pipes	N Aves/Adrian T	*835*	668	501	250	250	250	1,919
Upgrade Lighting/Communal Areas	N Aves/Adrian T	*550*	250	250	71	71	71	713
Communal doors	N Aves/Adrian T	*47*	47	28	78	78	78	309

Project	Lead Officer	*Revised 2014-15 Budget*	15-16	16-17	17-18	18-19	19-20	Total
		£'000						
Paths	N Aves/Adrian T	*265*	65	65	91	91	90	402
Store areas	N Aves/Adrian T	*157*	57	34	250	250		591
Sheltered / supported upgrades	N Aves/Adrian T	*0*	250	250				500
Planned Maintenance - Capital		***3,249***	**1,851**	**1,664**	**1,628**	**1,728**	**1,477**	**8,348**
Environmental Improvements (Allocated Forum)	N Aves/Adrian T	*409*	100	100	100	100	100	500
Tower and Ashbourne	N Aves/Adrian T	*522*	633	651				1,284
Major Aids & Adaptations	N Aves/Adrian T	*450*	350	250	250	250	250	1,350
Affordable Homes	N Aves/Adrian T	*6,200*	3,000	4,000	5,000	5,000	4,000	21,000
Britwell Regeneration	N Aves/Adrian T	*2,225*						
Housing Revenue Account		***19,155***	**11,544**	**11,489**	**10,264**	**10,364**	**9,002**	**52,663**

Appendix C – Education expenditure proposals

		2015-16	2016-17	2017-18	2018-19	2019-20	2014-2020
	Primary Expansion Programme	**£6,759**	**£6,322**	**£249**	**£0**	**£0**	**£17,114**
	Penn Wood (Phase 2 and bulge)	£190					£190
	Claycots (Monksfield Way Phase 3)	£310					£310
	Ryvers (Phases 2 and 3)	£157					£157
	Lynch Hill (Phase 3)	£300					£300
	Castleview (Phase 2)						£0
	Priory (Phases 2and 3)	£444					£444
	Godolphin Jun	£1,457	£50				£1,507
	Montem (Phase 3)	£117					£117
	St Anthony's (Phases 2 and 3)	£1,126					£1,126
	Cippenham Pri (Phases 2 and 3)	£450					£450
	St Mary's (Single Phase)	£528	£2,200	£87			£2,815
	James Elliman (Single Phase)	£640	£2,200	£100			£2,940
	Langley Primary Academy - 3G Pitch	£350					£350
	Foxborough bulge class	£40					£40
	Town Hall conversion and expansion (Claycots)	£650	£1,872	£62			£2,584
	Willow bulge class						£0
Pipeline projects	Bulge classes (provisional sum)	£500	£500				£1,000
	Expand existing school by one form of entry	£500	£2,500				£3,000
	Secondary Expansion Programme	**£0**	**£0**	**£1,500**	**£1,500**	**£0**	**£3,000**
	Langley Grammar Expansion by 1FE			£1,500	£1,500		£3,000
Pipeline projects	Expand existing school by 2 forms of entry	£500	£4,000	£1,500			£6,000
	Expand existing school by 2.5 forms of entry			£1,500	£5,500	£500	£7,500
	Build a new school or expand other local schools					£7,000	£7,000

	2015-16	2016-17	2017-18	2018-19	2019-20	2014-2020
Additional Needs (SEN) Expansion Programme	**£300**	**£300**	**£0**	**£0**	**£0**	**£600**
Littledown expansion						£0
Haybrook College rebuild and expansion (phase 1)						£0
Ditton Park Resource Unit	£300					£300
SASH2 Resource Unit		£300				£300

		2015-16	2016-17	2017-18	2018-19	2019-20	2014-2020
Pipeline projects	New Resource Units	£400	£17	£250	£250	£250	£1,167
	Special School Expansion - Primary, Secondary and Post-16	£1,080	£3,800	£100			£4,980

School Capital Improvement Programmes

	2015-16	2016-17	2017-18	2018-19	2019-20	2014-2020
Modernisation Programme	**£3,401**	**£100**	**£0**	**£0**	**£0**	**£3,501**
Colnbrook entrance toilets and playground						£65
Claycots fire door replacement	£25					£40
Foxborough security, kitchen and car park	£21					£26
Foxborough heating and roof	£357					£362
Wexham Secondary entrance, hall, windows and roof	£620					£652
Wexham Primary security and roof repair	£60					£64
Montem heating and playgrounds	£440					£450
Parlaunt Primary roof works						£69
Pippins ceilings and wiring	£210					£218
Priory windows and roofs	£323					£623
St Mary's entrance and windows	£135					£135
Baylis Nursery reprovision	£1,150	£100				£1,700
Cippenham Nursery						£12
Western House floor repair	£30					£30
Asbestos Pippins						£6
Asbestos Foxborough						£30

	2015-16	2016-17	2017-18	2018-19	2019-20	2014-2020
Asbestos contingency	£30					£30

Universal Infant Free School Meal Project	**£55**	**£0**	**£0**	**£0**	**£0**	**£55**
Claycots	£55					£55
Parlaunt						£0
Penn Wood						£0
Pippins						£0
Priory						£0
St Mary's						£0
Western House						£0
Wexham Court						£0

Other Projects

Other Commitments	**£820**	**£115**	**£115**	**£115**	**£115**	**£1,280**
323 High St / Haybrook College						£200
Arbour Park Project - St Joseph's Improvements						
Children's Centres and Places for 2 Year Olds	£705	£40	£40	£40	£40	£1,352
DDA/SENDA access works	£90	£50	£50	£50	£50	£300
Youth Service upgrades	£25	£25	£25	£25	£25	£200
Schools Devolved Capital						£156

Ongoing Project Totals	**£11,335**	**£6,837**	**£1,864**	**£1,615**	**£115**	**£21,766**
Contingency projects or schemes yet to be approved	**£2,980**	**£10,817**	**£3,350**	**£5,750**	**£7,750**	**£30,647**
Grand Total	**£14,315**	**£17,654**	**£5,214**	**£7,365**	**£7,865**	**£52,413**

This page is intentionally left blank

SLOUGH BOROUGH COUNCIL

REPORT TO:	Overview & Scrutiny Committee	**DATE:**	5th February 2015
CONTACT OFFICER: (For all enquiries)	Joseph Holmes, Assistant Director Finance & Audit (01753) 87 5358		
WARD(S):	All		

PART I
FOR COMMENT & CONSIDERATION

TREASURY MANAGEMENT STRATEGY 2015-16

1 Purpose of Report

To enable the Committee to scrutinise and comment on the Treasury Management Strategy for 2015/16. The Treasury management strategy (TNMS) is a requirement of the council's reporting procedures and recommended by both the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on treasury management and the CIPFA prudential code for capital finance in local authorities. The Council is required to comply with both codes through regulations issued under the Local Government Act 2003.

2 Recommendation

The Committee is requested to scrutinise and comment on the Treasury Management Strategy 2015/16 and make any references to Cabinet prior to the Strategy being Recommended to Council on 19th February 2015.

3 Slough Joint Wellbeing Strategy

3.1 SJWS Priorities

The report indirectly supports all of the strategic priorities and cross cutting themes. The maintenance of good governance within the Council to ensure that it is efficient, effective and economic in everything it does is achieve through the improvement of corporate governance and democracy by ensuring effective management practice is in place.

3.2 Five-Year Plan

The report helps achieve the Five-Year Plan by detailing how the Council has performed against its priority outcomes, as evidenced in the Treasury Management activity report.

4 Other Implications

4.1 Financial

The Financial implications are contained with this report.

4.2 Risk Management

Risk	Mitigating action	Opportunities
Legal	None	None
Property	None	None
Human Rights	None	None
Health and Safety	None	None
Employment Issues	None	None
Equalities Issues	None	None
Community Support	None	none
Communications	None	none
Community Safety	None	None
Financial; Detailed in the report and above	As identified	Returns outperform the budget income
Timetable for delivery; A number of capital projects have been reprofiled into the 2014-15 financial year	None	None
Project Capacity	None	None
Other	None	None

4.2.1 Human Rights Act and Other Legal Implications

None identified

4.2.2 Equalities Impact Assessment)

No identified need for the completion of an EIA.

5 Introduction and Background

5.1 The Treasury Management Strategy for 2015/16 is required to set out how the Council intends to manage its treasury management risk. The Council's treasury policy is set out in Appendix 1 of this report. The Treasury management Strategy complies with the requirements set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

5.2 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Authority to report on any financial instruments entered into to manage treasury risks.

6. Key Principles

6.1 The medium term capital finance budget is a key part of the council's budget strategy. When setting the Treasury management strategy the Council has considered

- The current treasury position and debt portfolio position
- The prospects for interest rates
- The current approved capital programme
- Limits on treasury management activities and prudential indicators

6.2 It is a statutory requirement that the level of borrowing is kept under review and is affordable.

7. Service Delivery and Performance Issues

7.1 Current Economic Climate

7.1.1 Appendix A to the attached strategy includes a detailed view on interest rates. Interest rates are expected to remain low until the recovery is convincing and sustainable. The Bank Rate, currently 0.5%, is expected to remain at this level in the short term.

7.2 Current Position

7.2.1.1 The Council currently has £182.4m of borrowing and average investments of around £90m investments throughout the year. The underlying need to borrow is measured by the Capital Financing Requirement (CFR) while usable reserves are the underlying resources available for investment. The current strategy is to maintain borrowing and investments below their underlying levels.

7.2.2 CIPFA's prudential code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2015/16.

7.2.3 The Council uses Arlingclose as its external treasury advisor but responsibility for treasury management decisions remains with this Council at all times.

8 Comments of Other Committees

The draft Treasury Management Strategy 2015/16 was considered by Cabinet on 19th January 2015. Any comments from the Committee will be referred to Cabinet at its meeting on 9th February 2015.

9 <u>Appendices Attached</u>

'A' Treasury Management Strategy 2015/16

7 <u>Background Papers</u>

CIPFA – Treasury management in the public services
CIPFA Prudential code for local authority capital finance
Arlingclose Ltd. UK economic forecasts
Local Government Act 2003

This page is intentionally left blank

APPENDIX A

SLOUGH BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY 2015/16

1 Introduction & Background

The Council is required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and it is a requirement under that Code of Practice to produce an annual strategy report on proposed treasury management activities for the year.

In accordance with the Treasury Management code, the council defines treasury management activities as:

"The management of the council's cash flows, its banking, money market and capital market transactions; the effective control of the risks `The purpose of the Treasury Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

2 Key Principles

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice is that:

- Public service organisations 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.
- Their 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 organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They 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 organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

In setting the Treasury Management Strategy, the Council must have regard for the following factors:

- The current treasury position and debt portfolio position
- The prospects for interest rates
- The approved Capital Programme
- Limits on treasury management activities and prudential indicators

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

According to the Prudential Code- the professional code of practice to support local authorities in taking capital investment decisions- the Council's prime policy objective of its investment activities is the security and liquidity of funds. Therefore the council should avoid exposing public funds to unnecessary or un-quantified risk. The council should consider the return on their investments; however, this should not be at the expense of security and liquidity. It is therefore important that the council adopt an appropriate approach to risk management with regard to its investment activities. The council employs a Treasury Management advisor, Arlingclose, to assist in the management of risk.

3 Current Economic Climate

There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

Credit outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The Bank Recovery and Resolution Directive promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast Deposit Guarantee Schemes Directive includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

Interest rate forecast: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

A more detailed economic and interest rate forecast provided by the Arlingclose is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.85%.

4 <u>Current Position</u>

The Authority currently has £182.4m of borrowing and £103.0m of investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

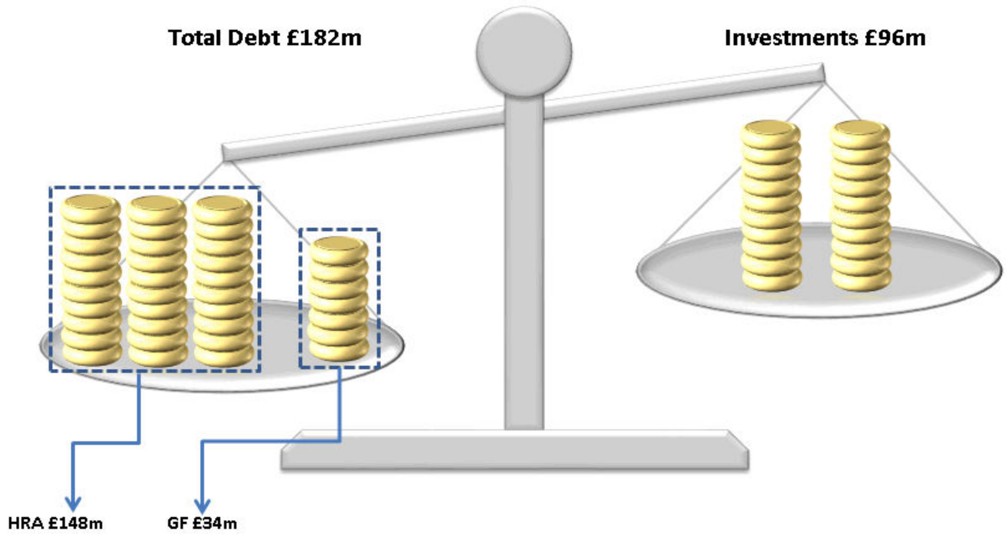


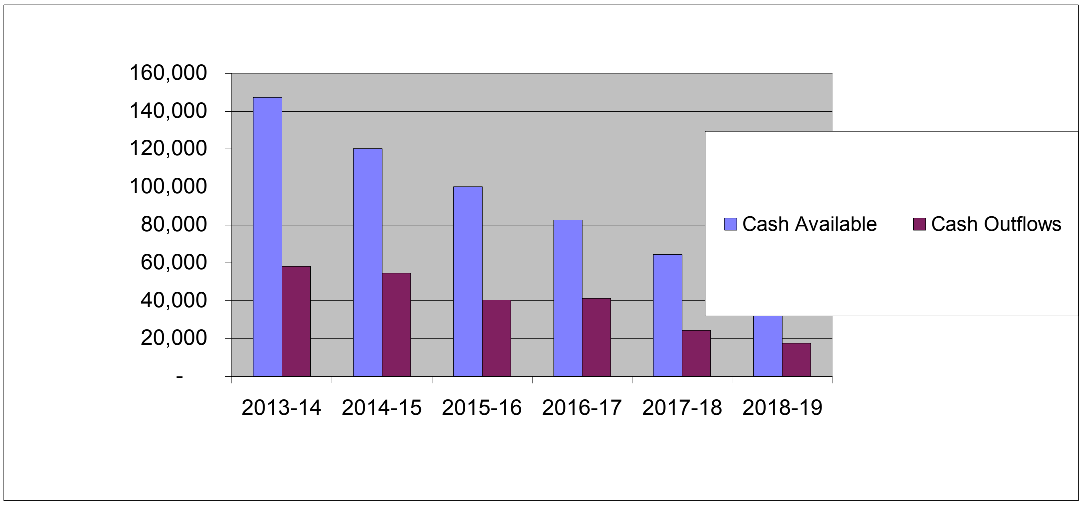
Table 1: Balance Sheet Forecast

Slough Borough Council					
Balance Sheet Summary and Projections in £millions					
31^{st} March	**2014**	**2015**	**2016**	**2017**	**2018**
General Fund Capital Financing Requirement	128.3	137.1	137.3	114.9	113.8
HRA Capital Financing Requirement	159.0	159.6	163.9	164.1	165.3
Total Capital Financing Requirement	**287.3**	**296.7**	**301.2**	**279.0**	**279.1**
Less: Other long-term liabilities *	(48.35)	(45.30)	(41.96)	(40.07)	(38.20)
Loans Capital Financing Requirement	**238.97**	**251.40**	**259.20**	**238.9**	**240.90**
Less: External borrowing **	(182.87)	(182.8)	(177.8)	(173.8)	(170.8)
Internal (over) borrowing	**56.1**	**68.60**	**81.40**	**65.10**	**70.01**
Less: Usable reserves	(126.5)	(120.1)	(127.9)	(110.2)	(114.2)
Net Borrowing Requirement/(Investments)	**(70.4)**	**(51.50)**	**(46.5)**	**(45.1)**	**(44.2)**

* finance leases and PFI liabilities that form part of the Authority's debt
** shows only loans to which the Authority is committed and excludes optional refinancing

Table 1a: Cash Flow Forecast

	Cash Available	Cash Outflows
2014/15	119,125	40,284
2015/16	103,759	57,631
2016/17	88,301	49,929
2017/18	84,174	27,064
2018/19	69,963	37,148
2019/20	60,414	32,486



The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves are the underlying resources available for investment. CIPFA's Prudential Code for Capital Finance in Local

Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2015/16.

5 Borrowing Strategy

The Authority currently holds £182.3 million of loans, which is the same as the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2015/16.

.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

LGA Bond Agency: Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet and the Capital Strategy Board.

LOBOs: The Authority holds £13m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £4m of these LOBOS have options during 2015/16, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to the current £13m.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Table 2: Current Borrowing Position

PWLB or Market	Type	Loan	Start Date	Maturity	Principal	Type
PWLB	Fixed	497751	27/08/2010	25/08/2015	5,000,000	Pooled
PWLB	Fixed	497998	30/09/2010	30/03/2017	4,000,000	Pooled
PWLB	Fixed	497752	27/08/2010	24/08/2017	3,000,000	Pooled
PWLB	Fixed	497999	30/09/2010	29/09/2021	4,000,000	Pooled
PWLB	Fixed	498000	30/09/2010	29/09/2024	4,000,000	Pooled
PWLB	Fixed	498001	30/09/2010	30/09/2027	4,000,000	Pooled
PWLB	Fixed	487800	28/05/2003	25/03/2028	1,000,000	Pooled
PWLB	Fixed	500578	28/03/2012	28/03/2028	20,000,000	HRA Self Financing
PWLB	Fixed	488859	08/07/2004	25/09/2029	500,000	Pooled
PWLB	Fixed	481989	14/01/1999	25/03/2030	31,864	Pooled
PWLB	Fixed	489227	28/10/2004	15/10/2031	5,000,000	Pooled
PWLB	Fixed	500582	28/03/2012	28/03/2032	20,000,000	HRA Self Financing
PWLB	Fixed	490923	22/12/2005	01/05/2036	3,000,000	Pooled
PWLB	Fixed	490924	22/12/2005	01/08/2036	5,000,000	Pooled
PWLB	Fixed	500579	28/03/2012	28/03/2037	20,000,000	HRA Self Financing
PWLB	Fixed	494837	01/10/2008	01/08/2038	5,000,000	Pooled
PWLB	Fixed	500584	28/03/2012	28/03/2039	20,000,000	HRA Self Financing
PWLB	Fixed	500581	28/03/2012	28/03/2041	15,841,000	HRA Self Financing
PWLB	Fixed	500580	28/03/2012	28/03/2042	20,000,000	HRA Self Financing
PWLB	Variable	500583	31/03/2012	28/03/2022	10,000,000	HRA Self Financing
Market	LOBO	64	12/07/2004	12/07/2054	4,000,000	Pooled
Market	LOBO	65	07/04/2006	07/04/2066	5,000,000	Pooled
Market	LOBO	66	28/04/2006	28/04/2066	4,000,000	Pooled
					182,372,864	

6 Housing Revenue Account Self-Financing

Central Government completed its reform of the Housing Revenue Account Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.

The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA

Code recommends that authorities present this policy in their TMSS. 3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. As part of the reform of the HRA Housing Revenue Account Subsidy system at the end of 2011/12, the HRA needed to make a payment of £135.841m to the Government. £125.841m of this was financed by PWLB loans listed above. £10m was in respect of an internal loan from the General Fund. The General Fund currently charges 3.27% interest on this amount or £327,000 per annum.

7 Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £84 and £104 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and higher yielding asset classes during 2015/16. This is especially the case for the estimated £[X]m that is available for longer-term investment. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

Under the current economic environment it may be in the council's interest to place forward dealing as an option to gain beneficial investments. The forward dealing should be utilised with the counterparties listed and only if the rates are beneficial to the council.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m 5 years	£15m 20 years	£15m 50 years	£5m 20 years	£5m 20 years
AA+	£15m 5 years	£15m 10 years	£15m 25 years	£5m 10 years	£5m 10 years
AA	£15m 4 years	£15m 5 years	£15m 15 years	£5m 5 years	£5m 10 years
AA-	£15m 3 years	£15m 4 years	£15m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£15m 3 years	£15m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£15m 2 years	£15m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£5m 13 months	£15m 5 years	£5m 13 months	£5m 5 years

BBB+	£5m 100 days	£5m 6 months	£15m 2 years	£2.5m 6 months	£2.5m 2 years
BBB or BBB-	£5m next day only	£15m 100 days	n/a	n/a	n/a
None	£3m 12 months	n/a	£5m 25 years	n/a	£5m 5 years
Pooled funds	£10m per fund				

This table must be read in conjunction with the notes below

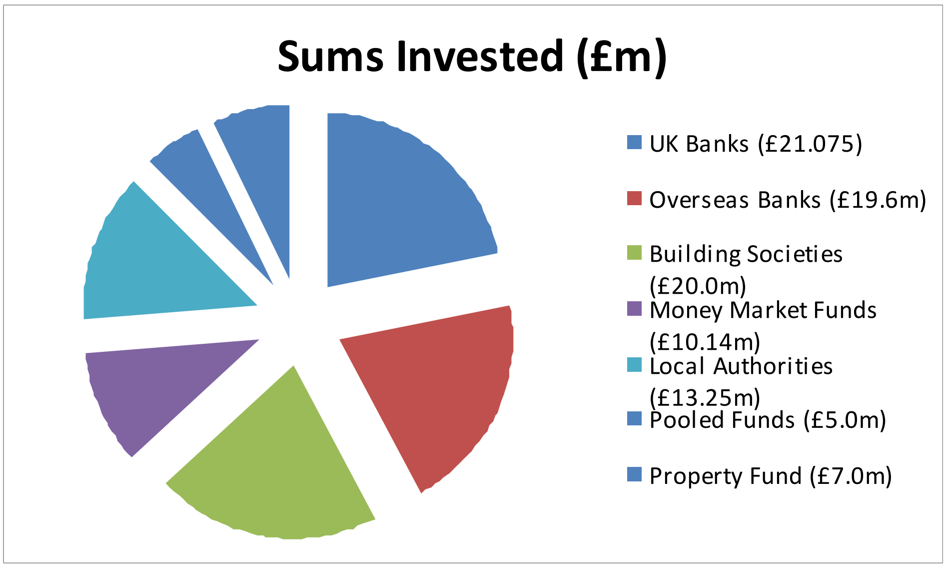
† The time limit is doubled for investments that are secured on the borrower's assets
* But no longer than 2 years in fixed-term deposits and other illiquid instruments
** But no longer than 5 years in fixed-term deposits and other illiquid instruments

There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented.

In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

The current level of investments and the type of institution invested in is summarised below:

Table 4: Current Investments



£14.74m of the above is in instant access accounts (i.e. Call Accounts and Money Market Funds)

8 Investment Opportunities

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

9 Risk Management

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£40m
Total investments without credit ratings or rated below A-	£10m
Total investments with institutions domiciled in foreign countries rated below AA+	£10m
Total non-specified investments	£60m

10 Investment Limits

The Authority's revenue reserves available to cover investment losses are forecast to be £88 million on 31st March 2015. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£15m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£15m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee	£25m per broker

account	
Foreign countries	£10m per country
Registered Providers	£25m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£10m in total
Money Market Funds	£50m in total

11 Prudential Indicators

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

A key indicator of prudence is to ensure that over the medium term net borrowing will only be for a capital purpose and that net external borrowing does not except in the short term, exceed the total capital financing requirement in the preceding year plus the estimates of any additional capital financing requirements for the current and the next two financial years.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows.

Table 5: Capital Programme

Capital Expenditure and Financing	2014/15 Revised £m	2015/16 Estimate £m	2016/17 estimate £m	2017/18 Estimate £m
General Fund	39,798	45,502	32,960	10,900
HRA	19,155	11,544	11,489	10,264
Total Expenditure	**58,953**	**57,046**	**44,449**	**21,164**
Capital Receipts	-8,528	-8,372	-7,142	-3,703
Grants & Contributions	-18,351	-20,957	-24,953	-7,363
Revenue	-4,814	-4,144	-3,789	-2,264
Reserves	-6,500	-6,500	-6,500	-6,500
Borrowing (incl. internal)	-20,760	-17,073	-2,065	-1,334
Total Financing	**-58,953**	**-57,046**	**-44,449**	**-21,164**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	137,125	137,292	114,880	113,777
HRA	159,603	163,935	164,167	165,299

Total CFR	296,728	301,227	279,047	279,076

The CFR is forecast to rise by £15m over the next two years as capital expenditure financed by internal borrowing outweighs resources put aside for debt repayment before reducing in subsequent years where budgeted capital expenditure reduces.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	182,372	177,372	173,372	170,372
Finance leases	10,061	8,951	7,862	6,917
PFI liabilities	37,540	36,545	35,816	35,087
Total Debt	**229,973**	**222,868**	**217,050**	**212,376**

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	257,399	259,504	261,322	262,996
Other long-term liabilities	47,601	45,496	43,678	42,004
Total Debt	**305,000**	**305,000**	**305,000**	**305,000**

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	267,399	269,504	271,322	272,996

Other long-term liabilities	47,601	45,496	43,678	42,004
Total Debt	**315,000**	**315,000**	**315,000**	**315,000**

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	4.46%	4.98%	4.40%	4.45%
HRA	13.12%	12.89%	12.66%	12.45%

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual band D Council Tax	11.56	11.14	4.0
HRA - increase in average weekly rents	**0**	0	0

12 MRP Statement 2014/15

CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

MRP in 2014/15: Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses). There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

The MRP Statement will be submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

The Authority will apply Option 1/Option 2 in respect of supported capital expenditure funded from borrowing and Option 3/Option 4 in respect of unsupported capital expenditure funded from borrowing.
MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

13 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following four new prudential indicators.

- Upper limits on variable rate exposure. This indicator identifies a maximum limit for variable interest rates based upon the debt provision net of investments.
- Upper limits on fixed rate exposure. Similar to the previous indicators, this covers a maximum limit on fixed interest rates
- Total principal funds invested for a period longer than 364 days. These limits are set to reduce the need for early sale of an investment and are based on the availability of investments after each year-end
- Maturity Structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of principal borrowed will be:

LIMITS ON INTEREST RATE EXPOSURE			
	2014/15	**2015/16**	**2016/17**
Limit on Principal invested beyond year end	£45m	£45m	£45m
Upper limit on fixed interest rate exposure	£100m	£100m	£100m
Upper limit on variable interest rate exposure	£50m	£50m	£50m

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Mature Structure of Borrowing:
This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

MATURITY STRUCTURE OF BORROWING			
	Existing Level	**Lower**	**Upper**
Under 12 months	13.0	0%	50%
12 months and within 24 months	4.0	0%	50%
24 months and within 5 years	3.0	0%	50%
5 years and within 10 years	18.0	0%	75%

10 years and within 15 years	30.5	25%	95%
15 years and within 20 years	25.0	25%	95%
20 years and within 25 years	53.0	25%	95%
Over 25 years	35.8	25%	95%

14 Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
Staffs regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staffs are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

15 Future Options

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income. Impact of premiums.	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain.
Invest with Local Authorities for periods in excess of 12 months	Higher rates achieved initially.	Risk that interest rates will rise (interest rate risk)
Invest in Building Societies not currently on the Council's Counterparty Risk	Potential higher returns	Risk of Credit Related Defaults as most Building Societies are unrated.
Invest in Government Treasury Bills	Very Low returns	No risk of credit default.
Invest in Registered Providers/Housing Associations.	5 year loan floating at 200bps over 6-month LIBOR (currently 0.59%) with a credit rated RP (A2 with Moody's) —5 year fixed rate loan at c3.35% with an unrated RP (Unrated RPs will pledge a pool of housing assets as security for	Strong regulatory framework and oversight; Conservative financial management; High likelihood of government support

	loans borrow). Downside 6 weeks set up time.	
Invest in pooled Property Funds	Potentially higher returns though will require more monitoring and returns could fluctuate greatly.	Risks of investing in a property fund – very similar to the risks of direct purchases —Void periods will result in lower returns —Falling property values can result in capital losses —Entry and exit costs – either as subscription/redemption fees or a bid-offer spread —Low liquidity compared to other types of pooled funds – 6 months' notice is common Our TMA therefore recommend a minimum investment horizon of at least 5 years
Pooled Funds-Liquidity Plus	Next step up from Money Market Funds. Almost as liquid as MMFs but with potentially higher returns.	As secure as MMFs we currently use but with greater fluctuations in yield.
Other Pooled Funds- e.g. Corporate Bonds, Equities.	Pooled funds provide opportunities for income as well as capital appreciation. Accounting rules typically mean that capital gains and losses are not taken to revenue until units are sold	Due to the potential volatility, the Council should be prepared for the possibility of capital value to fall before it rises
Upfront Payment of Employer Contributions to the Pension Fund	The council will save over 3% in employer contributions if it makes an upfront payment of approx £10m to the Pension Fund.	No risk other than the estimate must be robust and cannot under estimate the amount of contributions payable in the year.
Loan Notes issued through SRP.		

16 Ethical Investment Policy

The preservation of capital is the Council's principal and overriding priority. The banks and building societies on the Council's lending list are selected only if the institutions and the sovereign meet minimum credit criteria. In accordance with its social and corporate governance responsibilities, the Council seeks to support institutions which additionally have an ethical and responsible approach to environmental and social issues including employment and global trade

The Council could seek to invest in specific ethical funds, though there would be a charge to undertake the risk analysis of doing so from the Council's Treasury Management advisors

Appendix A – Arlingclose Economic & Interest Rate Forecast October 2014

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP throughout this year.
- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.
- Inflationary pressure is currently low and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.
- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.
- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.05	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.55**	**0.60**	**0.65**	**0.85**	**1.00**	**1.15**	**1.30**	**1.45**	**1.60**	**1.75**	**1.85**	**2.05**	**2.15**
Downside risk	0.10	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.10	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.95**	**1.00**	**1.05**	**1.20**	**1.35**	**1.50**	**1.65**	**1.80**	**1.95**	**2.10**	**2.20**	**2.40**	**2.50**
Downside risk	-0.30	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**1.70**	**1.75**	**1.90**	**2.00**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.70**	**2.90**	**2.95**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**2.40**	**2.45**	**2.55**	**2.60**	**2.65**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**	**3.05**	**3.10**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**2.90**	**2.95**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.35**	**3.40**	**3.45**	**3.50**	**3.55**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.35**	**3.40**	**3.45**	**3.50**	**3.55**	**3.60**
Downside risk	-0.30	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 5 February 2015

CONTACT OFFICER: Tracy Luck, Head of Strategic Policy and Communications
(For all Enquiries) (01753) 875518

WARD(S): All

PART I
FOR COMMENT & CONSIDERATION

FIVE YEAR PLAN

1. Purpose of Report

To consider the Council's new five year plan and the role that the Overview and Scrutiny Committee may play in monitoring the implementation of the plan.

2. Recommendation(s)/Proposed Action

That the Committee agree how it will scrutinise implementation of the five year plan.

3. The Slough Joint Wellbeing Strategy, the JSNA and the Corporate Plan

3a. Slough Joint Wellbeing Strategy Priorities

The five year plan relates to all aspects of the Slough Joint Wellbeing Strategy's (SJWS) priorities and cross-cutting themes as set out below.

Priorities:

- Health
- Economy and Skills
- Regeneration and Environment
- Housing
- Safer Communities

Cross-Cutting themes:

- Civic responsibility
- Improving the image of the town

The SJWS is due to be refreshed this year and the review will be carried out in the light of the direction of the five year plan.

The five year plan has been developed using the evidence base of the JSNA and the Slough Story.

The five year plan will replace the current annual Corporate Plan.

4. **Other Implications**

(a) Financial

The five year plan will be used to determine the council's spending priorities from 2016/17. This process will start during 2015/16 including by identifying in year savings. A graphic representation of the implications of funding reductions on the council's budget is attached as Appendix 'B'.

(b) Risk Management

Risk	**Mitigating action**	**Opportunities**
Legal		
Property		
Human Rights		
Health and Safety		
Employment Issues		
Equalities Issues		
Community Support		
Communications		
Community Safety		
Financial		The plan will provide a mechanism to make budget decisions from 2016/17.
Timetable for delivery		
Project Capacity		
Other		

(c) Human Rights Act and Other Legal Implications

There are no direct legal implications. The specific activity in the plan and outcome plans may have legal implications which will be considered when required. There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

Equality Impact Assessments will be prepared for specific actions within the plan when required.

5. **Supporting Information**

5.1 The Council has agreed a Corporate Plan, which sets out the objectives and key actions of the organisation, since 2012/13. This has been an annual plan and part of the forward planning framework, set in the context of the SJWS and providing the direction in which service plans are prepared.

5.2 As a result of the funding challenges the council faces we need to have a new approach to forward planning over the medium term and it was therefore agreed to develop a five year plan which would set out a vision for the borough against which the council will prioritise its resources.

5.3 The plan is attached as Appendix ‘A’. The plan includes eight outcomes and outcome plans will be developed to include detailed delivery information and to provide a means of monitoring performance. The Cabinet agreed at its meeting on 19 January 2015 to recommend the Council to agree the plan at the meeting on 27 January. Any comments made at the Council meeting will be reported verbally.

5.4 A performance framework including a new corporate balanced scorecard is being developed. Monitoring information will be brought to this committee on a regular basis. The committee is asked to consider how it would wish to scrutinise the plan, for example in addition to overall monitoring information, by reviewing specific outcomes and actions.

6. Conclusion

The plan will provide the strategic direction for the organisation over the next five years and will enable a clear focus of resources and activity.

7. Appendices Attached

‘A’ Five Year Plan
‘B’ Five Year Plan budget impact

8. Background Papers

None.

This page is intentionally left blank

Slough Borough Council www.slough.gov.uk

Taking pride in our communities and town

Five Year Plan 2015 - 2019

Growing a place of opportunity and ambition

Our ambition

By 2019 we want Slough to be:

- A place where people can make good choices about where to live and work and where children can grow up to achieve their full potential
- One of the most attractive places to do business in the country, with excellent communications, business accommodation and a skilled, and available workforce

Our challenges and opportunities

We have reviewed the evidence about the people and place of Slough and have identified the following opportunities and challenges facing the town:

- A young, growing and dynamic population
- An unhealthy population, inequality in healthy lives
- A critical need for housing and improved places to live
- Importance of continuing growth of the healthy economy of the town
- Community safety and safeguarding our most vulnerable residents
- Improving the identity and vibrancy of the centre of the town

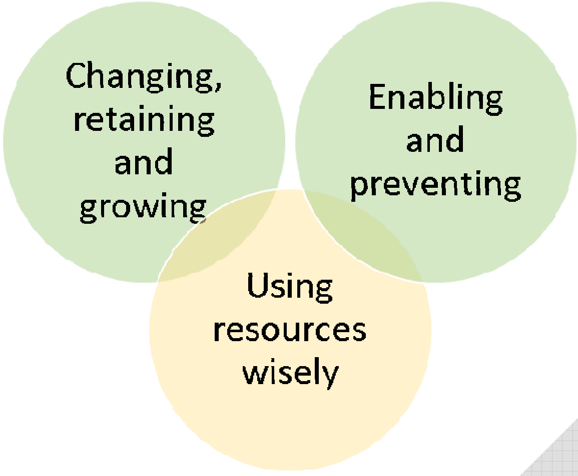
Role of the council

Slough Borough Council will meet these challenges and opportunities by:

- Demonstrating community leadership
- Shaping and managing the changing place
- Supporting the most vulnerable
- Enabling people to help themselves

Our approach

We have grouped our response to Slough's opportunities and challenges in three themes - shown below. We will focus our activity on the first two themes and the actions required to achieve the stated outcomes. **Resources will primarily be allocated to achieve these outcomes**. Resource allocation will be evidence based – there will need to be a demonstrable, evidenced link between the outcome and the key action.



The following outcomes will shape the work of the Council to respond to the opportunities and challenges facing the town:

Our outcomes

Changing, retaining and growing

- Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay
- There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough
- The centre of Slough will be vibrant, providing business, living, and cultural opportunities

Enabling and preventing

- Slough will be one of the safest places in the Thames Valley
- More people will take responsibility and manage their own health, care and support needs
- Children and young people in Slough will be healthy, resilient and have positive life chances

Using resources wisely

- The Council's income and the value of its assets will be maximised
- The Council will be a leading digital transformation organisation

How we will deliver our outcomes

- By working with local people and helping them to do more for themselves
- By working with a range of partners in the public, private and voluntary sectors.
- Through our staff by recruiting, retaining and developing a skilled workforce
- We will consider the needs of businesses in everything we do

How the five year plan will be used

- To drive the decisions made in the medium and long term financial strategy
- To focus on delivery of outcomes by prioritising reducing resources
- As a basis on which to have discussions with partners about the services they provide
- To develop a performance framework to which services and staff will be held accountable

Outcome Plans

Each of our outcomes will be delivered through key actions delivered by the council in partnership with a range of organisations and the community. Below is a summary of those actions. The detail of delivery, including performance measures, is set out in individual plans for each outcome.

Our outcomes – by 2019	Key actions - to achieve the outcome SBC will …	Partners who will contribute to the outcome	Success Measures
Changing, retaining and growing			
1. Slough will be the premier location in the south east for businesses of all sizes to locate, start, grow, and stay	1. Establish a business inward investment and retention function 2. Ensure a fit for business transport infrastructure 3. Enable partners to support residents to develop skills to meet local employers' needs 4. Develop planning policies which deliver more high value business properties to meet modern needs 5. Agree a coordinated plan to prepare for the impact of Cross Rail and Western Rail Access to Heathrow 6. Develop a more mutually-beneficial relationship with Heathrow Airport 7. Ensure that the gateways to the town, prominent places and green spaces are clean and well-maintained	• Public and private transport providers • SEGRO • Thames Valley Berkshire Local Enterprise Partnership • Slough Aspire • East Berkshire College • Key landlords, developers and commercial property agents • Heathrow Airport Limited • Slough Regeneration Partnership • Secondary schools	Business rate income grows 1% per annum over the period of the medium term financial strategy (2015 -19)
2. There will more homes in the borough, with quality improving across all tenures to support our ambition for Slough	1. Higher quality private sector housing will be a valued housing option and will reduce long term health problems 2. Make best use of existing housing stock 3. Utilise land and resources in and outside of our direct control to develop new homes across all tenures to meet local need 4. Make better use of land including using opportunities for new high quality, family and high density residential developments through	• Private rented sector landlords • Private sector developers • Registered Providers • Slough Regeneration Partnership	• Increase in council tax base (1.5% pa) and new homes bonus • An average of 550 new homes will be built per year compared to the current target of 315

	the Local Plan 5. Prevent homelessness where possible through early intervention and using a range of housing options		
3. The centre of Slough will be vibrant, providing business, living and cultural opportunities	1. Define and establish the Centre of the Town as a destination 2. Develop gap sites to stimulate the local economy by introducing a mix of residential, retail and office space 3. Understand through consultation and intelligence the current and future retail and business needs and expectations of the High Street 4. Cultivate a vibrant town centre 5. Expand the evening economy 6. Deliver a One Public Estate Strategy 7. Ensure the Curve continues to be operationally successful 8. 'Slough the place of innovation'	• Retailers • Developers • Land owners • Slough CCG • Public sector partners	• Increase in town centre business rate income
Enabling and preventing			
4. Slough will be one of the safest places in the Thames Valley	1. Build on success in making Slough safer 2. Build on success in tackling anti-social behaviour 3. Deliver the council's community cohesion strategy	• Members of the Safer Slough Partnership • Schools • Community organisations	• Total crime per 1000 is in the top quartile of the similar group of local authorities
5. Children and young people in Slough will be healthy, resilient and have positive life chances	1. Develop more preventative approaches to ensure children, young people and families are safe, independent and responsible 2. Be one of the best providers of children's social care in the country, providing timely, purposeful support that brings safe, lasting and positive change 3. Ensure vulnerable	• The new Children's Services Organisation • Members of the Children and Young People's Partnership • The Local Children's Safeguarding Board • Schools	• Establishment of a 'good' children's service • Reduction in children's referrals

	children and young people are safe and feel safe 4. Ensure children and young people are emotionally and physically healthy 5. Ensure children and young people enjoy life and learning so that they are confident about the future and aspire to achieve to their individual potential 6. Ensure children and young people with SEND and their families receive comprehensive, personalised support from childhood to adulthood 7. Secure sufficient school age places to meet the needs of Slough residents		
6. More people will take responsibility and manage their own health, care and support needs	1. Encourage all residents to manage and improve their health 2. Target those individuals most at risk of poor health and wellbeing outcomes to become more active, more often 3. Develop preventative approaches to ensure that vulnerable people become more able to support themselves 4. Build capacity within the community and voluntary sector to enable a focus on supporting more people to manage their own care needs 5. Put in place new models of social care for adults where direct payments will be the norm 6. Develop existing safeguarding arrangements to ensure people are at the centre of the safeguarding process and are supported to manage any risks	• Social care providers • Voluntary and community organisations • Slough CCG • Thames Valley Police • Probation Service • Leisure provider and sports' agencies • Slough Safeguarding Adults Board	• Reduction in the average spend per head of population (Adult social care users) • Reduction in total spend on adult social care from 2014 base • Reduction of the total number of people supported by adult social care and the council

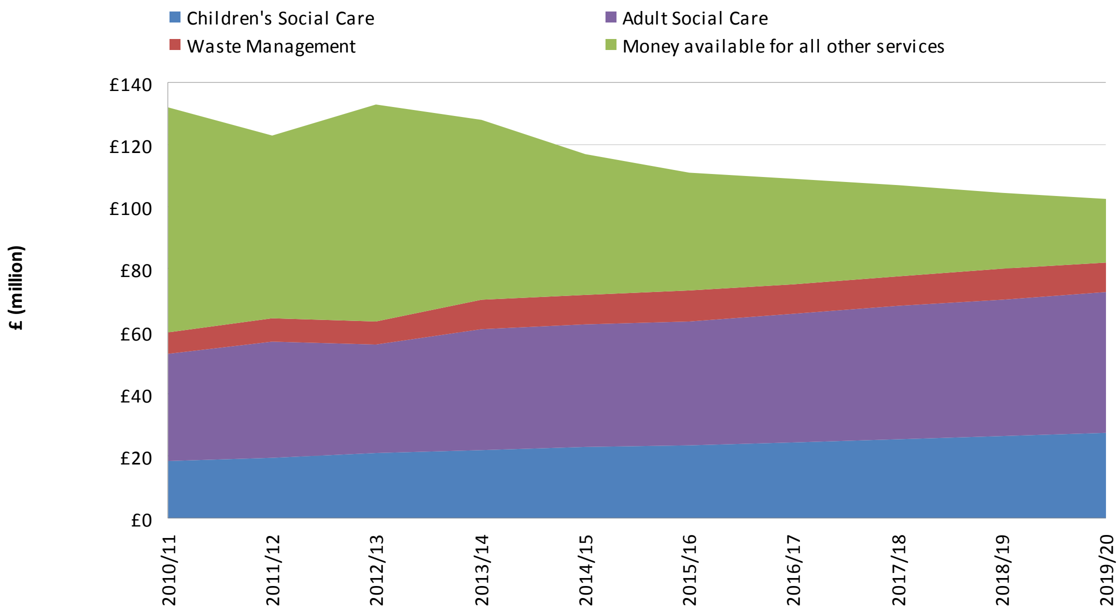
Using resources wisely			
7. The Council's income and the value of its assets will be maximised	1. Increase the collection rates of Council Tax and Business Rates 2. Maximise the use of its capital resources to increase revenue savings and make the capital strategy affordable 3. Remove subsidies where appropriate and maximise revenue from fees and charges 4. Maximise income from investment properties 5. Use new approaches to revenue and asset maximisation through Slough Regeneration Partnership and other delivery options 6. Rationalise the operational property estate, through disposals and shared use 7. Maximise savings from procurement, commissioning and contract management 8. Ensure that a revolutionised approach to household waste collection is in place	• Arvato • Slough Regeneration Partnership	• An overall Council Tax collection rate of at least 98.4% by 2016-17 • An in year Business Rate collection of at least 97% by 2016-17 • All SBC funded capital schemes to have a revenue break-even of 10 years • Fees and charges will rise by at least inflation over the life of the MTFS • Generate £8m of additional capital receipts by 2019 • 30% reduction in net property/assets running costs • All schools and highways capital spend to be contained within the respective capital grants • Reduce costs of waste collection service and increase income from recycling and commercial waste
8. The council will be a leading digital transformation organisation	1. Use technology to redefine the way customers contact the council 2. Streamline customer journeys to deliver savings 3. Invest in technology to enable staff to work smartly wherever they are located	• Arvato	• 80% of all transactions completed online • Paying the Council online will be the prime method of payment for most services (direct debit for Council Tax etc.) • Council tax and business rates direct debit payments of 60% • 30% reduction in

			comparative contract expenditure

Note – a number of the key actions will contribute to delivering more than one outcome

The budget profile

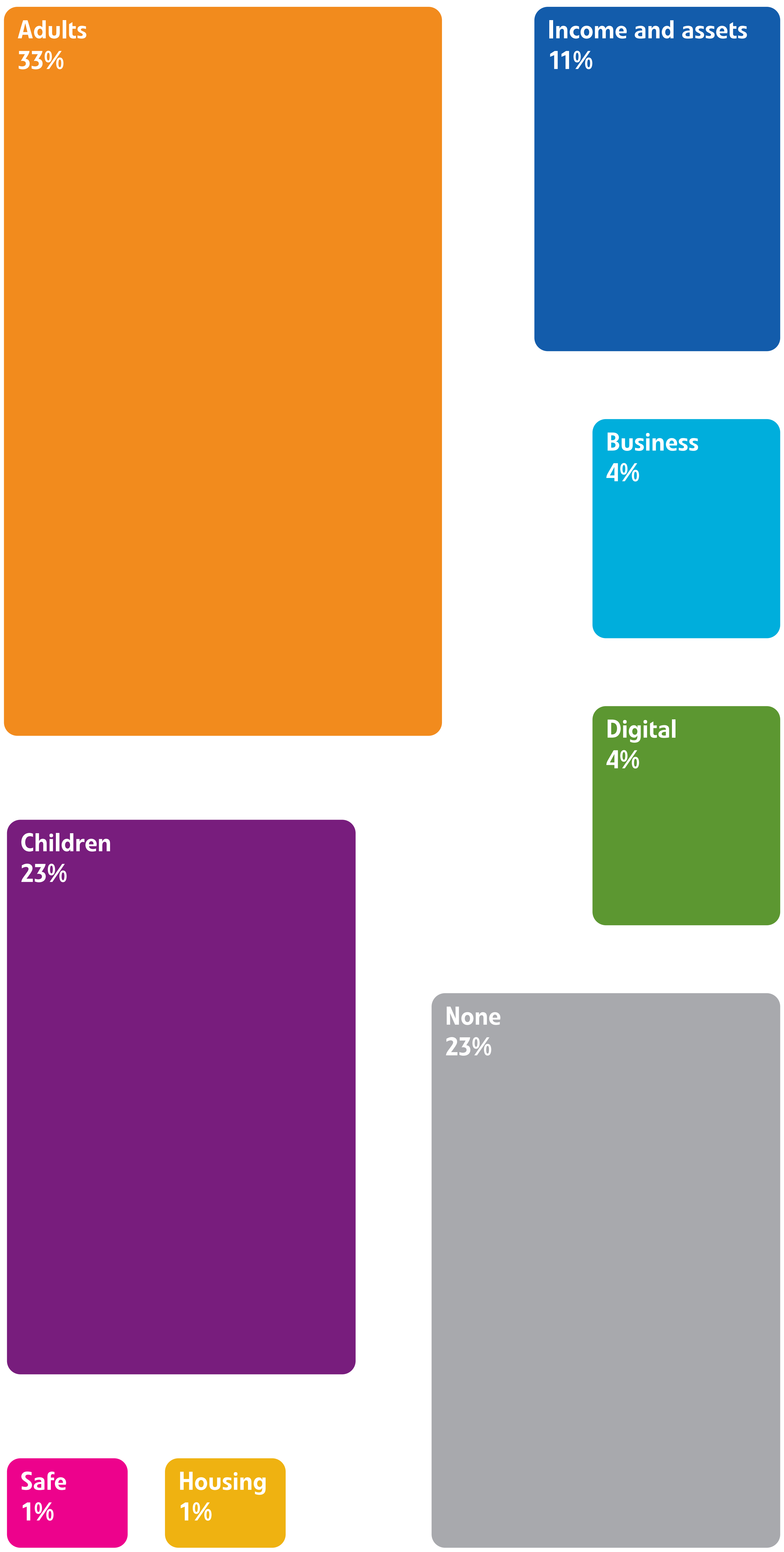
If the Council continues on the current budgetary trajectory, the relative size of the Council's budget will look like the below. The Five Year Plan will help to shape the Council's budget to avoid the default position and shape its future resources around the key outcomes it wishes to achieve.



This page is intentionally left blank

5YP impact (%)

2014–15



2018–19

This page is intentionally left blank

SLOUGH BOROUGH COUNCIL

REPORT TO:	Overview and Scrutiny Committee **DATE:** 5th February 2015
CONTACT OFFICER:	Roger Parkin - Strategic Director Customer and Community Services
(For all enquiries)	(01753) 875207
WARD(S):	All

PART I
FOR COMMENT AND CONSIDERATION

CHILDREN'S SERVICES TRANSITION PROJECT

1 **Purpose of Report**

The purpose of this report is to provide the Overview and Scrutiny Committee with an update on the work to date, work currently being undertaken and that planned for the transition of Children's Services to a new organisation.

2 **Recommendations**

The Committee is requested to:

- Note the Direction dated 7.10.2014 from the Secretary of State for Education directing the Council to set up an external provider to deliver the Council's children's services functions.
- Note the progress of the transition project to date
- Request regular updates on the progress of transition of Children's Services to a new organisation

3 **Community Strategy and the JSNA**

3.1 The aim of externalising Children's Services is to secure sustained quality and improvement in the service so securing the wellbeing of vulnerable children and young people. This should achieve outcomes under the Wellbeing Strategy's priorities of Safer Slough Communities, Health and potentially Economy and Skills and Housing.

4 **Other Implications**

(a) Financial

4.1 There are likely to be significant financial risks to the Council as a result of the externalisation of Children's Services. The Secretary of State will carry out due diligence to identify these risks with mitigating action wherever possible.

4.2 There are very significant interim costs to the Authority as a result of having to comply with terms of the Direction as well as the additional running costs of the new external provider. These will include and arise from the overheads of the new organisation, the reduction in economies of scale for the Council, the scale or scope of services externalised and the necessary project capacity to enable the design, establishment and transfer. These costs, if borne by the Council, could have an impact on its financial viability. At present the Secretary of State has confirmed that some of these costs will not have to be borne by the Council and the local tax payer however, there is no indication of how long these costs, once agreed will be met by the Secretary of State. The Council will continue to act rigorously and fairly in securing this outcome.

4.3 The Council will be expected to fund the new organisation to a similar level as the current service provision. However, the parties have agreed that the due consideration will need to be given to the Council's savings targets when agreeing and setting the new organisation's budget. Being a separate organisation, the Council will have to ensure it avoids any state aid issues and consider any possible implications which may arise from any new funding or budget setting arrangements.

4.4 Similarly, under the New Burdens Funding, there will need to be an assessment of any additional strain on council tax resources, over and above the initial set up costs which result of any new burden being imposed by the Secretary of State from externalisation of children's social care functions. It would be expected that any shortfall will be met by central government and not by the local authority itself.

(b) Risk Management

Risk	**Mitigating action**	**Opportunities**
Legal There are a number of legal risks arising from the externalisation. These include risks relating to the governance arrangements, scope, service delivery vehicle, and client arrangements which will prevent the council from exercising its statutory accountability effectively. There are also risks directly to the Council arising from a Direction which instructs the Council to bypass the required procurement routes / good practice in Public Sector appointments.	The Council has sought to address this through the Memorandum of Understanding (MOU) which was approved by Cabinet in November. The MOU sets out the means by which the risks arising from the nature of arrangements will be reduced and how the Council will be protected against the procurement and employment risks that are presented as a result of compliance with the Direction.	

Property Accommodation for the new organisation will require a detailed and robust options appraisal	The MOU sets out the means by which this will be agreed. Accommodation is also identified as a key project work stream and due consideration will be given to the financial and legal implications of any proposed options.	
Human Rights See below		
Health and Safety		
Employment Issues Council staff will be transferred to the new organisation and will naturally be concerned about their future and future terms and conditions of employment	The MOU also addresses this risk. Directly affected Council staff will be transferred under the TUPE regulations. Staff will transfer under their current terms and conditions of employment, pension rights and continuous employment rights. A programme of staff engagement and consultation will form part of the Transition Project teams key work stream – Stakeholder Engagement. Workshops have already taken place to compile a detailed Stakeholder and Engagement plan.	
Equalities Issues See below		
Community Support The understanding and engagement of the community and particularly of stakeholders / partners will be critical to the success of transition	As above, workshops have already taken place with the DfE's professional services team to identify all key stakeholders to ensure that information, communication and engagement are carried out in a consistent	

	and timely manner.	
Communications	As above	
Community Safety		
Financial See above 4.1 – 4.4		
Timetable for delivery The Council's experience of major externalisation suggests that 18 months will be an indicative timeframe within which any risks can be mitigated and managed effectively.	The MOU provides for how and when the timetable will be agreed. The parties are developing a project plan that seeks to establish a realistic timescale for the design and establishment of the new organisation, along with the transition of the service to the new organisation	
Project Capacity The Council's experience of major externalisation demonstrates the need to mobilise a full project team involving a range of senior professional officers to support the transition process. The Council does not have the required capacity to support a project of this scale in addition to other projects the council has programmed including the budget programme	A project team has been established to oversee the transition of the Council's children's services to a new organisation. The project is led by the Strategic Director of Customer and Community Services who has considerable experience of transitioning services and is supported by an experienced in house team. Where required, staff roles will be backfilled and recovery of costs associated with any backfilling will be met by the Secretary of State.	
Other		

4.5 There are a number of significant risks arising from the creation of an independent organisation for the delivery of Children's Services functions. The Secretary of State believes that a new organisation solely focussed on the improvement of Children's Services provides the right potential to bring innovation and expertise which the Council within its existing resources is not able to. The Council does however continue to make steady improvements in the delivery of Children's services and needs to remain focused on improvement whilst continuing to support the transition process. There is the potential that there may be some impact on the improvement programme during the transition phase and this has been identified as a possible risk, and one which will involve safeguarding and mitigation wherever possible.

(c) Human Rights Act and Other Legal Implications

4.6 The Secretary of State has exercised her powers under The Education Act 1966 in relation to the Council's children's services functions. The full scope of these services has yet to be finalised although an outline has been agreed in accordance with the terms of the MOU

4.7 The legislative provisions allow either the Secretary of State to exercise the functions or give the Council such directions as the Secretary of State thinks expedient to enable the functions to be performed to an adequate standard.

4.8 Through the Direction, the Secretary of State has directed that a separate organisation should be set up to carry out, what will be some of the Council's Children's services functions. There will be no procurement exercise for the design or selection of the new organisation. The Council has therefore sought the necessary assurances that it will not be liable for any breach of procurement requirements.

4.9 It is expected that this organisation will then have a contract with the Council to deliver children's social care functions. Although there is reference to this body as a 'Trust' in the Direction, it is not expected that such a body would take the legal form of a trust.

4.10 Pending the set up of the new organisation, the Secretary of State has appointed a Commissioner, Ms Eleanor Brazil to establish the new organisation. The Commissioner is also tasked with securing improvements in the Council's performance of its Children's social care functions.

4.11 With the new organisation model, the Council would retain all its legal obligations for the statutory duties. However, since the Secretary of State has made it very clear that he expects to see the services "out of council control", the Council may have limited control over how the children's social care functions are delivered or indeed to be able to hold to account the new organisation any failings. However it is only once the details of the new organisation, the scope of the services and the extent of the Council's legal relationship have been agreed will there be a much clearer understanding of the full legal implications.

4.12 The Memorandum of Understanding is not a legally binding document. However, the Department of Education have maintained their position that the Secretary of State alone is able to terminate the Memorandum of Understanding. This is not accepted. Should the Secretary of State (or indeed the Council) terminate the Memorandum of Understanding it is likely that the Secretary of State will take direct control of children's services functions.

Equalities Impact Assessment

4.13 An EIA is needed and will be carried out once the outcome of detailed discussions confirm the exact nature and extent of services that are to be impacted by this externalisation.

4.14 Workforce

There will be significant implications for the Council's workforce. The externalisation of the service area will involve a transfer of current employees to the new organisation. There maybe implications for other staff that currently undertake a support function for the service area in question. Until the Secretary of State confirms the scope of functions to be externalised, the Council is unable to assess the true impact and commence any TUPE consultation process with affected staff. The MOU provides for a TUPE transfer.

Outstanding concerns

4.15 The Board members of the new organisation are likely to be remunerated for their services and this cost will need to be considered as part of the contract payment. Whilst it will be important to ensure that the new organisation attracts good calibre members, the Council will also be concerned to ensure that remuneration remains within the parameters of good practice in public sector appointments.

5 Background Information

5.1 In November and December 2013, Ofsted conducted an inspection under Ofsted's new inspection regime of the services for children in need of help and protection, looked after children, care leavers and a review of the effectiveness of the local safeguarding children board. On the 11th February 2014 Ofsted published its report and gave an overall judgement of Inadequate.

5.2 As a result, the Secretary of State appointed a review team to consider what arrangements should be in place for the future. The Review team produced a report (OPM report) in May 2014 with a set of recommendations. The terms of reference for the Review Board included "Which organisation arrangements outside the control of the Slough Borough Council should be implemented to provide the greatest likelihood of securing improvement (Page 5 OPM Report)

5.3 Following representation from the Council and the Secretary of State a Direction was issued on the 7th October 2014 which required the Council's Children's services function to be delivered by an external body.

5.4 The Direction also provided for the appointment of a Commissioner to secure improvement in the Council's performance of its Children's social care functions. The Commissioner is also tasked with establishing the new organisation.

5.5 The Secretary of State requested that the parties agree a Memorandum of Understanding which sets out in general terms the nature of the way forward on the creation and delivery of the new organisation, its governance structure, where it will operate from, agreeing the scope of the services that will be contracted out, as well as agreeing a timetable for the delivery of the contract. It also provides for the allocations of budgets and sets out some key targets in relation to the delivery of improvements to the contracted out services.

5.6 Cabinet approved the Memorandum of Understanding on the 17th November 2014.
Signed Memorandum of Understanding is appended to this report at Appendix A

Progress on Transition

5.7 Members are asked to note that the Transition Phase of this Project effectively went live at the beginning of January 2015 and good progress has been made in the first month.

Project Team

5.8 The DfE have appointed their Project and Legal Services partners. They will act on behalf of the Dfe to undertake both due diligence and legal work to support the transition process.

5.9 To ensure capacity to support the transition process, the Council has mobilised a core project team led by the Strategic Director of Customer and Community Services, who along with the project team has considerable experience of successfully executing major externalisations of this scale.

Project Planning Work stream

5.10 Joint workshops have taken place to help inform the detail of the draft high level project plan, Stakeholder Engagement Plan, Risk Management Matrix and the Governance arrangements of the project.

5.11 Introductory meetings have taken place between the Dfe and the Council's project team to initiate the joint transition arrangements. There is an agreed ethos by which both teams will work in collaboration to support the transition process and as such joint transition meetings have been scheduled on a fortnightly basis to support the detailed development, monitoring and delivery of the Transition Project Plan, management of the Risk Register as well as working within the governance arrangement to report progress against the agreed milestones.

Governance Work stream

5.12 The overarching Steering Board has been established with agreed Terms of Reference in place. The board is responsible for providing the strategic overview for the transition of children's social care services to comply with the Secretary of State's Direction.
The Terms of Reference for the Steering Board is appended to this report at Appendix B

5.13 Draft Terms of reference have been established for the Joint Project Transition Group and are subject to sign off by the Steering Board at the end of January. This group will be responsible for managing the overarching project plan, risks and issues. As well as supporting the transition of operational and support services to the new organisation.

Scope

5.14 The Steering Board have agreed the outline services in scope of the transition; however discussions remain ongoing to define the full scope.

Legal Services Work stream

5.15 An introductory meeting has taken place between the Council's Head of Legal Services and the Dfe's Project and Legal leads to commence discussions on an outline options appraisal for possible service delivery models for the new organisation, fundamentals on contract development for the new organisation and initial discussions to ascertain the current strategic contracts the Council has in place for support services that may impact the scope of services transferring to the new organisation as well as organisational arrangements.

5.16 The Council have appointed external lawyers to lead on negotiations pertaining to the drafting of a contract for the new organisation and to protect the interests of the Council for strategic partnerships already in place with external providers.

5.17 Early Introductory meetings have been scheduled to engage with our external partners, arvato and Cambridge Education to ascertain any potential impact on the services in scope of the externalisation

5.18 The Initial due diligence information requests have now been released to the Council and the Council's project team are in the process of collating the required information to help inform the work streams identified in the outline high level project plan. The collation of information along with scheduled individual 1-2-1 meetings with the work stream leads will help in determining the current 'as is position' for those services in scope of the externalisation and support the work to be undertaken as the service is transitioned to a new organisation.

<u>Communications Work stream</u>

5.19 Effective communication and the cascading of timely information remain paramount for the Transition Project Team and as such the development of the Stakeholder Engagement Plan and an overarching Communications Strategy will inform the key milestones of communication and the appropriate and timely release of information. To date, all staff (both directly affected and retained) and Members have been advised of the services confirmed in scope of the transition and the services that have been identified as subject to further discussion.

5.20 Further communication has been circulated to all key stakeholders on the appointment of the interim Director of Children Services.

5.21 A dedicated intranet page has been set up for Transition which will act as the main vehicle of providing up to date information to staff on progress and to make available any decisions that have been agreed for the project as key milestones have been reached. Further mechanisms of communication will be detailed within the Communications Strategy relevant to the target audience.

<u>HR Work stream</u>

5.22 Internal preparations are underway to collate the provisional TUPE information for all staff confirmed in scope of the transfer as part of the due diligence requirements,

5.23 Meetings are also due to be scheduled to update and engage with Trade Unions on the progress and potential timescales once the project plan has been confirmed.

5.24 Early consideration is being given to the Consultation process which will form an integral part of the staff transfer process.

Finance Work stream

5.25 Corporate Finance are currently collating the due diligence information relating to budgets, salaries, insurance, accommodation, support service costs for those services in scope of externalisation as per the due diligence requirements.

6 Comments of Other Committees

None

7 Conclusion

Much progress has been made over the first month of transition in terms of establishing the governance and core principles of project management, however over the coming months there is an expectation that the project will pick up speed as the Transition Project Team focus on the following key activities:

- Detailed project planning and risk mitigation
- Finalising the scope of services to be transitioned
- Completion of the Stakeholder analysis
- Development of an overarching Communications Strategy
- Introductory meetings with the Councils key third party suppliers
- Release of the due diligence information
- Consideration of the vision and operational design of the new organisation

8 Appendices Attached

'A' Memorandum of Understanding dated 21st November 2014
'B' Steering Board Terms of Reference

9 Background Papers

'1' -OPM Report dated May 2014
'2' -Direction dated 7.10.2014
'3' -Cabinet Report dated 17th November 2014

This page is intentionally left blank

This **Memorandum of Understanding** dated 21st November 2014 is made between the Secretary of State for Education ("the Secretary of State") and Slough Borough Council ("the Authority")

Background & Purpose

1. The Secretary of State has issued a Direction dated 7th October 2014 under Section 497A(4B) of the Education Act 1996 which is attached to this document.

2. The objective of the Direction is to secure improvements to the Authority's children's social care functions.

3. The Secretary of State has directed the way to secure the improvements is for the externalization of the Authority's children's social care functions to an organisation which is completely independent of the Authority as the most effective way to secure redesign of the service.

4. The Secretary of State has appointed a Commissioner for Children's Social Care to secure improvement in the Authority's performance of its children's social care functions and also to set up a new independent organisation to carry out the Authority's children's social care functions.

5. The Secretary of State Dfe requires the Authority to enter a Memorandum of Understanding ("MOU") to support the delivery of the change program.

6. In accordance with the terms of the Direction, the Authority is required to comply with any instructions of the Secretary of State or the Commissioner in relation to the exercise of their children's social care functions and in relation to the establishment, setting up and carrying on of the new organisation.

7. The purpose of this Memorandum of Understanding ("MoU") is to set out how the Parties, the Commissioner and the new organisation will work to establish the new organisation so that it is able fully to deliver the improvements to the quality of the services and the Vision set out below, in a timely way and in accordance with the timetable set out in this MoU.

8. The Parties do not intend this MoU to be legally binding or to create legal relations between them. The Parties agree that they will use all reasonable endeavours to comply with the terms and the spirit of this MoU.

9. The Secretary of State does not intend to use her power under section 497A(4A) of the 1996 Act at this stage to establish the new organisation as her nominee, to exercise functions, but instead intends to direct the Authority under section 497A(4) of the 1996 Act to enter into arrangements with the new organisation to exercise functions on behalf of the Authority. For the avoidance of doubt, the Secretary of State retains her ability to use her power under section 497A(4A) of the 1996 Act if she considers it necessary to do so. This would mean that functions would be exercised by the Secretary of State or her nominee, rather than on behalf of the Authority.

Period

10. This MoU will come into effect once both Parties have signed and the document has been dated. It will remain in force until the contract between the Authority and the new organisation, for the performance of specified children's services functions ('the Contract') comes into effect, pursuant to and in accordance with a further Direction issued by the Secretary of State, unless otherwise directed or agreed by the Parties.

Participants

11. All participants will be expected to work together in a collaborative and cooperative fashion throughout the project. This will include the Chair, Chief Executive and other senior leaders of the new organisation once appointed.

12. The Secretary of State will be represented by the following:
    (a) the Commissioner
    (b) the Department for Education (DfE) Project Team, who will have responsibility for supporting the Commissioner in her role, and representing the DfE in project governance;
    (c) the DfE Improvement Case Lead, who will have responsibility for reporting to the Commissioner on ongoing improvements to children's social care services;

13. The Dfe will be supported by :
    (a) a professional services partner, with responsibilities including project management and governance, and due diligence; and
    (b) a legal services partner, to provide legal services to the DfE and the new organisation, in particular in relation to registering the new organisation, drawing up the contract, and facilitating the transfer of staff to the new organisation;

14. The Authority will be supported by
    (a) Project Lead: Ruth Bagley, Chief Executive
    (b) Transformation Team Lead: Roger Parkin Strategic Director Customer and Community Services

Vision

15. Our vision for the new organisation is to 'get it right for children'. We envisage a tightly-focused organisation with strong independent leadership, an innovative approach to designing services that best meet the needs of children and families

in Slough, protecting those children most at risk and ensuring that their immediate experience of services is good. Our ambition is that the new organisation will achieve an Ofsted rating of Good within 3 years of coming into effect and Outstanding within 5 years.

16. The organisation will be independent yet maintain close links with the Council as a provider of universal services. It will use the local knowledge, expertise and influence of the Council and other local partners to improve its core services. The Council will support it using its democratic advocacy to promote safeguarding within the community and raise awareness of high risks such as child sexual exploitation, domestic abuse and violence.

New Organisation Model

17. As a key part of the wider children's system in Slough, the new organisation will:

    (a) be independent of the Authority.

    (b) play an important and active role in local partnerships, in the interests of children and their families.

    (c) deliver specified children's social care functions on behalf of the Authority in the most effective way to realise the Vision set out in this MOU.

    (d) be responsible for, and have control over, its own finance, employment, human resource arrangements and property requirements and will have responsibility for the day to day delivery of the specified functions

18. The Authority will not carry any risk as a result of not following any necessary procurement processes as a result of implementing the Direction.

19. The Parties are considering which legal vehicle for the new organisation is the most suitable and a decision as to which model to adopt will be taken by 30th January 2015.

20. The vehicle must ensure that it can deliver the services in the most effective way to secure the Vision and will have the necessary ability and credibility to do so.

21. The Contract will provide for the nature of the relationship between the Authority, the new organisation and a third party role of the Secretary of State. The Parties intend that the Contractual relationship will appropriately reflect the Authority's statutory accountability. The new organisation will be subject to the public sector's scrutiny requirements.

22. To ensure the new organisation is meeting the Vision, the Contract will provide for targets for the organisation to meet. These will include the organisation being required to achieve a Good rating on the Ofsted scale within 3 years of the start of the Contract and an Outstanding rating within 5 years of start of the Contract.

23. The new organisation will be led by an independent Board. The structure and size of the Board will be agreed by the parties once the legal model has been finalised. The Board members will be made up of a mixture of experts in children's social care, along with those that have suitable skills for appointments to a corporate structure exercising high public risk functions, they will also aim to have those with adequate local knowledge and sensitivity, and will between them have the required skills and experience to ensure that the new organisation delivers the Vision.

24. The Parties (if appointed the Chair of the new organisation) , will agree an appointments process for appointments to the Board and senior management roles. Such process will reflect the good practice for public appointments. The appointments process will provide for :

    (a) the Chair of the Board will be appointed by the Commissioner, on behalf of the Secretary of State. Other Board members will be appointed by the Chair, subject to the approval of the Secretary of State. The structure and size of the Board will be agreed by the parties once the legal model has been finalized.

(b) the Chief Executive will be appointed by a panel made up of the Commissioner, the Chair, a representative of the DfE and a nominated representative of the Authority.

25. The new organisation will appoint its own staff not covered by the transfer of staff from the Authority.

26. The children's social care functions to be delivered by the new organisation in accordance with the terms of a further Direction to be issued by the Secretary of State will be determined with reference to the wider range of services provided by the Authority which affect children in Slough. By 31st December 2014, the Parties will agree an outline scope of the functions to be delivered by the new organisation, drawing on the recommendations in the OPM report dated June 2014.

27. The outline scope of children's social care functions to be delivered by the new organisation will enable the Parties to identify which staff will be eligible for transfer. The range of staff eligible for transfer will be in line with TUPE requirements. The conditions of service of transferring staff to the new organisation, including pension arrangements, will remain in line with a TUPE transfer.

28. The Authority is not expected or required to meet the set up costs of the new organisation, nor any of the additional costs incurred by virtue of the children's social care functions covered by the terms of the further Direction being delivered by the new organisation.

29. The parties agree the importance of enabling the new organisation to quickly build capacity, including through the appointment of senior staff. This will allow the new organisation's key representatives as identified to participate in and influence key decisions. During the set-up period, all the costs of recruitment and

reimbursement of such appointments will be included in the set up costs of the new organisation and be met by the DfE.

30. In relation to the costs of compliance with the Direction The Secretary of State will meet the costs of the Commissioner, the professional services and legal services and the DfE project team costs. The Secretary of State will also meet the all the reasonable costs of the Authority, its project team including the Authority's professional services costs in relation to complying with the Direction and the MOU.

31. The Secretary of State will also take advice from the Commissioner on the resources needed for improvements to the exercise of the Authority's children's social care functions during the set-up period and meet the costs of the additional resources that are needed.

32. The Authority and the new organisation will agree an initial 3 year budget for the new organisation. In drawing up the budget, the Authority and the new organisation will take into account the Authority's savings targets.

33. Throughout the budget discussions, the Authority and the new organisation will work together to understand current and future demand for children's social care services within the Authority's area and to consider the future financial viability of the Authority.

34. The contract will provide for how future budgets will be agreed.

35. The new organisation will be operational in shadow form once the organisation has been registered and a Chair appointed, which will be by 31st March 2015.

36. The Parties will be aiming to have the new organisation fully operational with a Contract with the Authority as soon as possible, informed by professional due diligence.

37. By 31st January 2015, the Parties will agree an outline implementation timetable for the design, delivery and operational effect of the new organisation which will include the contract start date. This timetable will take account of the Parties decision making processes. The implementation timetable will be regularly updated.

38. The parties agree to explore options for the new organisation to have its own unique identity, including the potential for separate headquarters and the development of public facing premises. The operational offices of the organisation and any other premises will be within the Authority's boundaries and the location will be agreed at least 3 months before the new organisation is fully operational.

39. Throughout the establishment of the new organisation the Parties will ensure regular communication with staff and local partners will be a high priority.

40. The Authority, the DfE and the new organisation will align their external communications to ensure public confidence and consistency during the set-up period.

41. The Parties will abide by the requirements of each of the Parties' purdah periods as and when those periods may arise.

42. The arrangements under this MoU will be kept under review and can be amended at any time by joint decision of the Parties in writing. The arrangements under this MoU can be terminated by the Secretary of State.

43. The Parties will agree the scope and confidentiality of information sharing which will take place during the period of this MoU, including access to the Authority's financial and management reporting records and systems.

44. Any dispute that may arise as to the interpretation or application of the MoU will be settled by discussion between the Parties. If a dispute fails to be resolved, the matter will be put to the Secretary of State for decision.

45. In the event the Parties wish to amend the MOU, they can do this if the decision to amend in agreed by both parties. If there is any fundamental change to the MOU, the Authority is required to seek Cabinet approval for such. The decision on whether there is a fundamental change is if the Authority's lawyers deem it as such.

Signatures

Eleanor Brazil

For Secretary of State for Education

For Slough Borough Council

Direction dated 7.10.2014

DIRECTION UNDER SECTION 497A(4B) OF THE EDUCATION ACT 1996 TO SLOUGH BOROUGH COUNCIL

WHEREAS

1. The Secretary of State for Education ("the Secretary of State"), has carefully considered the following reports in respect of Slough Borough Council ("the authority"):

    a. Ofsted's inspection of safeguarding and looked after children services of the authority, published on 1 June 2011;

    b. Ofsted's inspection of services for children in need of help and protection, children looked after and care leavers of the authority and review of the effectiveness of the Local Safeguarding Children Board, published on 11 February 2014; and

    c. OPM's independent review of the authority's children's services, 'Slough Children's Social Care Services: Report to Department for Education', published on 15 July 2014.

2. The Secretary of State is satisfied that the authority are failing to perform to an adequate standard, or at all, some or all of the functions to which section 497A of the Education Act 1996 ("the 1996 Act") is applied by section 50 of the Children Act 2004 ("children's social care functions"), namely:

    a. social services functions, as defined in the Local Authority Social Services Act 1970, so far as those functions relate to children;

    b. the functions conferred on the local authority under sections 23C to 24D of the Children Act 1989 (so far as not falling within paragraph (a) above); and

    c. the functions conferred on the authority under sections 10, 12, 12C, 12D and 17A of the Children Act 2004.

3. The Secretary of State proposes:

    a. to appoint a person ("the Commissioner for Children's Social Care") to:

        i. act on behalf of the Secretary of State for the purposes of this direction;

        ii. secure improvement in the authority's performance of its children's social care functions pending the formation of a company ("the Trust") to exercise those functions;

b. to establish, or secure that the Commissioner for Children's Social Care establishes, the Trust.

4. The Secretary of State, having considered the representations made by the authority, considers it expedient, pursuant to her powers under section 497A(4B) of the 1996 Act, to direct the authority, as set out below, in order to ensure that the authority's children's social care functions are performed to an adequate standard.

NOW THEREFORE

5. Pursuant to her powers under section 497A(4B) of the 1996 Act, the Secretary of State directs that the authority shall:

   a. comply with any instructions of the Secretary of State or the Commissioner for Children's Social Care in relation to the authority's exercise of their children's social care functions;

   b. in relation to the establishment, setting up or carrying on of the Trust:

      i. comply with any instructions of the Secretary of State or the Commissioner for Children's Social Care;

      ii. provide such assistance to the Secretary of State or the Commissioner for Children's Social Care as they may require;

      iii. cooperate fully with the Secretary of State and the Commissioner for Children's Social Care.

Signed on behalf of the Secretary of State for Education

Graham Archer
A Senior Civil Servant in the Department for Education

Date: 7th October 2014

Children’s Services Organisation (CSO) Project Steering Group

Terms of Reference

Role of the Group

1. To provide high level strategic oversight, co-ordination and a critical steer to achieve compliance with the Secretary of State’s Direction and enable:

   Effective and timely transition of children’s social care functions to a new organisation whilst ensuring that this does not negatively impact on the pace of improvement to children’s services

Responsibilities

2. To discuss and agree high level strategic and policy issues, and identify any decisions which require the SoS and/ or the Council’s Cabinet agreement

3. To receive updates on progress on transition and improvement and respond to any issues of dispute or difficulty referred from the Transition Programme Board

4. To ensure, that for coordination of the transition and improvement agendas there is:

   i shared understanding of the issues and agenda

   ii. co-ordination of timelines and activities

   iii. effective communications and engagement between all parties, partners and stakeholders

Steering Group Members

6. Appointed Commissioner: Eleanor Brazil

7. SBC:

   Ruth Bagley, Chief Executive
   Roger Parkin, Strategic Director CCS
   Jane Wood, Strategic Director Wellbeing
   Amardip Healy, Head of Legal Services

8. DfE:

   Ian Valvona, Head of Interventions Unit

   (DfE Professional Partner and their Legal Team will offer expert advice and support as and when required)

9. ‘Trust’ Chair and Chief Executive once appointed

Governance

10. The steering group will meet every six weeks or as may be necessary to coincide with the programme of work.

11. The Chair will be shared between the Council and the DfE most senior representative.

12. From time to time individuals may be invited to attend to provide specific advice and expertise as required

13. No member of the Steering Group may participate in a discussion where such participation would give rise to a potential conflict of interest.

14. The steering group will ensure that all matters can be discussed in an open and constructive way. Unless expressly requested by steering group members, the chair will assume that the business of the steering group will not be conducted on a confidential basis.

15. Steering group members should avoid delegating attendance at meetings unless it is absolutely unavoidable. Where deputies attend, they will be expected to have authority to make decisions on behalf of their organisation.

16. An agenda for steering group meetings will include:
    - key objectives for the meeting
    - declarations of interest
    - review of progress
    - decisions needed
    - Any other business

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 5th February 2015

CONTACT OFFICER: Dave Gordon – Scrutiny Officer
(For all Enquiries) (01753) 875411

WARDS: All

PART I
FOR COMMENT & DECISION

OVERVIEW AND SCRUTINY COMMITTEE – 2014/15 WORK PROGRAMME

1. **Purpose of Report**

For the Overview and Scrutiny Committee to identify priorities and topics for its Work Programme for the 2014/15 municipal year.

2. **Recommendations/Proposed Action**

2.1 That the Committee:

1) identify the major issues it would like to cover in the 2014/15 municipal year;

2) agree, where possible, timing for specific agenda items during the 2014/15 municipal year; and

3) consider whether there are any items which it would like to request one of the Scrutiny Panels add to their Work Programmes for the municipal year.

3. **Joint Slough Wellbeing Strategy Priorities**

- **Economy and Skills**
- **Health and Wellbeing**
- **Housing**
- **Regeneration and Environment**
- **Safer Communities**

3.1 The Council's decision-making and the effective scrutiny of it underpins the delivery of all the Sustainable Community Strategy priorities. The Overview and Scrutiny Committee leads the local authority's statutory requirement to provide public transparency and accountability, ensuring the best outcomes for the residents of Slough.

4. **Supporting Information**

4.1 The purpose of Overview and Scrutiny is to hold those that make decisions to account and help Slough's residents by suggesting improvements that the Council or its partners could make.

4.2 Prioritising issues is difficult. The Scrutiny function has limited support resources, and therefore it is important that the work scrutiny chooses to do adds value.

4.3 There are three key elements that make up the responsibilities of the Overview and Scrutiny Committee:

- provide transparency and public accountability for key documents relating to the financial management and performance of the Council;
- scrutinise significant proposals which are scheduled for, or have been taken as, a Cabinet/Officer delegated decision; and
- strategic shaping of service improvements relating to the Cabinet Portfolios of Finance & Strategy and Performance & Accountability

4.4 In considering what the O&S Committee should look at under points two and three above, Members are invited to consider the following questions:

- *To what extent does this issue impact on the lives of Slough's residents?*

- *Is this issue strategic and pertinent across the Borough?*

- *What difference will it make if O&S looks at this issue?*

4.5 The topics listed include those suggested by Committee Members during the 2014/15 municipal year.

5. **Suggested Topics**

5.1 It is generally recommended that a Scrutiny Committee should aim to look at no more than two or three items in any one meeting. This limited number can prove challenging, but does allow the Committee to delve down into specific subject areas and fully scrutinise the work that is being undertaken.

5.2 This list is summarised in Appendix A, including a list of, as yet, unprogrammed items

5.4 This will be a continuous process, and flexibility and responsiveness vital to success. It is important not to over-pack the Committee's agenda at the start of the year, which will not allow the flexibility for the Committee to adapt to take into consideration issues that have arisen during the year.

6. **Resource Implications**

6.1 Overview and Scrutiny is supported by 1 FTE member of staff. This officer is responsible for support the O&S Committee and three Scrutiny Panels. Therefore, this is a finite resource and consideration must be given, in conjunction with the work programmes for the three Scrutiny Panels, as to how the resource is used during the year.

7. **Conclusion**

7.1 The Overview and Scrutiny Committee plays a key role in ensuring the transparency and accountability of the Council's financial and performance management, and strategic direction. The proposals contained within this report highlight some of the key elements which the Committee must or may wish to scrutinise over the coming municipal year.

7.2 This report is intended to provide the Committee with information and guidance on how best to organise its work programme for the 2014/15 municipal year. As previously stated, this is an ongoing process and there will be flexibility to amend the programme as the year progresses, however, it is important that the Committee organises its priorities at the start of the year.

8. **Appendices Attached**

A - Draft Work Programme for 2014/15 Municipal Year

9. **Background Papers**

None.

This page is intentionally left blank

OVERVIEW AND SCRUTINY COMMITTEE
WORK PROGRAMME 2014/2015

Meeting Date
Tuesday 3 March 2015
• Transactional Services – Performance Report • Deputy Police and Crime Commissioner • Slough Regeneration Partnership - Review of Partnership Business Plan • Childhood Obesity
Thursday 9 April 2015
• Scrutiny Annual Report – for endorsement

Currently Un-programmed:

Issue	**Directorate**	**Date**
Chief Constable • Crime and disorder issues (Police remit) Note: the current Chief Constable will be leaving her post on 1st April 2015.		Late 2015 – early 2016

This page is intentionally left blank

MEMBERS' ATTENDANCE RECORD 2014/15

OVERVIEW AND SCRUTINY COMMITTEE

COUNCILLOR	17/6/14	9/7/14	11/9/14	11/11/14	13/1/15 MEETING CANCELLED	5/2/15	3/3/15	9/4/15
Bal	Ab	P	P	P*				
Chahal	P	P	P	P				
N Holledge	P	P	P	P				
Malik	P	P	P	P				
Nazir	P	P	P	P				
Pantelic	P	P	Ap	Ab				
Rana	P	P	P	P				
Smith	P	P	P	P				
Usmani	P	P	P	Ap				

P = Present for whole meeting
Ap = Apologies given
P* = Present for part of meeting
Ab = Absent, no apologies given

This page is intentionally left blank