Democratic Services
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21 January 2020

SUMMONS TO ATTEND

MEETING: FINANCE & MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE

PLACE: COMMITTEE ROOM 1, COUNCIL OFFICES, WOODGREEN, WITNEY

DATE: WEDNESDAY 29 JANUARY 2020

TIME: 2.00 PM

Members of the Committee

Councillors: D A Cotterill (Chairman). A H K Postan (Vice-Chairman), Alaa Al-Yousuf, Rosa Bolger, Louise Chapman, Julian Cooper, Maxine Crossland, Harry Eaglestone, Gill Hill, Richard Langridge, Liz Leffman, Dan Levy, Harry St John and Geoff Saul

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RECORDING OF MEETINGS

The law allows the council's public meetings to be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Officer know before the start of the meeting.

IMPORTANT NOTE:

Councillors are requested to remember to bring their copies of the report on the Budget for 2020/2021 and the associated appendices with them to the meeting.

AGENDA

1. **Minutes of the meeting held on 27 November 2019 – (previously circulated)**
2. **Apologies for Absence and Temporary Appointments**
3. **Declarations of Interest**

   To receive any declarations of interest from Councillors relating to items to be considered at the meeting, in accordance with the provisions of the Council's Local Code of Conduct, and any from Officers.

4. Participation of the Public

Purpose:
To receive any submissions from members of the public, in accordance with the Council's Rules of Procedure.

5. Main Points from the Last Meeting of the Committee and Follow up Action (Report of the Chairman of the Committee – copy attached)

Purpose:
To consider the main points arising from the meeting of the Committee held on 27 November 2019 and to update the Committee on the follow up action which has been taken.

Recommendation:
That the report be noted.

6. Committee Work Programme 2019/2020 (Report of the Head of Democratic Services – copy attached)

Purpose:
To provide the Committee with an update on its Work Programme for 2019/2020.

Recommendation:
That the Committee notes the progress with regard to its 2019/2020 Work Programme.

7. Cabinet Work Programme (Report of the Head of Democratic Services – copy attached)

Purpose:
To give the Committee the opportunity to comment on the Cabinet Work Programme published on 14 January 2020.

Recommendation:
That the Committee decides whether to express a view to the Cabinet on relevant issues in its Work Programme.

8. Capital, Investment and Treasury Management Strategies 2020/2021 – 2022/2023 (Report of the Chief Finance Officer – copy attached)

Purpose:

To consider the Council's Capital Strategy, Investment Strategy and Treasury Management Strategy for the period 2020/21 to 2022/23.

Recommendation:

That the Committee considers the draft strategies and makes appropriate recommendations to Cabinet.

9. Publica Business Plan (Report of the Chief Executive – copy attached)

Purpose:
To receive a presentation on the Draft Publica Business Plan 2020-22 and comment on the plan which will be distributed to the Committee on the 27th January.

Recommendations:

a) To note the report and receive a presentation at the meeting from the Publica Executive Director (Finance); and

b) To provide feedback on the Draft Publica Business Plan 2020-22 that can be considered by the Publica Board before the plan is presented to the Cabinet for consideration.

10. Exclusion of the Public

Recommendation:
That, in view of the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, (information relating to the financial or business affairs of any particular person) the public be excluded from the meeting for the remaining item of business.

11. Investment Property Review and Outturn 18/19 (Report of the Business Manager, Assets – copy attached)

Purpose:

To inform Committee of the results of the review of the Council's investment properties and to provide comments to Cabinet on the proposed actions

Recommendations:

a) To note the report; and

b) That Committee provides comments to Cabinet

12. Members' Questions

Purpose:
To receive questions from Members relating to the work of the Committee.

Recommendation:
That Members' questions be dealt with as appropriate.

Giles Hughes
Chief Executive

This agenda is being dealt with by Amy Barnes, Tel: (01993) 861522
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WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE – WEDNESDAY 29 JANUARY 2020**
Report Number	**AGENDA ITEM No. 5**
Subject	**MAIN POINTS FROM THE LAST MEETING OF THE COMMITTEE AND FOLLOW UP ACTION**
Wards affected	All
Accountable member	Cllr Derek Cotterill Chairman Finance and Management Overview and Scrutiny Committee Email: derek.cotterill@westoxon.gov.uk
Accountable officer	Not applicable
Summary/Purpose	To consider the main points arising from the meeting held on 27 November 2019 and to update the Committee on the follow-up action which has been taken.
Annexes	None
Recommendation	That the report be noted.
Corporate priorities	To advise the Committee of the follow-up action taken since the last meeting in support of the Council's priorities to protect the environment whilst supporting the local economy, to meet the current and future needs of residents and to provide efficient and value for money services, whilst delivering quality front line services.
Key Decision	No
Exempt	No
Consultees/ Consultation	None

1. BACKGROUND

1.1. At the meeting of the Committee held on 27 November, 2019, consideration was given to eight substantive items of business.

Main Points of the Last Meeting

1.2. The Committee noted the report of the Chairman, which gave details of the main points arising from its meeting held on 2 October, 2019.

Committee Work Programme

1.3. The Committee considered an update report on its approved Work Programme for 2019/2020.

Cabinet Work Programme

1.4. The Committee noted the contents of the full Cabinet Work Programme published on 15 November 2019.

Notice of Motion – Live Streaming

1.5. The Committee considered the Notice of Motion regarding live streaming of Council and Committee meetings following it's referral to them by Council. They recommended to Council that further study was required into the various methods and cost implications. The Committees comments form part of the Council agenda to be considered on 22 January 2020.

Budget

1.6. The Committee gave consideration to the report and, following a robust discussion, noted its content.

Revised Medium Term Financial Strategy 2020-2029

1.7. The Committee gave consideration to Revised MTFS 2020-2029 and passed its comments to Cabinet.

Service Performance 2019/2020 – Quarter 2

1.8. The Committee noted the report of the Group Manager, Strategic Support which provided information on the Council's service performance at the end of Quarter 2 of 2019/2020.

Members' Questions

1.9. In response to a question from Councillor Cooper, Officers advised that the issue of providing Parish & Town Council's with hard copies of planning applications was still under consideration.

2. FINANCIAL IMPLICATIONS

2.1. There are no financial implications arising directly from this report.

3. LEGAL IMPLICATIONS

3.1. None

4. RISK ASSESSMENT

4.1. Not applicable

5. CLIMATE CHANGE IMPLICATIONS

5.1. Whilst there may be climate change implications arising from specific items, there are none arising directly from this report.

6. ALTERNATIVES/OPTIONS

6.1. Not applicable, the report is submitted for information only.

7. BACKGROUND PAPERS

7.1. None

WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2020**
Report Number	**Agenda Item No. 6**
Subject	**COMMITTEE WORK PROGRAMME 2019/2020**
Wards affected	All
Accountable member	Cllr Derek Cotterill Chairman Finance and Management Overview and Scrutiny Committee Email: derek.cotterill@westoxon.gov.uk
Accountable officer	Keith Butler Head of Democratic Services Tel: 01993 861521 Email: keith.butler@westoxon.gov.uk
Summary/Purpose	To provide the Committee with an update on its Work Programme for 2019/2020.
Annexes	Annex 1 - Approved Work Programme for 2019/2020
Recommendation	That the Committee notes the progress with regard to its 2019/2020 Work Programme.
Corporate priorities	To enable the Committee to review its Work Programme and support the Council's priorities to protect the environment whilst supporting the local economy, to meet the current and future needs of residents and to provide efficient and value for money services, whilst delivering quality front line services.
Key Decision	No
Exempt	No
Consultees/ Consultation	None

1. BACKGROUND

1.1. At the May meeting the Committee gave consideration to the development of its Work Programme for the year 2019/2020 having regard to the changes to the approach to scrutiny work adopted by Council on 22 October 2008.

2. MAIN POINTS

2.1. Attached at Annex 1 is the approved Work Programme for 2019/2020 incorporating items rolled forward from last year, taking account of the discussions at the last meeting and providing an update on progress in relation to each item.

2.2. In addition to the items contained in the Work Programme there will still be the opportunity to bring forward one-off reports and papers on particular issues of interest to the Committee but it will also be necessary to maintain a general overview of the ways in which external agencies are responding to community concerns. The inclusion of a standing agenda item for Members' questions also provides the opportunity to raise relevant issues.

2.3. The Committee is invited to consider progress in respect of the agreed Work Programme for 2019/2020 which is attached in the Annex to this report.

2.4. The Committee are asked to note that Item 8 – Ubico Business Plan has been moved to April 2020 due to the quantity of business on this agenda and due to the transition of senior management at Ubico.

3. FINANCIAL IMPLICATIONS

3.1. There are no financial implications arising directly from this report.

4. LEGAL IMPLICATIONS

4.1. None

5. RISK ASSESSMENT

5.1. Not applicable

6. CLIMATE CHANGE IMPLICATIONS

6.1. Whilst there may be climate change implications arising from specific items within the Work Programme, there are none arising directly from this report.

7. ALTERNATIVES/OPTIONS

7.1. In accordance with the Constitution of the Council, Committee has the power to investigate any matters it considers relevant to its work area, and to make recommendations to the Council, the Executive or any other Committee or Sub-Committee of the Council as it sees fit.

8. BACKGROUND PAPERS

8.1. None

ANNEX 1

FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE WORK PROGRAMME FOR 2019/2020				
	Work Area	**Comments**	**Meeting / Anticipated Completion Date**	**Originator/Progress**
1	Publica/Implementation of the transformation programme	Reports will be brought forward as the project develops.	On-going as required	FMOS The Chairman of FMOS is invited to the quarterly Member Liaison Group meetings with the Publica Executive Directors. Reports will be presented to FMOS on any matters where the Chairman decides that Scrutiny is required.
2	Introduction of Electric Vehicle Charging Points in Council Car Parks	The Committee established a Working Party to investigate the possibility of providing electric vehicle charging points in the District. The sum of £250,000 has been included within the budget for 2018/2019 for this purpose.	On-going as required	FMOS A report on the bids for the provision of the charging points was considered by the Cabinet on 16 October 2018 and Officers were authorised to commence procurement against the framework contract to deliver the maximum reach of charging points at best value for local taxpayers.

FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE WORK PROGRAMME FOR 2019/2020				
	Work Area	**Comments**	**Meeting / Anticipated Completion Date**	**Originator/Progress**
3	Treasury Management Activity and Performance	To receive information on treasury management and the performance of in-house and external fund managers' Activity.	Reports on treasury management activity and performance are considered on a quarterly basis.	The Council's Treasury Management Advisors, Arlingclose, attended the October 2019 meeting to provide a comprehensive update of the Council's investments.
4	Budget	To consider the initial draft base budgets, draft fees and charges for and the latest Capital Programme for the current and future years.	November 2019	Completed
5	Medium Term Financial Strategy	To consider the annual refresh of the Medium Term Financial Strategy.	A report is submitted on an annual basis	Completed
6	Investment Property Review	To advise Members of current property investments and their performance since the last review.	A report is submitted on an annual basis. January 2020	FMOS

FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE WORK PROGRAMME FOR 2019/2020				
	Work Area	**Comments**	**Meeting / Anticipated Completion Date**	**Originator/Progress**
7	Local Authority Partnership Purchase Scheme	At the meeting in June 2018 it was agreed that a review of the operation of the Local Authority Partnership Purchase Scheme be included in the Work Programme		FMOS An update report was considered at the January meeting when it was agreed that Officers be requested to continue discussion with Bloor Homes regarding their part exchange scheme and to consider alternative ways in which the Council could offer mortgage assistance. An update was provided at the July meeting and further updates will be provided as appropriate.
8	Publica Business Plan	To consider the Publica Business Plan for 2020/2021	January 2020	FMOS
9	Ubico Business Plan	To consider contract management arrangements and the contract process.	April 2020	FMOS
10	Building Control Targets	To consider the targets being set for Building Control and understand why these were being missed	April 2020	FMOS

WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**Finance and Management Overview and Scrutiny Committee – Wednesday 29 January 2020**
Report Number	**Agenda Item No. 7**
Subject	**Cabinet Work Programme**
Wards affected	All
Accountable members	James Mills, Leader of the Council james.mills@westoxon.gov.uk
Accountable officer	Keith Butler Head of Democratic Services Tel: 01993 861521 Email: keith.butler@westoxon.gov.uk
Summary/Purpose	To give the Committee the opportunity to comment on the Cabinet Work Programme published on 14 January 2020.
Annexes	Annex 1 – Cabinet Work Programme published 14 January 2020.
Recommendation	That the Committee decides whether to express a view to Cabinet on relevant issues in the Work Programme for the period.
Corporate priorities	To maintain and enhance West Oxfordshire as one of the best places to live, work and visit in Great Britain and to meet the current and future needs of residents.
Key Decision	No
Exempt	No
Consultees/ Consultation	None

1. BACKGROUND

1.1. The Cabinet Work Programme is produced on a monthly basis in accordance with the requirements of the Local Government Act 2000, the Council's Constitution and the Regulations relating to publicity for Cabinet decisions that came into force on 10 September 2012. The programme sets out the Cabinet's work programme for the following three months, as applicable.

1.2. The programme published on 14 January, covering the period to February 2020 is included in the Annex to this report, for comment.

2. FINANCIAL IMPLICATIONS

2.1. There are no financial implications arising directly from this report.

3. LEGAL IMPLICATIONS

3.1. None

4. RISK ASSESSMENT

4.1. Not applicable

5. ALTERNATIVES/OPTIONS

5.1. The Committee may take such action as it considers appropriate within its terms of reference

6. BACKGROUND PAPERS

6.1. None

Annex 1

Cabinet Work Programme published 14 January 2020

No.	Proposed Decision and (if applicable) reason(s) the matter is proposed to be considered in private	Key Decision (Yes/No)	Likely to be considered in private (Yes/No)	Decision-maker	Date of Decision	Documents	Notes
1.	To adopt an Action Plan to reduce the Council's use of Single Use Plastics	No	No	Cabinet then Council	12 February 2020	None	Will be considered by Environment Overview and Scrutiny Committee on 6 February 2020
2.	Community Infrastructure Levy: agreement to carry out consultation on a revised charging schedule	Yes	No	Cabinet	12 February 2020	None	The Economic & Social Overview & Scrutiny Committee will be asked to comment on the schedule during the consultation
3.	Approval of pre-submission draft Garden Village Area Action Plan	No	No	Cabinet then Council	12 February 2020	None	
4.	Approval of proposed revisions to Customer Access Channels	Yes	No	Cabinet	12 February 2020	None	

No.	Proposed Decision and (if applicable) reason(s) the matter is proposed to be considered in private	Key Decision (Yes/No)	Likely to be considered in private (Yes/No)	Decision-maker	Date of Decision	Documents	Notes
5.	Consideration and approval of land and property matter relating to economic development Proposed to be considered in private because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 - "information relating to the financial or business affairs of any particular person".	No	Yes	Cabinet then Council	12 February 2020	None	
6.	Approval of name for the Oxfordshire Cotswolds Garden Village	No	No	Cabinet	12 February 2020	Consultation/ competition responses	
7.	Consideration and recommendation to Council to approve the budget, fees and charges, capital programme, prudential indicators, Medium Term Financial Strategy, Council Tax and Pay Policy Statement for 2020/21	No	No	Cabinet then Council	12 February 2020	None	

No.	Proposed Decision and (if applicable) reason(s) the matter is proposed to be considered in private	Key Decision (Yes/No)	Likely to be considered in private (Yes/No)	Decision-maker	Date of Decision	Documents	Notes
8.	Consideration of tenders for the provision of Electric Vehicle Charging Points and award of contract It is anticipated that there will be an Appendix to the report which will contain information which will not be published because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 - "information relating to the financial or business affairs of any particular person".	No	Yes	Cabinet then Council	12 February 2020	None	
9.	Approval of funding for the appointment of a consultant to prepare a revised Leisure Strategy for the District	No	No	Cabinet	12 February 2020	None	
10.	Approval of updated Statement of Community Involvement	Yes	No	Cabinet	12 February 2020	Current Statement	
11.	Approval of Loan to Ramsden Parish Council for works to the Ramsden Memorial Hall	No	No	Cabinet	12 February 2020	None	

No.	Proposed Decision and (if applicable) reason(s) the matter is proposed to be considered in private	Key Decision (Yes/No)	Likely to be considered in private (Yes/No)	Decision-maker	Date of Decision	Documents	Notes
12.	Approval of Procurement for Utilities Contract	Yes	No	Cabinet	12 February 2020	None	There may be an appendix containing information which will be exempt and not for publication
13.	Approval of Developer Contributions Supplementary Planning Document (SPD) Issues Paper	No	No	Cabinet	18 March 2020	None	
14.	Approval of draft West Eynsham Development Framework Supplementary Planning Document (SPD) for consultation	Yes	No	Cabinet	18 March 2020	Consultation draft	
15.	Approval of CCTV Compliance Policy, to ensure the surveillance camera commissioner code of practice and relevant legislation are met	No	No	Cabinet	18 March 2020	None	
16.	Approval of award of contract for revenues and benefits management system	No	No	Cabinet then Council	18 March 2020	None	
17.	Consideration of update report relating to the "Our House" project	No	No	Cabinet then Council	18 March 2020	None	
18.	Consideration of 2019/20 Quarter Three Performance Monitoring Report	No	No	Cabinet	18 March 2020	None	

No.	Proposed Decision and (if applicable) reason(s) the matter is proposed to be considered in private	Key Decision (Yes/No)	Likely to be considered in private (Yes/No)	Decision-maker	Date of Decision	Documents	Notes
19.	Approval of the Publica Business Plan for 2020/21	Yes	No	Cabinet	18 March 2020	None	Likely to be considered by Finance & Management Overview & Scrutiny Committee in January 2020
20.	Approval of Community Revenue Grants for 2020/2021	Yes	No	Cabinet	18 March 2020	None	
21.	Approval of the allocation of funding for Waste Transfer Station Weighbridge	Yes	No	Cabinet	18 March 2020	None	
22.	Approval of East Chipping Norton draft Supplementary Planning Document for consultation	No	No	Cabinet	22 April 2020	None	
23.	Approval of East Witney draft Supplementary Planning Document for consultation	No	No	Cabinet	22 April 2020	None	
24.	Consideration of annual Local Plan Monitoring Report	No	No	Cabinet	22 April 2020	None	Will first be considered by the Economic and Social Overview and Scrutiny Committee

WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE**
Report Number	**Agenda Item No. 8**
Subject	**CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2020/2021 – 2022/2023**
Wards affected	ALL
Accountable member	Cllr Morris Cabinet Member for Resources Email: toby.morris@westoxon.gov.uk
Accountable officer	Chief Finance Officer, Jenny Poole Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To consider the Council's Capital Strategy, Investment Strategy and Treasury Management Strategy for the period 2020/21 to 2022/23.
Annexes	Capital Strategy; Investment Strategy; and Treasury Management Strategy.
Recommendation/s	*That the Committee considers the draft strategies and make appropriate recommendations to Cabinet.*
Corporate priorities	**Modern Council Services and Sustainable Finance -** Delivering excellent modern services whilst ensuring the financial sustainability of the Council.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Publica Directors, Finance and Management Overview and Scrutiny Committee.

1. BACKGROUND

1.1 Local authorities in England are legally obliged to "have regard" to the CIPFA Treasury Management Code and the Prudential Code by relevant Capital Finance Regulations.

1.2 Local authority investment decisions have made headlines recently, with some elements of the national press calling into question the role of local authorities investing in property and assets as a means to generate income. However as funding has decreased councils have increasingly relied upon new sources of income to plug the funding gaps. Councils investing in property, and other assets, is nothing new; many local authorities have historical held major assets including retail sites, farms and residential property. In recent years however the emphasis on using these assets to generate a commercial yield has become much greater and this has involved out of area investment. The scaling up of investments by local councils has peaked the interests of the Ministry of Housing, Communities and Local Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) resulting in changes to the Treasury Management Code and the Prudential Code.

1.3 Following consultations in February and August 2017, CIPFA published its new 2017 editions of *Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes and the Prudential Code for Capital Finance in Local Authorities* just before Christmas 2017. The Council is now required to prepare and approve three strategies:

- Capital Strategy;
- Investment Strategy; and a
- Treasury Management Strategy.

Drafts of each Strategy are attached at Annexes 'A' to 'C'. The draft strategies have been based on a template provided by the Council's treasury advisors, Arlingclose, which has been modified to this Council's circumstances.

2. MAIN POINTS

2.1 The Treasury Management Strategy investment options have been selected to minimise the risk to the Council's investments whilst providing the scope and flexibility of investment options to enable the Council to maximise its investment returns.

2.2 The authority has invested substantial sums of money in both commercial property and a variety of investments and is therefore exposed to financial risks including: the loss of invested funds, the revenue effect of changing interest rates and economic factors which could impact upon commercial property yields and the fair value of those assets. The successful identification, monitoring and control of risk are therefore central to the Authority's Treasury Management, Capital and Investment strategies.

3. FINANCIAL IMPLICATIONS

There are no direct financial implications

4. LEGAL IMPLICATIONS

To incorporate the requirements of the Local Government Act 2003 and the guidance on Local Government Investments whilst complying with the principles of the CIPFA Code of Practice for Treasury Management and the Prudential Code for Capital Finance in Local Authorities.

5. ALTERNATIVE OPTIONS

Members may suggest amendments to the proposed Strategies.

6. BACKGROUND PAPERS

ODPM Guidance under Section 15(1) (a) Local Government Act 2003.
CIPFA Treasury Management in the Public Service Code of Practice and Cross-Sectoral Guidance Notes.
CIPFA Prudential Code for Capital Finance in Local Authorities

Capital Strategy Report 2020/21

West Oxfordshire District Council

Introduction

This Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

- For details of the Council's policy on capitalisation, see the Council's accounting policies which are contained within the annual Statement of Accounts: Accounts 2018-19

In 2020/21, the Council is planning new capital expenditure of £2.5m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	4.3	20.5	2.5	2.0	1.5
Capital investments	0	14.5	0	0	0
TOTAL	4.3	35.0	2.5	2.0	1.5

Over the next three years, the main General Fund capital projects include:

- Disabled Facilities Grants £1.8 million
- Investment in environmental services vehicles £1.1 million
- Maintenance of council properties and investment in equipment £1.2 million
- Grants for community facilities £0.6 million
- Electric vehicle charging points £0.5 million

Governance: Service managers bid annually in the autumn to include projects in the Council's capital programme. Bids are collated by the finance team who calculate the financing cost (which can be nil if the project is fully externally financed). The financing cost is included in the Medium Term Financial Strategy and detailed budgets for the forthcoming financial year. The Council's Finance and Management Overview and Scrutiny Committee considers both the Medium Term Financial Strategy and the detailed budget. The Committee considers the affordability of the capital programme. The Environment and Economic and Social Overview and Scrutiny Committees also receive the draft detailed budgets for the forthcoming year. The comments of the Scrutiny Committees are reported to Cabinet when the Medium Term Financial Strategy and detailed budget proposals are considered. The final capital programme is then presented to Council in February each year.

- For full details of the Council's proposed capital programme see the revenue and budget papers considered by Cabinet and Council in February 2020: link to be added when Cabinet papers are published

Within the capital programme individual projects will require business cases to be presented to Cabinet and Council for approval before expenditure can be committed.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
External sources	0.7	2.7	0.7	0.6	0.6
Own resources	2.7	4.7	1.0	1.0	0.5
Debt/Borrowing*	0.9	27.6	0.8	0.4	0.4
TOTAL	**4.3**	35.0	2.5	2.0	1.5

* Internal and external borrowing

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Own resources (MRP)	0.5	0.2	0.5	1.0	1.0

Minimum Revenue Provision

Before the start of the financial year, a statement of MRP policy for the forthcoming financial year must be approved by Full Council.

The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.

The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases can be brought onto the Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. MRP for these items is matched against the principal repayment embedded within the PFI or lease agreement, and the impact upon the revenue account is therefore neutral.

The Council will use the Asset Life Method for calculating MRP. Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:

(a) Equal Instalments: where the principal repayment made is the same in each year, or

(b) Annuity: where the principal repayments increase over the life of the asset.

The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational.

The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure.

In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years.

The General Fund MRP charge using this method is estimated at £469,070 for 2020/21.

Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £0.3 million during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2018/19 actual	**2019/20 forecast**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**
General Fund services	8.6	16.0	16.3	15.8	15.2
Capital investments	0	20.0	20.0	20.0	20.0
TOTAL CFR	**8.6**	**36.0**	**36.3**	**35.8**	**35.2**

Asset management: In 2003 the Council produced an Asset Management Plan as required by the Department of Communities and Local Government. The plan was recognised as a 'good' plan and as a consequence the Council was given the freedom not to produce any further plans. Despite this freedom, the Council recognises that management of the Councils asset base is critical to delivering efficiency savings, enhancing returns from the council assets and ensuring that assets remain in top condition to enable efficient and effective services to be delivered to residents. The Asset

Management Plan was updated in 2008 and provided for investments of £10 million in commercial property to generate revenue income to Council. Council have also taken subsequent decisions which have built the Council's investment property portfolio.

It is timely to review and update the Asset Management Plan and this will form part of the Council's work plan in 2020/21.

While the Asset Management Plan does require updating, the Council's Finance and Management Overview and Scrutiny Committee receives an annual report on the Council's investment property portfolio. In addition, the Council's Audit Committee also receives information on the Council's asset portfolio as part of the financial statements.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £0.8 million of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Asset sales	0.8	0.3	0.3	0.3	0.3
Loans repaid (Ubico)	0.5	0.5	0.5	0.7	0.7
TOTAL	**1.3**	**0.8**	**0.8**	**1.0**	**1.0**

- The Council is not expecting any capital receipts from the disposal of assets. The receipts in the table above represent receipts from "Right to Buy" asset disposals from Cottsway Housing Association.

- The Council does not currently intend to make use of the flexibility to use capital receipts on service transformation projects. Instead, the revenue impact of transformational change is funded through the application of revenue earmarked reserves.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

As at 31 December 2019, the Council had £0 of external borrowing. The Council held £42.2 million treasury investments (£2.5 million in Bonds, £13 million in pooled funds and £26.7 million in other treasury investments for cash flow purposes) at an average rate of 1.7%.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (PWLB Certainty Rates are currently in the range of 2.3% to 3.1%).

Projected levels of the Council's total outstanding debt which comprises borrowing and leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross External Debt and the Capital Financing Requirement in £ millions

	2018/19 actual	**2019/20 forecast**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**
Debt (including leases)	0	27.6	28.4	28.8	29.1
Capital Financing Requirement	8.6	36.0	36.3	35.8	35.2

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £13 million at each year-end. This benchmark is currently -£32.7 million reflecting the fact that the Council is debt free and its cash balances are therefore invested through application of the Treasury Management Strategy. Over the next three years the liability benchmark reduces to -£10.2 million. This indicates that the Council still expects to be able to partially fund its borrowing requirement from internal borrowing.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2019 actual	**31.3.2020 forecast**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**
Outstanding borrowing	0	27.6	28.4	28.8	29.1
Liability benchmark	-32.7	-11.9	-11.2	-10.6	-10.2

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2019/20 limit	**2020/21 limit**	**2021/22 limit**	**2022/23 limit**
Authorised limit – borrowing	41.0	41.3	40.8	40.2
Authorised limit – PFI and leases	0	0	0	0
Authorised limit - total external debt	41.0	41.3	40.8	40.2
Operational boundary – borrowing	38.0	38.3	37.8	37.2
Operational boundary – PFI and leases	0	0	0	0
Operational boundary - total external debt	38.0	38.3	37.8	37.2

- Further details on borrowing can be found in the Treasury Management Strategy.

Investment Strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury management estimate of investment balance at year-end in £millions

	31.3.2019 actual £ million	**31.3.2020 forecast £ million**	**31.3.2021 budget £ million**	**31.3.2022 budget £ million**	**31.3.2023 budget £ million**
Near-term investments	17.1	9.3	8.7	8.0	7.5
Longer-term investments	15.6	15.6	15.6	15.6	15.6
TOTAL	**32.7**	**24.9**	**24.3**	**23.6**	**23.1**

- Further details on treasury investments can be found in the Treasury Management Strategy.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the Treasury Management Strategy approved by Council. Quarterly reports on treasury management activity are presented to the Finance and Management Overview and Scrutiny Committee. The Finance and Management Overview and Scrutiny Committee is responsible for scrutinising treasury management decisions and also receives monitoring reports against the Council's Prudential Indicators.

Investments for Service Purposes

The Council makes investments to assist local public services, including: making loans to local service providers, local small businesses to promote economic growth, the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments; however it still plans for such investments to break even or generate a minimal profit after all costs.

Governance: Decisions on service investments are made by the Council on advice from the Chief Finance Officer and must comply with the Capital Strategy and Investment Strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments can be found in the Investment Strategy.

Commercial Activities

With central government financial support for local public services declining, the Council invests in commercial property purely or mainly for financial gain. Total commercial investments are currently valued at £52 million with £30.9 million inside the District and £21.1 million outside of the District providing a net return in 2018/19 after costs of 6.5%. Further information can be found in the report to the Finance and Management Overview and Scrutiny Committee in January 2020 which is available on the Council's website www.westoxon.gov.uk.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include the economic impact of the impending exit from the European Union and changes to the high street, as widely discussed in the media recently. An economic downturn could increase vacancies in commercial lettings, reducing income to the Council, or reduce the capital value of the property.

These risks are managed by the Council's Property Services team. The Council is in the process of carrying out a review of its commercial property holdings with particular regard to the risks identified above. The outcome of the review will be reported to the Finance and Management Overview and Scrutiny Committee and/or Cabinet as appropriate.

The Council has a Corporate Risk Register which is reported quarterly to the Council's Audit and General Purposes Committee and will include any significant risks arising commercial investments. The Council is not planning any further investments at this point in time. The Council has established an earmarked reserve to smooth out the revenue impact of unexpected vacancies. Where commercial property yield is higher than budget, the additional income will be transferred to the earmarked reserve. Where commercial property yield is lower than budget the impact will be smoothed from the earmarked reserve. As at 31 March 2019, the earmarked reserve balance was £0.6 million.

Governance: Decisions on commercial investments are made by the Council in line with the Capital Strategy and Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits are set out in the Investment Strategy.

<u>Liabilities</u>

In addition to debt, the Council is committed to making future payments to cover its pension fund deficit (valued at £40 million), it has also set aside £1.7m to cover the financial risks associated with successful appeals to against business rates which result in refunds to businesses.

The Council is a shareholder of Ubico Ltd (one seventh) and is a joint partner in Publica Group (Support) Limited (one quarter). In both cases, should the company overspend the Council would be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.

Governance: Decisions on incurring new discretional liabilities are taken by Cabinet or Council according to the scale of financial liability. The risk of liabilities crystallising and requiring payment is monitored by the Finance team and reported in the Statement of Accounts. Where liabilities arise during the year they are reported to Cabinet and Council as part of quarterly performance reports.

Further details on provisions are found on page 37 of the 2018/19 Statement of Accounts.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 actual £000	2019/20 forecast £000	2020/21 budget £000	2021/22 budget £000	2022/23 budget £000
Net financing costs	-114	-484	-168	257	289
Proportion of net revenue stream	-1.1%	-4.8%	-1.5%	3.1%	3.6%

- Further details on the revenue implications of capital expenditure are included in the reports to Cabinet on the 2019/20 revenue budget. [link to be added when February Cabinet Papers are available on website]

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because the impact has been included in the Medium Term Financial Strategy considered by Cabinet and Council in February 2020. (LINK to be added when papers to Cabinet Feb 2019 are published). The Medium Term Financial Strategy covers a 10 year period, and the forecast level of General Fund balance is positive at £10.2 million at the end of the Strategy period.

Knowledge and Skills

The Council employ (directly or through Publica Ltd), professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 20 years' experience of working in local government finance. The Deputy Chief Finance Officer is also a qualified accountant with 17 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including Chartered Institute of Public Finance and Accountancy (CIPFA), Association of Certified Chartered Accountants (ACCA) and Association of Accounting Technicians.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extra-ordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:

- BSc Hons Real Estate Management
- Associate Member Royal Institute Chartered Surveyors
- Member Royal Institute Chartered Surveyors
- Royal Institute Chartered Surveyors Registered Valuer

- Member institute welfare & facilities management
- Technical member for institute for occupational safety and health
- Member of chartered institute of marketing

The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:

- Fellow of the Charter Institute of Legal Executives (FCIlex)
- Associate Member of the Charter Institute of Legal Executives (FCIlex)
- Graduate of the Charter Institute of Legal Executives (FCIlex)
- Para-Legals
- Solicitors

The Property and Legal teams work together with the Finance team to support the Council's Chief Finance Officer and the Publica Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council. Any further investment in non-treasury management transactions will be set out in this, or future iterations of this strategy.

Investment Strategy Report 2020/21 (DRAFT)

West Oxfordshire District Council

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This Investment Strategy meets the requirements of the statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

In general, the Council receives its income (e.g. from taxes and grants) before it pays for its expenditure (e.g. through payroll and invoices). As a Council Tax 'billing authority' it collects local taxes on behalf of other local authorities and the Police and also holds reserves for future expenditure. These activities lead to a cash surplus at various points of the year which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

The balance of treasury management investments is expected to fluctuate between £49.0m and £23.7 million during the 2020/21 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to provide income to fund operational activity in support of the Council's priorities.

Further details: Full details of the Council's policies and its plan for 2020/21 for treasury management investments are covered in a separate document – the Treasury Management Strategy - which is available via the Councils website.

Service Investments: Loans

Contribution: The Council lends money to support local public services and stimulate local economic growth. These include loans to organisations and residents within the district which support the priorities of the Council.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £

Category of borrower	31.3.2019 actual £			2020/21 £
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local businesses	500,000	0	500,000	500,000
Town & Parish Councils	131,716	0	131,716	147,000
Housing associations	0	0	0	10,000,000
Local residents (equity loans)	232,114	0	232,114	232,114
Employees (car loans)	40,730	0	40,730	51,000
TOTAL	**904,560**	**0**	**904,560**	**10,930,114**

The Council's 'approved limit' for 2020/21 includes estimates for an additional £10,000,000 loan to Housing Associations, £15,000 for Parish Council loans, and an additional £10,000 in employee car loans.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The loans that the Council has made are limited to specific service areas where the risk of non-payment is minimal. There is no history of non-payment and no evidence to suggest that there will be any default against the loans granted. As a result, no allowance for loss has been included against the loan balances. Should any indication be given that there is a risk of default then the risk will be assessed and a provision established at that time. Should a loan default, the Council will make every reasonable effort to collect the full sum lent and recover any overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by undertaking credit checks and ensuring that appropriate legal documentation is in place to secure the Council's money.

The Council also receives independent financial advice on its financial dealings from Arlingclose.

<u>Service Investments: Shares</u>

Contribution: The Council has a £1 shareholding in Ubico Ltd. Ubico Ltd is wholly-owned by seven local authorities and operates as a not for profit enterprise. Ubico Ltd is an environmental services company which provides household and commercial refuse collection, recycling, street cleansing, grounds maintenance and fleet maintenance services to the Council.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

The Council has no other shareholdings.

Table 2: Shares held for service purposes in £

Category of company	31.3.2019 actual £			2020/21 £
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Local authority-owned company	1	-	1	1
TOTAL	**1**	**-**	**1**	**1**

Risk assessment: the Council has not invested into Ubico to generate a financial return. The Council has invested purely to support service provision. Ubico is a cost sharing company – any surplus generated within Ubico Ltd is returned to the partner Councils [shareholders] similarly with any deficit met by the Councils. Through regular budget monitoring and sound financial management by Ubico and transparency within calculation of contract sums, the risk of any financial loss is mitigated.

Liquidity: the Council has not invested into Ubico to generate a financial return. The Council has invested purely to support service provision. The Council has no intention to sell its investment in the foreseeable future.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Investment Property is defined in the CIPFA code of practice on Local Authority Accounting as property (land or building, or both) held solely to earn rentals or for capital appreciation, or both. The Council holds a number of assets which it classifies as Investment Properties.

Contribution: The Council invests in Investment Property within West Oxfordshire and outside of the district with the intention of generating a revenue income to support the revenue budget.

Investment Property performance is reported to the Council's Finance and Management Overview and Scrutiny (FMOS) Committee on an annual basis.

Table 3: Property held for investment purposes in £

Property	01.4.18	31.3.2019 actual £		31.3.2020
	Value in accounts £	Gains or (losses)* £	Value in accounts £	Expected value £
Investment Property within West Oxfordshire	21,763,050	1,437,452	23,200,502	23,200,502
Investment Property outside of West Oxfordshire	16,513,500	4,556,500	21,070,000	21,070,000
Leased Industrial Sites	264,750	(29,750)	235,000	235,000
Garages	92,640	11,360	104,000	104,000
Ground Rents – retail sites, Witney	6,512,200	897,800	7,410,000	7,410,000
TOTAL	**45,146,140**	**6,873,362**	**52,019,502**	**52,019,502**

* All movements in 2018/19 are as a result of revised asset valuations. There were no asset purchases or disposals in the year.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Council's investment property portfolio is made each year as part of the final accounts process. Investment Property is valued at market value.

The fair value of the Council's investment property portfolio is currently less than the purchase price of the assets in a number of cases. The Council's Investment Property is held primarily to generate a stable income stream to support the revenue budget. Should a property be sold any 'loss' will be recognised at that point. The Council has no immediate plans to dispose of any Investment Property.

Risk assessment: The Council aims to generate a revenue return from its Investment Property assets which is greater than the return generated by its Treasury Management activity. It is understood that the fair value of property will fluctuate. The Council assesses the risk of movement in asset values before entering into and whilst holding property investments and aims wherever possible to mitigate the risk by purchasing property with secure tenants on long leases.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the Council has cash funds that can be accessed when they are needed, the Treasury Management Strategy includes the provision of liquid investments should the Council be in need of cash. It is not anticipated that the Council would need to sell any Investment Property at short notice.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

The Council is a shareholder of Ubico Ltd (one seventh) and is a joint partner in Publica Group (Support) Limited (one quarter owner). In both cases, should the company overspend the Council would be liable for its share of the additional costs. In both companies, sound financial management and budgetary control mitigate the risk that additional sums will be required without adequate notice.

Proportionality

The Council is dependent on investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Council is dependent on achieving the expected income from investments over the lifecycle of the Medium Term Financial Strategy. Should it fail to achieve the expected income targets, the Council will be required to draw additional balances from reserves, or generate savings elsewhere within the budget to continue to provide its services.

Table 4: Proportionality of Investments

	2018/19 Actual £	**2019/20 Forecast £**	**2020/21 Budget £**	**2021/22 Budget £**	**2022/23 Budget £**
Gross service expenditure*	39,990,685	37,376,855	41,840,196	37,795,924	36,223,851
Treasury Investment income	717,420	680,000	680,000	710,000	700,000
Loans income	25,990	25,000	25,000	24,000	23,000
Shares dividends	0	0	0	0	0
Investment Property income	3,616,867	3,571,000	3,739,000	3,739,000	3,739,000
Investment income as a proportion of expenditure	10.90%	11.44%	10.62%	11.83%	12.32%

* Excluding Housing Benefit payments.

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has plans to borrow in 20/21 to finance its capital programme. Any funds borrowed will be in relation to specific schemes and based upon need. There are no plans to borrow in advance of need.

Capacity, Skills and Culture

Summary of knowledge and skills available to the Council:

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over 20 years' experience of working in local government finance. The Deputy Chief Finance Officer is also a qualified accountant with 17 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including Chartered Institute of Public Finance and Accountancy (CIPFA), Association of Certified Chartered Accountants (ACCA) and Association of Accounting Technicians (AAT).

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. The Council employs other specialist advisers to advise upon specific, extra-ordinary transactions as required. Examples of such transactions include property acquisitions, and loans to third parties. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:

- Christine Cushway – BSc Hons Estates Management, ARICS
- Jasmine McWilliams – BSc Hons Estate Management, ARICS
- David Thurlow – BSc Hons Estate Management, MRICS, Registered Valuer

External consultants are also employed as necessary to provide specialist advice on acquisition and management of investment properties.

The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions.

The property and legal team work together with the Finance team to support the Council's Chief Finance Officer and the Publica Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

The Council has previously invested in a range of commercial properties which are delivering a sustainable revenue stream to the Council. Any further investment in non-treasury management transactions will be set out in this, or future iterations of this strategy.

Scrutiny Arrangements:

The Cabinet will make recommendations to full Council on new investments that are not considered to be covered under the Treasury Management strategy.

Financial Performance is reported quarterly to the Council's three Overview and Scrutiny Committees and to Cabinet. This will include the performance of all income and expenditure against budget.

An annual report on Commercial Property is presented to Finance and Management Overview and Scrutiny Committee which will include yield; valuation and risk to future revenue. Treasury Management performance is reported regularly to the Council's Finance and Management Overview and Scrutiny Committee and at half-year and year-end to full Council.

The Council's internal audit provider (South West Audit Partnership Ltd) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP report to the Council's Audit and General Purposes Committee.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down.

The Council has issued no guarantees to any third party loans.

Table 5: Total investment exposure in £

Total investment exposure	31.03.2019 Actual £	31.03.2020 Forecast £	31.03.2021 Forecast £
Treasury management investments	32,716,267	24,900,000	23,600,000
Service investments: Loans	904,560	905,000	10,930,000
Service investments: Shares	1	1	1
Commercial investments: Property	52,019,502	52,020,000	52,020,000
TOTAL INVESTMENTS	85,640,330	77,675,001	86,700,001
Commitments to lend: loans	0	10,000,000	0
TOTAL EXPOSURE	85,640,330	87,675,001	86,700,001

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular loan liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing.

The remainder of the Council's investments are funded by usable reserves and cash balances.

Table 6: Investments funded by external borrowing in £

Investments funded by borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	10,000,000	4,400,000
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	0	10,000,000	4,400,000

The £10 million and £4.4 million included in Table 6 for loans related to service investment is to enable the delivery of affordable homes in the District. Whilst this loan is service related rather than a loan for investment purposes (i.e. lending made specifically to generate a revenue return for the Council), it has been included Table 6 for transparency purposes.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	1.7%	1.7%	1.8%
Service investments: Loans			
Local businesses	4.5%	4.5%	4.5%
Town & Parish Councils	1.4%	1.4%	1.4%
Housing associations	NA	3.2%	3.2%
Local residents (equity loans)	0.0%	0.0%	0.0%
Employees (car loans)	2.0%	2.0%	2.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	6.5%	7.5%	7.5%

The Councils £1 share is Ubico Ltd is not held to generate any return via a dividend or growth in value. Ubico is a profit sharing company and any savings or surplus generated results in lower contract fees for shareholders.

WEST OXFORDSHIRE DISTRICT COUNCIL

FINANCE & MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE

29th JANUARY 2020

TREASURY MANAGEMENT STRATEGY STATEMENT 2020/2021

1. Introduction

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has substantial invested 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 financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services: Code of Practice 2017 Edition' (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy 2020/21. Link

2. Economic background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's Treasury Management Strategy for 2020/21.

UK Consumer Price Inflation (CPI) for November registered 1.5% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, was also 1.5% in November. The most recent labour market data for the three months to October 2019 showed the unemployment rate remained at 3.8% while the employment rate was 76.2%, just above recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.2% in October as wages dipped steadily. In real terms, after adjusting for inflation, pay growth decreased to 3.5%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

3. Credit Outlook

Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ring-fenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, the potential of a hard Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

4. Interest Rate Forecast

The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming uncertainty on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

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

6. Balances

On 31st December 2019, the Council held £42.24 million of investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
External Borrowing	0	27.6	28.4	28.8	29.1
General Fund CFR	8.6	36.0	36.3	35.8	35.2
Internal borrowing	**8.6**	**8.4**	**7.9**	**7.1**	**6.1**
Less: Usable reserves	-32.6	-24.1	-19.7	-17.0	-16.4
Less: Working capital	-8.7	-9.2	-12.5	-13.7	-12.8
Investments	**-32.7**	**-24.9**	**-24.3**	**-23.6**	**-23.1**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain investments below their underlying levels, sometimes known as internal borrowing.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council currently has no debt and expects to comply with this recommendation during 2020/21 and the subsequent years.

7. Borrowing Strategy

The Council currently does not hold any loans but does expect to need to borrow in 2020/21. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing for 2020/21 of £41.3 million.

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

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

Given the significant cuts to public expenditure and in particular to local government funding, the Council'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.

The Council has currently no borrowing but if needed the preferred option was to borrow from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

Sources of borrowing:

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Gloucestershire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Municipal Bonds Agency: UK Municipal Bonds Agency plc 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 and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and variable rate loans: These loans leave the Council 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.

8. Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £29.928m and £50.498m. Levels are expected to drop in the forthcoming year as the Council will make a £4 million contribution to the Oxfordshire Local Government Pension Scheme using its earmarked revenue reserves. The capital expenditure programme is largely funded by borrowing and the Council expects to set a balanced budget with a small contribution to the General Fund.

Objectives

Both the CIPFA Code and the CLG Guidance require the Council 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 Council'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 of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates

If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will carry on to diversify into more secure and/or higher yielding asset classes during 2020/21, as it has done so for many years now. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, money market funds and pooled funds. This diversification will represent a continuation of the strategy adopted in 2015/16.

As part of this diversification, the Council will also assess which current investments include investments in fossil fuel industries. The Council has declared a Climate Change Emergency and would therefore prefer its treasury investments to be divested away from fossil fuel industries. Any re-investment will need to be carried out in a managed way to protect the security of the Council's investments, ensure that liquidity is maintained and that the investment yield is in line with current investments to protect the Council's revenue position. Any new investments will need to comply with this Treasury Management Strategy or the associated Capital and Investment Strategies.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: 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	£6m 5 years	£6m 20 years	£6m 50 years	£5m 20 years	£5m 20 years
AA+	£6m 5 years	£6m 10 years	£6m 25 years	£4m 10 years	£5m 10 years
AA	£6m 4 years	£6m 5 years	£5m 15 years	£4m 5 years	£5m 10 years
AA-	£6m 3 years	£6m 4 years	£5m 10 years	£3m 4 years	£5m 10 years
A+	£6m 2 years	£6m 3 years	£5m 5 years	£3m 3 years	£5m 5 years
A	£6m 13 months	£6m 2 years	£5m 5 years	£3m 2 years	£3m 5 years
A-	£6m 6 months	£6m 13 months	£5m 5 years	£2m 13 months	£3m 5 years
None	£5m 6 months	£5m 6 months	n/a	n/a	Through Due Diligence Checks
Pooled funds	£5m per fund manager				

Credit rating

Investment limits are set 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. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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. See below for arrangements relating to operational bank accounts.

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 higher 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 generally a lower risk of insolvency, although they are not zero risk. 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 either following an external credit assessment 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 and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed. If the Registered Providers has no credit rating then due diligence checks through Arlingclose will be carried out beforehand. The Council has approval to lend up to £14.4 million to Cottsway Housing Association after due diligence was carried out by Arlingclose in 2019/20. This will run from 2019/20 to whenever the final drawdown is required.

Pooled funds: Shares or units 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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility 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 Council 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 Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Public Sector Social Impact Fund: specialist Public Sector Investment Fund, domiciled in the UK, investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns. By pooling together the resources and knowledge of like-minded Public Sector groups, Local Authorities cash flows are improved, investments in projects with long-lasting social impact are created and benefitting the lives of local constituents.

Investments must be backed by real assets in mature businesses that consistently deliver real yields.

Examples include:

Automotive – electric car charging points

Education – special needs schools

Energy – solar/wind

Environmental – forestry

Finance – local lending vehicles

Industrial – energy savings and efficiency equipment

Property – social housing

A large proportion of investments will see local authorities both source investment ideas and also act as high quality creditors backing their proposals.

Operational bank accounts: The Council banks with Lloyds (Lloyds Banking Group). On adoption of this Strategy, it will meet the minimum credit criteria of A- (or equivalent) long term. It is the Councils intention that even if the credit rating of Lloyds Bank falls below the minimum criteria A- the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

Policy Investments: The Council will provide cash-flow cover for a third-party organisations linked to the Council. The following limit is set for 2020/21:-

- Publica Group - £500k up to one year duration
- Ubico - £500k up to one year duration

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council'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 Council 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 and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise 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 Council 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 Council'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.

Investment limits: The Council's revenue reserves available to cover investment losses are forecast to be £25 million on 31st March 2020. In order that no more than 25% 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 £6 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. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£6m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£5m per manager
Real Estate Investment Trusts (REITS)	£2m max per REIT
Foreign countries	£4m per country
Registered providers	£15m in total
Unsecured investments with building societies	£5m in total per BS
Money Market Funds	£15m in total

Liquidity management: The Council uses purpose-built cash flow forecasting software, Logotech, to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's Medium Term Financial Strategy and cash flow forecast.

Treasury Management Indicators

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

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

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 proportion of net principal borrowed will be:

	2019/20	**2020/21**	**2021/22**
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2020/21	**2021/22**	**2022/23**
Limit on principal invested beyond year end	£22m	£22m	£22m

Limits to borrowing activity

The operational boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	**2019/20 Revised £million**	**2020/21 Estimate £million**	**2021/22 Estimate £million**	**2022/23 Estimate £million**
Total	**38.0**	**38.3**	**37.8**	**37.2**

The authorised limit for external debt: A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised Limit	2019/20 Revised £ million	2020/21 Estimate £ million	2021/22 Estimate £ million	2022/23 Estimate £ million
Total	**41.0**	**41.3**	**40.8**	**40.2**

Other Items

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

Policy on the 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 Council 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 Council 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, including those present in pooled funds and forward starting transactions, 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.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff will regularly attend training courses, seminars and conferences provided by Arlingclose, CIPFA and other such organisations.

Investment advisers: The Council appointed Arlingclose Limited as treasury management advisers back in December 2018 for three years plus the option for a further two years after a joint tender with Gloucestershire County Council, South Gloucestershire Council and Cheltenham Borough Council. The Council receives specific advice on investment, debt and capital finance issues.

Financial Implications

The budget for investment income in 2020/21 is £680,000 based on an average investment portfolio of £21.5 million in liquid assets returning an interest rate of 1% and £15.6 million in longer term investment returning an average 3%. If actual levels of investments and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Appendix A – Arlingclose Economic & Interest Rate Forecast January 2020

Underlying assumptions:

•The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

•Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

•The new conservative UK government will progress with achieving Brexit on 31st January 2020. The more stable political environment will prompt a partial return in business and household confidence in the short term, but the subsequent limited Brexit transitionary period, which the government is seeking to enforce, will create additional economic uncertainty.

•UK economic growth has stalled in Q4 2019. Inflation is running below target at 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.

•The first few months of 2020 will indicate whether the economy benefits from restored confidence. The government will undertake substantial fiscal easing in 2020/21, which should help support growth in the event of a downturn in private sector activity.

•The weak outlook for the UK economy and low inflation has placed pressure on the MPC to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of economic data and political moves over the next few months will inform policy, but upside risks to Bank Rate are very limited.

•Central bank actions and escalating geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

•Although Arlingclose have maintained the Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant from the government's policy around Brexit and the transitionary period.

•Arlingclose judges that the risks are weighted to the downside.

•Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

•We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**	**0.75**
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.57**
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.85**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.00**	**1.00**	**0.88**
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	**1.20**	**1.20**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.30**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.30**
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

Appendix B – Existing Investment Position

	31st December **Actual Portfolio £m**	31st December **Average Rate %**
Treasury investments:		
Banks & building societies (unsecured)	7.000	0.80%
Government (incl. local authorities)	7.000	0.85%
Money Market Funds	12.740	0.73%
Other pooled funds	12.000	2.74%
Corporate bonds and loans	2.500	4.75%
REIT	1.000	Unknown at present (3%-5%)
Total treasury investments	42.240	1.70%

WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2020**
Report Number	**Agenda Item No. 9**
Subject	**DRAFT PUBLICA BUSINESS PLAN 2020-22**
Wards affected	All
Accountable member	Cllr James Mills Leader of the Council Tel: (01993) 861000 Email: james.mills@westoxon.gov.uk
Accountable officer	Giles Hughes Chief Executive Tel: (01993) 861000 Email: Giles.Hughes@westoxon.gov.uk
Summary/Purpose	For the committee to receive a presentation on the Draft Publica Business Plan 2020-22 and comment on the plan which will be distributed to the committee on the 27th January.
Annexes	Annex A - Draft Publica Business Plan 2020-22 Annex B - Report to the Publica Board in December 2019 from the Incoming Managing Director
Recommendation/s	*a) To note the report and receive a presentation at the meeting from the Publica Executive Director (Finance); and* *b) To provide feedback on the Draft Publica Business Plan 2020-22 that can be considered by the Publica Board before the plan is presented to the Cabinet for consideration.*
Corporate priorities	Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	YES
Exempt	NO
Consultees/ Consultation	List any consultees or consultation that has taken place.

BACKGROUND

1.1. As part of the establishment of Publica a number of items were identified as reserved matters for council approval to ensure that member councils retained an element of control over their company. The reserved matters were approved in October 2016 as part of the governance principles underpinning the establishment of Publica.

1.2. The reserved matters decisions fall to the shareholder representatives to determine. For each partner Council this is the Leader of the Council. To assist the Leader in reaching his decision it has been requested that the Finance and Management Overview and Scrutiny Committee and Cabinet review the Business Plan and suggest any appropriate amendments.

1.3. The Publica Executive Director (Finance), Frank Wilson, along with the new Managing Director, Jan Britton, will attend the meeting and give a presentation to the committee on the Draft Business Plan and answer any questions.

2. MAIN POINTS

2.1 The focus of the business plan is on supporting the partner councils to deliver their priorities, improve Publica's approach to commissioning, continue to improve services and customer experience using digital technology, deliver efficiency savings, and invest in its employees development. Collectively, the strategic key actions that support the business plan priorities form a cohesive programme achieving sustainable and embedded change over the business plan period.

2.2 The Business Plan provides the 'vehicle' to carry forward and address the issues identified in the Incoming Managing Director's report to the Publica Board over the next two years, a copy of the report is at Annex B.

2.3 The proposal is for the plan to be for the next two years and to review and refresh it in 2021. This will enable a sustained focus on the priorities and the longer horizon will fit better with the nature of the plan and priorities. It will also enable the partner councils to review the priorities and key strategic actions during the life of the plan. The legal advice we have received is that this is permitted under the Members' Agreement.

2.4 The proposed Business Plan priorities are:

- Support our partner councils to deliver their priorities
- Get commissioning right
- Improve customers' experience
- Become an employer of choice

2.5 The draft business plan will be considered by the Publica Board on the 24th January before each of the Shareholder Councils' scrutiny committees are consulted. The feedback that is received from each committee will be presented back to the Publica Board on the 6th March. During March-April the plan will then be presented to the Shareholder Councils' Cabinets' for recommendation to their respective Council Leader (as Shareholder) to give formal agreement.

3. FINANCIAL IMPLICATIONS

3.1 As part of the Councils Medium Term Financial Strategy savings are included in line with the Publica business case approved in October 2016. Publica is required to deliver these savings and Strategic Action 6 in the business plan outlines a commitment to deliver these.

4. LEGAL IMPLICATIONS

4.1 This Business Plan has to be adopted in accordance with The Members Agreement for Publica Group Limited.

5. RISK ASSESSMENT

5.1. There are no specific risks in adopting the Publica business plan as it is based upon the principles and targets set out in the business case approved by the Council in 2016.

5.2. If the Council does not adopt the plan there is a risk that the company will not be able to commence some of the activities necessary to deliver the savings set out in the business case and Council's MTFS.

6. ALTERNATIVE OPTIONS

6.1. The committee is free to make comments in relation to the Draft Plan.

7. BACKGROUND PAPERS

None

PUBLICA

Delivering Local Priorities and Improving Services

BUSINESS PLAN 2020-22

CHELTENHAM BOROUGH COUNCIL

COTSWOLD DISTRICT COUNCIL

Forest of Dean DISTRICT COUNCIL

WEST OXFORDSHIRE DISTRICT COUNCIL

FOREWORD

Publica has now reached an important milestone. The underlying business case for the partnership continues to be sound, providing scope for efficiencies, economies of scale and capacity for self-improvement, which individual Councils alone may not be able to achieve. Much has already been achieved in terms of budget savings, but the expectations and service requirements of our partner councils and residents have changed in the years since the decision was taken to establish the company, and we need to continue to evolve to meet these changes.

In a report to the Publica Board in December 2019, the new Managing Director presented an assessment of 'the state of Publica', with a number of high-level recommendations for moving the business forward over the next two years. This Business Plan – deliberately short and concise – aims to convert these recommendations into four priorities and a number of key strategic actions to drive the business forward.

This year, we will focus on supporting the partner councils to deliver the priorities set out in their Corporate Plans, improve our approach to commissioning, continue to improve services and customer experience using digital technology, deliver efficiency savings, and invest in our employees.

Collectively, the strategic actions that support the Business Plan priorities form a cohesive programme to achieve sustainable and embedded change over the business plan period.

This Business Plan has been adopted in accordance with The Members Agreement for Publica Group (Support) Limited.

Information about Publica is available on its website (www.publicagroup.uk)

Cllr Steve Jordan
Leader
Cheltenham Borough Council

Cllr Joe Harris
Leader
Cotswold District Council

Cllr Tim Gwilliam
Leader
Forest of Dean District Council

Cllr James Mills
Leader
West Oxfordshire District Council

Dave Brooks
Chairman
Publica Group (Support) Limited

Jan Britton
Managing Director
Publica Group Limited

STRATEGIC FINANCIAL CONTEXT

Our partner councils have set out ambitious plans on behalf of residents in their new Corporate Plans. Climate change, affordable housing and creation of infrastructure relating to jobs and economic development are all priorities. These ambitions will need to be supported by significant investment programmes at a time when funding for local government remains under pressure, and customer expectations continue to increase. This will require us collectively to be creative and innovative in order to deliver our councils' ambitions within the resources available.

After a decade of austerity, local government finances are not as strong as we would like. The Local Government Association has identified a shortfall of £3.1bn in local authority funding, and this is anticipated to rise to £8bn as spending pressures rise over the next four years or so. Many of these pressures fall on authorities with social care responsibilities, and the government has indicated this as their priority for funding.

As a consequence, district and borough councils in particular face a tightening financial position. Incentive-based funding schemes based on house building are being replaced by other streams that are broader-based and less district focused.

Our partner councils are facing extreme funding pressures as set out within their published medium-term financial strategies. They have collectively identified potential budget gaps of over £15m over the next three years – in the order of 15-20% of gross revenue budgets.

This pressure on local government funding comes at a time when residents' expectations are rising, and each partner council has ambitious plans to make a positive impact on their place.

Filling this funding gap after ten years of reduced spending on local services will be challenging, in light of increased service expectations, and will require us all to become more commercial in our outlook. Efficiencies and additional shared services will not fill this gap alone, and run the risk of removing resources needed for partner councils to deliver their priorities. We will, therefore, need to support our partner councils with their commercial ambitions and plans to increase earned income, and keep a sharp focus on existing and new revenue streams through the development and implementation of commercial strategies.

PHOTOS TO BE ADDED

BUSINESS PLAN PRIORITIES

This Business Plan provides the vehicle to carry forward and address the issues identified in the new Managing Director's report over the next two years. The focus of the plan is on supporting the partner councils to deliver their priorities, improve our approach to commissioning, continue to improve services and customer experience using digital technology, deliver efficiency savings and invest in our staff and managers.

Collectively, the business plan priorities form a cohesive programme, achieving sustainable and embedded change over the business plan period. The Business Plan covers the two-year period 2020-22 and will be reviewed and refreshed after the first twelve months; the Business Plan priorities for 2020-22 are:

OUR VALUES

Everything we do will be built on the following values:

Authentic

We act genuinely and transparently. We do the right thing for our customers, our organisation and each other.

Modern

We are not set in our ways. We are constantly looking to find ways to innovate and do things smarter.

Flexible

We are agile - adapting how and what we do to meet the demands of our customers, our colleagues, our local communities and the needs of the modern world.

Thoughtful

We take pride in delivering a great service, taking the time to understand and care about our customers and their needs.

PHOTOS TO BE ADDED

SUPPORT AND DELIVER OUR PARTNER COUNCILS' PRIORITIES

Our primary medium-term objective in relation to this priority is to develop Publica's Executive Management Team and focus Executive Directors on working with partner councils' statutory officers and leading Publica's strategic, organisation-wide response to the priorities set out in the partner councils' corporate plans. This will extend to other managers within Publica and retained employees within the councils.

It is central to the aims of the councils and therefore also the future success of Publica that the greatest part of the efforts of our senior team should align with the priorities set out in the partner councils' corporate plans. These high-priority projects include climate emergency, affordable housing and growing commercial income. Other strategic priorities include commissioning, performance and resource management.

We are committed to supporting each partner council to deliver a number of significant projects, including the roll-out of Cotswold District Council's new waste and recycling service and the development of a Master Plan for Cirencester town centre, Cheltenham Borough Council's Cyber Central Business Park, Forest of Dean District Council's regeneration of Lydney Docks and West Oxfordshire District Council's Garden Village. We are also working with Ubico, a local authority owned waste company delivering services for the partner councils, to implement an improved customer experience for residents using technology.

In our new approach, one member of Publica's Executive team will act as the Relationship Lead with each council and will be responsible for co-ordinating and leading our work to deliver that council's priorities, as outlined in the table below.

Cheltenham Borough Council	Managing Director
Cotswold District Council	Executive Director (Commissioning)
Forest of Dean District Council	Executive Director (Services)
West Oxfordshire District Council	Executive Director (Finance)

PHOTOS TO BE ADDED

The following strategic actions will be delivered to support our partner councils to deliver their priorities:

Support and deliver our partner councils' priorities

1

We will improve engagement with cabinet members, chairs of committees and key partners to translate council priorities into action plans to deliver their desired outcomes. Specifically, we will implement a structured, regular briefing programme to ensure that cabinet members and chairs of committees are fully briefed on plans, programmes, opportunities and risk.

2

We will help our partner councils deliver their priorities by:-

- preparing climate change strategies and actionable proposals that will deliver against those strategies;
- assessing how we might deliver additional affordable homes and bring forward delivery proposals;
- preparing strategies to support the local economy, employment and develop investment proposals;
- supporting them with the modernisation and improvement of services.

3

We will increase residents' awareness of the outcomes and benefits that the partner councils deliver by working with each partner council to develop effective communication strategies and plans.

4

We will assist our partner councils to achieve financial sustainability and deliver their medium term financial strategies, by working with them to develop commercial plans to increase their revenue income.

GET COMMISSIONING RIGHT

Publica is responsible for delivering the majority of services provided by Cotswold, West Oxfordshire and Forest of Dean District Councils. Cheltenham Borough Council, Ubico, Cheltenham Borough Homes and the Cheltenham Trust also receive business support services from Publica; for example our Human Resources and Information Technology Teams continue to support Cheltenham Borough Council in delivering their Transformation Programme. Publica is also responsible for commissioning other services; for example, leisure centres and waste collection, acting as a client agent for the partner councils.

As both service provider and commissioning agent, Publica must provide its partners with robust performance information and analysis so that they can hold both Publica and other third party service providers to account for the services we provide.

A high level statement on commissioning was produced in November 2019 and sets out the respective roles and responsibilities of the Councils' Heads of Paid Service and other statutory officers, shareholder representatives, Publica's Executive Director (Commissioning), and other senior staff within Publica. We will ensure that Publica conforms to the requirements of this statement.

We will support our partner councils to plan, procure, deliver and evaluate the services they provide, using a recognised commissioning cycle to deliver the most appropriate service and allow each partner to make informed decisions about commissioning.

We will develop a new performance framework, including quantitative and qualitative performance indicators together with an honest and transparent assessment of how Publica is performing against the councils' priorities. We will ensure that our governance arrangements are open and transparent, and allow the councils to properly hold Publica to account.

In addition, a new Programme and Project Management Framework will be implemented to ensure that proper rigorous governance arrangements are in place for all major projects carried out on behalf of the partner councils, and to provide assurance that progress is being made as expected in delivering against each Council's high-priority projects.

PHOTOS TO BE ADDED

The following strategic actions will be delivered to get commissioning right:

Get commissioning right

5 We will enable our partner councils to properly hold Publica to account for the services we provide on their behalf, by implementing the high level statement on commissioning, which sets out roles and responsibilities in the commissioning function, and producing a robust and transparent performance management framework.

6 We will work effectively with partner councils to drive efficiency savings and increase earned income for each by securing, managing and monitoring contracted services to enable them to deliver their medium term financial strategies.

7 We will ensure that each partner council's high-priority projects are delivered as expected by implementing stronger project governance arrangements for all significant projects, in line with the new Programme and Project Management Monitoring Framework.

PHOTOS TO BE ADDED

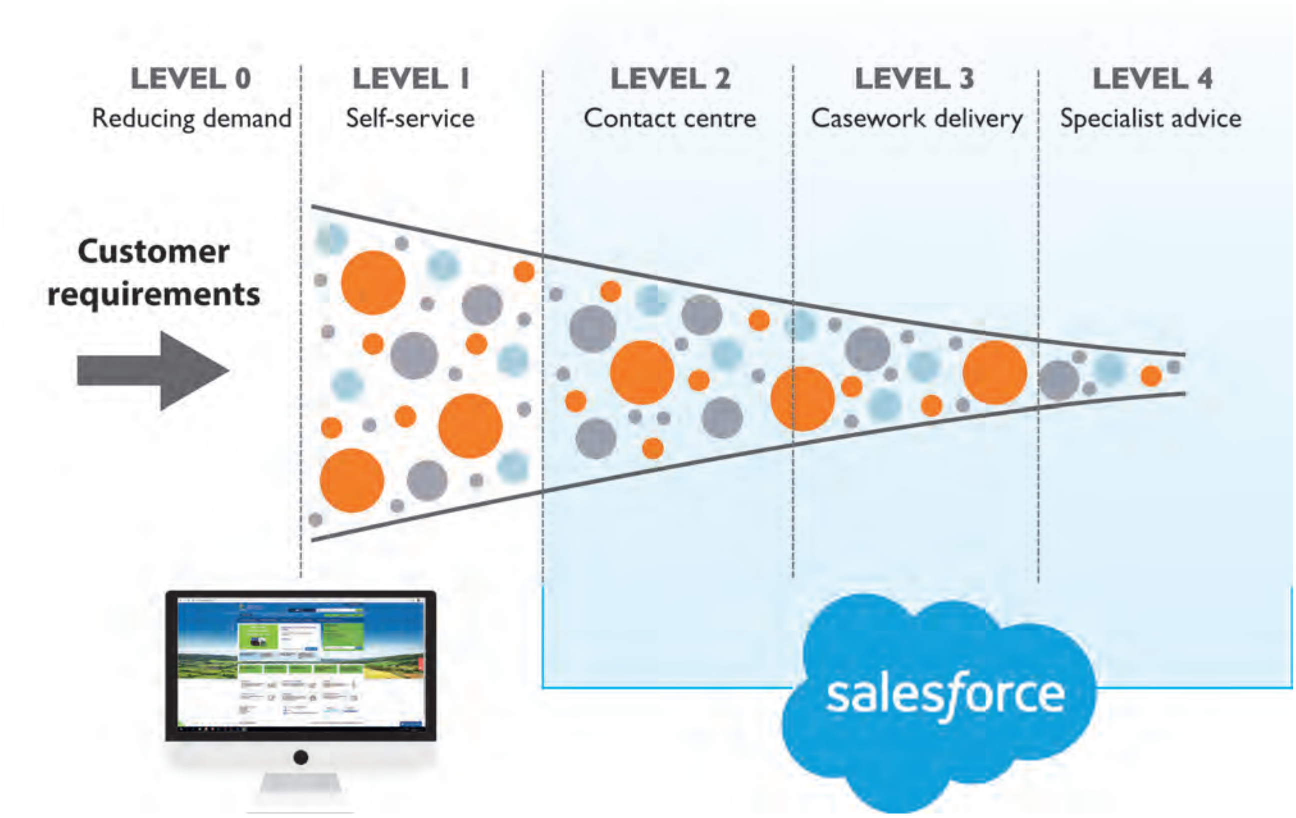
IMPROVE CUSTOMERS' EXPERIENCE

We are committed to providing a positive customer experience in the delivery of services for the partner councils. Over the last year, we have obtained feedback from over 7,000 customers, and this has enabled us to determine exactly what they expect from their council. This information has enabled us to identify six promises that will ensure customers have a great experience; these are:

- Easy access to services when it suits them
- To be kept informed of our progress with their case
- To listen to their feedback and act on it
- To receive a good quality service
- Prompt delivery of services
- To know who is dealing with their case, and for it to be dealt with in a consistent way

To meet the expectations of our partner councils' customers, we need to deliver on these six promises. This will involve making the best use of our skills and resources, and organising ourselves more effectively to ensure customers receive a great service.

We will provide modern digital services that meet customers' needs quickly and deal with customer issues before they have to contact the council e.g. allowing customers to track progress with their case. We are implementing an operating model using the Salesforce platform, which in addition to the new websites at Cotswold, Forest of Dean and West Oxfordshire District Councils, will enable us to deliver on the six promises. This work will be coordinated by a Service Improvement, Customer Experience, and Salesforce Operating Model Group. The diagram below illustrates how we intend to manage demand from the councils' customers. Managing demand in this way will ensure that cases are dealt with quickly at, or before first point of contact (Level 0 - 2); referring only the most complex cases to caseworkers and then specialist employees (Level 3 - 4), and using automation where it is appropriate:



Ensuring that customers have a consistently great experience is at the core of how we work. To achieve this we will make improvements to our services, including introducing new digital capabilities that will improve the experience of council customers. We also recognise that not all residents want to use online digital solutions, so we will maintain our high-performing contact centre and reception areas for those customers who prefer to use more traditional methods of communication and engagement, whilst nudging those, who are willing, towards the internet.

We will also need to improve how we organise ourselves, modernise our outdated processes and develop a customer-centric culture to ensure that all of our staff and services are focussed on meeting the needs of council customers.

The following Strategic Actions will be delivered to support Improving Customers' Experience

Improve customers' experience

8 We will provide a positive customer experience in the delivery of services for the partner councils by implementing the customer promises through delivery of the Salesforce Operating Model, and improving outdated processes.

9 We will improve how we organise ourselves, manage our resources and develop a customer-centric culture to ensure that we are focussed on meeting the needs of the councils' customers.

BECOMING AN EMPLOYER OF CHOICE

We want Publica to become an employer of choice that people are proud to work for, delivering great public services for our partner councils and local communities. It is our absolute conviction that our employees should be proud to work for the council or councils they serve, and proud to work for Publica. There is no contradiction, we succeed together.

If our employees feel well-led, supported, rewarded, safe, and empowered within a healthy workplace culture, we will have created the right conditions for high performance and productivity and excellent service delivery. In turn, this should improve our ability to attract and retain high quality employees whose commitment and effort are essential to our continual improvement of customer-focused services.

We will encourage and support all of our employees to do their job brilliantly, providing every person with the tools, support and development opportunities they need to excel at the role they perform. This will include regular appraisals to ensure all employees have clear objectives and an understanding of how their work supports our partner councils' priorities and the delivery of this Business Plan.

Publica will also ensure our commitment to health and safety not only meets, but exceeds relevant standards, and will put the welfare of its employees at the forefront of what we do. We will work with the recognised trade unions to help refresh our approach to health, safety and welfare, as we have done with the implementation of new terms and conditions of employment for staff who transferred from our partner councils.

To enhance our reputation as an employer of choice, and support our partners and communities, we also need to demonstrate a clear commitment to our social and environmental responsibilities and make a meaningful impact in these areas. We will implement our Corporate Social Responsibility policy and develop a carbon reduction (climate action) plan for Publica that complements and extends the climate action plans of our partner councils.

We will use the Investors in People (IIP) framework to guide our strategic approach to becoming an employer of choice, through delivering our People Strategy aspirations:

PHOTOS TO BE ADDED

IIP Framework	Publica People Strategy Aspirations
Leading: Leading and inspiring people Living our values and behaviors Empowering and involving people	Great Leadership: Our leaders will be inspirational and role models to ensure we make the lives of residents and businesses easier with services that our staff are proud to deliver.
Supporting: Managing performance Recognising and rewarding high performance Structuring work	Great People: We will attract and retain talented people, develop their strengths and provide excellent opportunities for personal, professional and career development through ongoing investment in them.
Improving: Building capacity Delivering continuous improvement Creating sustainable success	Great Culture: We will aspire to deliver services that are responsive, flexible and focused on our customers' needs. We will create a climate of well-being/support/inclusion so that each individual feels valued and listened to. We will work to create one team, working collaboratively to support our partner councils' priorities.

PHOTOS TO BE ADDED

The following Strategic Actions will be delivered to support becoming an employer of choice

Becoming an employer of choice

10 We will attract and retain high quality employees by ensuring that they are trained, appraised, recognised and rewarded fairly, working in a safe environment with the highest standards of welfare and support. We will achieve this by implementing our People Strategy and working closely with our recognised trade unions.

11 We will implement the pay and grading framework, working closely with our recognised trade unions to ensure the approach is fair, modern, flexible and reflects the diverse nature of the roles performed by Publica employees, to recognise and reward existing employees and help attract high quality individuals.

12 We will inspire, motivate and empower employees by implementing a Leadership Development Programme, based on the principle of "leadership at all levels" including political and commercial awareness.

13 We will create the right conditions for achieving continuous improvement, high performance and productivity, by improving our HR practices using the Investors in People (IiP) framework and attaining IiP accreditation.

PUBLICA

Annex B

TITLE: Incoming Managing Director's report

AUTHOR: Jan Britton | Managing Director designate

DATE: 9 December 2019

Publica Board is requested to agree the recommendations set out at section 7 of this report.

1. Purpose – Leadership Assessment

1.1 The purpose of this report is to set out a Leadership Assessment of where Publica currently stands and a proposition for Leadership Direction over the medium term, with specific recommendations for action, from the incoming Managing Director.

1.2 The SWOT Analysis attached as Annexe A summarises a wide-ranging raft of conclusions about Publica's current position, drawn from the incoming Managing Director's first eight weeks in post and has been discussed with Council Leaders, Heads of Paid Service, the (Publica) Executive Management Team and Group Managers.

1.3 In summary, the Publica model as a four Council partnership has many strengths. The establishment of Publica is an achievement in its own right. The underlying business case that the Publica partnership provides scope for efficiencies and economies of scale and capacity for self-improvement, which individual District Councils alone may not be able to achieve, continues to be sound. The strongest evidence for this is the level of base budget and one-off savings that have already been achieved, while services have mostly been sustained at a level at least as good in terms of performance and customer satisfaction as pre-Publica. Despite some strong words in this report, it is without doubt that Publica continues to deliver thousands of frontline transactions every day on behalf of the partner councils with high levels of customer satisfaction. In the current climate of austerity in local government this in itself is a significant achievement.

1.4 Publica also benefits from the continuing commitment of the four partner Councils, dedicated employees and a recently-appointed cohort of Group and Business Managers who have the potential to provide a powerful engine room for change and improvement across the business – and have begun to demonstrate this potential in the production of this report.

1.5 Set against these strengths, the organisation currently faces a number of challenges largely (but not solely) borne of a divergence between the intentions about how Publica would operate when the decision to establish the company was made in 2016/17 and subsequent changes in the expectations and service requirements of the partner Councils, particularly following the recent change in political administration at Cotswold DC, but also the earlier decision to pursue different terms of engagement by Cheltenham BC, the change in political administration at Forest of Dean and changing priorities in West Oxfordshire.

1.6 Publica, in line with local government as a whole, also faces the perennial challenge of meeting ever-increasing public expectations with declining financial resources. This will require a level of modernisation, demand management and model shift to self-serve customer solutions that far exceed the changes to frontline services that Publica has delivered to date. The new Salesforce CRM platform is absolutely fundamental to these changes. In the previous experience of the incoming Managing Director this process of service change can place intense pressure on relations between elected Councillors and employees, as difficult choices have to be made about how services are to be delivered in the future. This strain is unlikely to be less intense in Publica's four Council partnership model.

1.7 There is limited political awareness and understanding across Publica of how to work effectively with Councillors; that which exists is largely vested in the Directors and Group Managers. At times, there seems to be a 'tin ear' in the organisation when it comes to political sensibilities.

1.8 The time and resources that have been consumed by the continuing single status process (terms and conditions, pay and grading) have sapped the Publica project of momentum and enthusiasm, and yet it can only be concluded that this has been a necessary requirement for establishing the single company. It has presented an immense hurdle to other progress and its imminent conclusion provides a significant opportunity to look to the future and set new expectations for Publica; although the closing stages of the process continue to present some equal pay risks.

1.9 There are also a number of 'structural' weaknesses that are holding the business back; chief amongst these are:

- The Executive Management Team structure has insufficient clarity over roles and responsibilities or sense of a single, joined-up team. Directors are not focusing on strategic issues to the extent that they should be and there is a tendency for them to 'work down' to the operational level – in fairness, the Directors currently have little choice but to 'work down' as they are all too often firefighting to compensate for the weakness of business as usual processes, capacity gaps or frequent communications gaffes.

- The lack of clarity over roles in the Executive Management Team is compounded by a similar lack of clarity in the relationship between Publica and the retained Statutory Officers of West Oxfordshire, Cotswold and Forest of Dean Councils.

- Management meetings are poorly defined; project and programme management is haphazard and lacks senior management oversight; and the approach to identifying and delivering efficiency savings is not sufficiently strategic nor does it engage Group and Business Managers in a way that consistently impresses upon them the absolute requirement that they should contribute individually and collectively to Publica's corporate financial strategy and the medium term financial plans of the councils.
- Business as usual processes – such as sign offs of reports, member briefings, workforce planning etc. are inconsistent or, in some cases, absent. This is a near-constant source of low-level friction with the partner councils and has the effect of locking a significant

proportion of the time of senior managers into ad hoc discussions about how to move things forward or firefighting.

- The commissioning function is inadequate and has been criticised in LGA peer reviews. There is a need to develop a structure where Publica, as commissioning agent for the councils, provides the council with sufficient performance information and analysis for the councils to properly hold Publica to account for the performance of the services it provides and those of third parties[1].

2. Leadership Direction

2.1 The underlying business case for Publica continues to be sound. There is a track record of achievement. There is undoubtedly a great deal that needs to be done to move forward.

2.2 The primary medium-term objectives should be: (i) to develop the Executive Management Team and focus Directors on leading Publica's strategic, organisation-wide response to the 'big ticket' priorities set out in the partner councils' corporate plans; and (ii) to build confidence, capability and capacity in the cohort of Group and Business Managers who have the potential to provide a powerful engine room for change and improvement across the business.

2.3 The Executive Management Team, including the incoming Managing Director, need to work together to develop a shared sense of a single, joined-up team with the emphasis on collective leadership of the Publica business as a whole and the delivery of the big ticket priorities in the partner councils' corporate plans, rather than individual line management functions.

2.4 It is central to the future success of Publica that the greatest part of the Directors' efforts should align with the priorities set out in the partner councils' corporate plans. These include climate emergency, affordable housing and growing commercial income. Other strategic priorities include commissioning and performance management, and mission-critical projects, such as the roll-out of Cotswold's new waste collection service and bringing the current pay and grading process to a successful conclusion as swiftly as possible.

2.5 The proposed allocation of Directors to cross-cutting corporate priorities is:

- Climate Emergency – Executive Director – Services (Sue Pangbourne)
- Housing and Regeneration – Executive Director Commissioning (Christine Gore)
- Commercialisation – Group Finance Director (Frank Wilson)
- Local Plans and Strategic Sites – Executive Director Commissioning (Christine Gore)

- Waste – Managing Director (Jan Britton)
- Leisure and Health and Well-being – Executive Director – Services (Sue Pangbourne)
- Transformation and Service Improvement – Group Finance Director (Frank Wilson)
- Commissioning – Executive Director Commissioning (Christine Gore)
- Parking Infrastructure and Enforcement – Managing Director (Jan Britton)

2.6 In the context of Directors work on cross-cutting strategic priorities, it is important to stress that this is about making the most of the common ground that exists between councils'

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[1] Situations where one organisation, often the council itself, is both the commissioner and provider of services are common in local government, but to be effective and transparent require clear lines of accountability. Returning the commissioning function to councils would gut Publica of its capacity for self-improvement and fundamentally undermine the business case. Annexe B attached to this report is a short paper on commissioning that was recently written by the Executive Director - Commissioning.

priorities, to join-up the Publica back office, whilst meeting the separate and distinct objectives of the individual councils; it is not about shoehorning the councils into identikit solutions.

2.7 In a recent informal report to Council Leaders, in their capacity as Publica shareholders, the outgoing Managing Director mooted the possibility that an allocation should be made from the Transformation Fund held by Publica to 'kick start' work on some of the priorities set out in the partner councils' corporate plans. The areas most able to benefit from this kind of investment are asset management and strategic housing, and it is therefore recommended that an allocation of £50,000 be made from the Transformation Fund for this purpose, subject to the agreement of a detailed business case on a 'spend to invest' basis by the Chair of the Publica Board and the Group Finance Director.

2.8 In addition to the focusing on big ticket priorities, it is also recommended that each member of the Executive Management Team should take a strategic relationship lead for one of the four partner councils. *This relationship lead role is about managing the overall relationship between Publica and the councils; it is not a substitute for or duplication of the locality lead roles of other employees in specific service areas.* This will bring clarity to a system that is already partially in place through custom and practice. The proposed allocation of Directors to councils is:

- Cheltenham Borough Council – Managing Director (Jan Britton).
- Cotswold District Council – Executive Director – Commissioning (Christine Gore).
- Forest of Dean District Council – Executive Director – Services (Sue Pangbourne).
- West Oxfordshire District Council – Group Finance Director (Frank Wilson).

2.9 The changing role of the Executive Management Team will inevitably have consequences for the recently-appointed cohort of Group and Business Managers who will need to contribute towards the Directors' new focus on strategic priorities and expand their role in the operational management space.

2.10 In considering how the role of Group and Business Managers will change, there is a significant opportunity to release their potential and create the capacity and energy to take on many of the other challenges set out in this report, and to build a sustainable and resilient future for Publica. This will take time – *some of the managers are champing at the bit to take up the opportunity, while others are locked in 'head down' technical mode and reluctant to accept suggestions that they bear any individual or collective responsibility for the organisation as a whole* – but developing the capacity and capability of these managers is an investment in the future which will ultimately return a greater reward in the long term than a directive 'top down' approach.

2.11 The first indication of managers' willingness to step up to the plate is promising, as the recommendation in section 3 of this report around Group Managers' roles largely stems from an invitation for Group Managers to respond to the findings of the SWOT Analysis.

2.12 However, delivering these objectives will require a concerted and consistent programme to develop the role of the Executive Management Team and empower, equip and challenge the Group and Business Managers. This programme will need number of components, but the key will be endurance, capacity is not built in a day; the main components of the programme will be:

- Develop the strategic role of the Executive Management Team as set out in this paper, to align the greatest part of the Directors' efforts with the priorities set out in the partner councils' corporate plans and formalise the system whereby each member of the Executive Management Team take a strategic relationship lead for one of the four partner councils.

- Work with the cohort of Group and Business Managers to develop a new, consistent and challenging understanding of the organisation's expectations of them as managers and to empower and equip them to take up the opportunity that is on offer. In particular, to develop with the Group and Business an operating model that assists them to manage their roles serving multiple partner councils.

- Invest in a sustained Leadership Development Programme for the organisation as a whole, with Group and Business Managers as the lynch pin around which the programme revolves, but extending to Team Leaders and frontline employees and engaging Directors and retained council employees, on the principle of 'leadership at every level'. Some initial thoughts on a Leadership Development Programme are attached as Annexe C. These will require further development before the programme can be commissioned early in the New Year.

- Evolve the current 'transformation' narrative into a service improvement agenda that replaces the dominant perception of a centralised team 'doing transformation' to hard-pressed services, with a new approach that invests in and supports Group and Business Managers to deliver improvement (and holds them accountable for the results), with a resolute focus on driving service improvement to the frontline. Fundamental to this change in emphasis will be to ensure improvement are made in-line with agreed service design principles, the use of the new council websites and the Salesforce CRM platform as a key digital capability for improvements to the customer experience.

3 Group Managers

3.1 One of the most significant individual findings of the SWOT Analysis is that at least one and possibly two Group Managers are carrying unsustainable workloads and that the management structure is under-resourced by one Group Manager. The two Group Managers referred to being the Group Manager – Commissioning (Claire Locke) and the Group Manager – Residents' Services (Jon Dearing).

3.2 This finding was put to the Group Managers with an invitation for them to consider where an additional Group Manager in the structure would bring the most benefit, were resources to be available to create such a post. It bodes well as a sign for the future that the Group Managers responded to this invitation with a proposal to create a new post and re-allocate existing roles and functions broadly along the following lines:

- Create one new Group Manager by sub-dividing the role of the current Group Manager – Commissioning, such that the current post holder continues to cover asset management and climate change, and gains the strategic housing function from the Group Manager – Residents' Services; and the new post covers waste and contract management with an emphasis on driving efficiency savings and increasing earned income through the effective management of contracted services.

- At the same time, transferring the strategic commissioning function (between Publica and partner councils, referred to in this report) and programme and project management to the Group Manager – Strategic and Company Support (Andy Barge).

3.3 The incoming Managing Director and Executive Management Team have considered this proposal and are happy to endorse it as a way forward, subject to the allocation of resources and the development of further details to ensure the efficacy of the broad proposal set out above.

4 Political Awareness

4.1 Another significant finding of the SWOT Analysis revolves around the limited political awareness and understanding across Publica of how to work effectively with Councillors. Much as it would be preferable to address this as part of the wider Leadership Development Programme that is proposed in this report, it is such a pressing issue that there is insufficient time to rely solely on a longer-term strategic approach; more immediate action is required.

4.2 Therefore, it is recommended that in the New Year, Publica should engage an experienced provider, such as the Local Government Information Unit (LGiU), to deliver an in-house political awareness programme, fine-tuned to the needs and circumstances of Publica – in order to stem the tide of concern around this issue.

4.3 At the same time, a review of Publica's new employee induction programme needs to incorporate political awareness and understanding of how to work effectively with Councillors, ideally including hearing first-hand from Councillors themselves.

5 Employee Survey

5.1 The recent employee survey, change management sessions and directed discussions have provided Publica employees with a number of opportunities to feedback on how they feel about working for the organisation. These have been responded to in the recent (Publica) People Plan and taken into account in framing this report. Many of the matters arising from the consultations with employees are embedded in the SWOT Analysis and the various recommendations in this report, specifically the proposal to invest in a comprehensive Leadership Development Programme.

5.2 However, there are two areas that are worthy of specific reference, the first is the need to launch an effective system for employee appraisals on the back of implementing the new pay and grading structure, and the second is to highlight the employee survey's stark commentary on the low visibility of and limited trust in senior leaders. The only enduring way to address the latter is through sustained action over time and the actions set out in this report will make a significant contribution towards this objective.

6 Timescale and Resources

6.1 This report sets out a proposition for Leadership Direction over the medium term, with specific recommendations for action, from the incoming Managing Director. It is deliberately limited in setting specific timescales for individual actions, save for the specific reference to the term of the proposed Leadership Development Programme being nine or twelve months – more likely the latter once time is allowed for commissioning and procurement.

6.2 This is not to suggest that change and improvement must wait for twelve months. The benefits of the approach set out in this report will begin to accrue from January 2020 onwards, but will build up over time. However, it is reasonable to consider that achieving sustainable and embedded change will take at least eighteen months, with the opportunity for the Board to review progress at the mid-point in this timescale.

6.3 There are four proposals and recommendations in this report that amount to significant resource pressures:

- The proposal to allocate £50,000 from the Transformation Fund to kick start work on asset management and strategic housing investment.
- The proposed Leadership Development Programme, which will be a significant undertaking and a major transformational investment on the part of Publica.
- The immediate programme around political awareness and working with elected Councillors.
- The proposal to create a new Group Manager post by sub-dividing the role of the current Group Manager – Commissioning.

6.4 Of these, the first three are one-off costs, albeit significant ones. It is recommended that these should be funded by the allocation of £350,000 from the Transformation Fund.

6.5 The final pressure in the list is a recurring cost, as it relates to the appointment of a permanent post. However, the initial outline business case for this post indicates that it offers significant scope for driving efficiency savings and increasing earned income – and that there is an opportunity for the post to become substantially self-funding in the medium term. It is therefore recommended that start-up funding for the first twelve months of this post be provided by the allocation of £100,000 from the Transformation Fund.

7. Recommendations

7.1 It is recommended that the Board:

7.1.1 Agree this report as a basis for the Leadership Direction of Publica over the medium term and for incorporation into the Business Plan for 2020/21.

7.1.2 Note the current Leadership Assessment of where Publica currently stands, as set out in Section 1 of this report.

7.1.3 Endorse the proposals for the development of the role of the Executive Management Team, as set out in Section 2 of this report.

7.1.4 Agree the allocation of £50,000 from the Transformation Fund to kick start work on asset management and strategic housing investment, in line with the priorities set out in the partner councils' corporate plans, as set out in Section 2 of this report, and subject to the agreement of a detailed business case on a 'spend to invest' basis by the Chair of the Board and the Group Finance Director.

7.1.5 Agree the allocation of £300,000 from the Transformation Fund to fund the Leadership Development Programme and political awareness training, as set out in Section 2 of this report, and subject to the details of the Leadership Development Programme being agreed by the Chair of the Board and the Group Finance Director.

7.1.6 Agree the broad parameters for the creation of an additional Group Manager post and associated changes in the allocation of functions and roles, as set out in Section 3 of this report, and subject to the detailed business case for the post being agreed by Executive Director – Commissioning and the Group Finance Director.

7.1.7 Agree the allocation of £100,000 from the Transformation Fund to fund the additional Group Manager post for the first twelve months, as set out in Section 6 of this report.

7.1.8 Note the total allocation of £450,000 from the Transformation Fund to support this programme over an eighteen month period from January 2020 and delegate authority to the Chair of the Board and Managing Director, in consultation with the Group Finance Director, to reallocate funding within the programme, but not to exceed the total allocation, in the event that such reallocation becomes necessary.

Annexe A – SWOT Analysis

<table>
<tr><th>STRENGTHS</th><th>WEAKNESSES</th></tr>
<tr><td>

The establishment of Publica as a four council partnership is a significant achievement in its own right.
The underlying business case that the Publica partnership provides scope for efficiencies and economies of scale and capacity for self-improvement, which individual district councils alone may not be able to achieve, continues to be sound.
Publica has delivered approximately £2m of base budget revenue savings for the councils to date and has the potential to deliver the remaining savings to meet the target in the original 2020 Vision business case.
In the first two years Publica has also delivered one-off savings in the order of £1m, some of which the councils have reinvested in a graduate and intern scheme.
Services have been sustained at a level at least as good in terms of performance as pre-Publica, whilst savings have been made – and many other councils have been forced into substantial cuts.
Customer satisfaction with services provided by Publica on behalf of the partnership councils is high.
There continues to be a commitment on the part of the partner councils to make Publica work and realise the benefits that the shared services model offers.
Publica benefits from many good employees who are deeply committed to their services and the place and people they serve.
ICT within Publica is generally sound and communication technology is used effectively to mitigate the challenge of working across four council geographies.
The ICT investment in Salesforce is a valuable strength but has to be tempered by reference to the significant amount of work that is still required to make best use of this investment across the business.

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There is a limited shared across the organisation of what Publica is for and how we do business.
The Executive Leadership Team structure has insufficient clarity over roles and responsibilities or sense of a single, joined-up team.
There is a lack of clarity in roles between senior Publica employees and retained council officers.
There is limited political awareness and understanding of how to work effectively with elected Councillors; there is a lack of political acumen and a ‘tin ear’ when it comes to political sensibilities.
The recent change in political leadership at Cotswold DC was poorly prepared for by Publica. The arrival of the new administration, with very different expectations and new service requirements has exposed a weakness in Publica’s ability to respond to changing circumstances, while also bringing other issues into sharper focus.
Business as usual processes – such as sign off of reports, member briefings, workforce planning etc. are inconsistent or absent. Almost every plan, project or proposal generates an ad hoc discussion about how to move it forward.
Directors are not focusing on strategic issues to the extent they should be and tend to ‘work down’ to the operational level – often firefighting to compensate for the weakness of business as usual processes, gaps in capacity or communication gaffes.
The commissioning function – and the role of Publica as commissioning agent for the councils, both of services provided by Publica and by third parties – is inadequate and has been criticised in LGA peer reviews. There is a need to develop a structure where Publica, as commissioning agent for the councils, provides the council with sufficient performance information and analysis for the councils to properly hold Publica to account for the performance of the services it provides and those of third parties. (Note: situations where one organisation, often the council itself, is both the commissioner and provider of services are common in local government, but to be effective and transparent require clear lines of accountability).
At least one and possibly two Group Managers are carrying unsustainable workloads; the management structure is under-resourced by one Group Manager.
For a relatively small organisation, Publica’s structure is very hierarchical.
The evidence of the employee survey and directed discussions is that morale amongst the Publica workforce is mediocre and trust and confidence in senior leadership is low; there is little visibility of senior leadership across the organisation.
Data maturity is low and business information is not used consistently to enable informed, evidence-based decision-making.
The quality of written communication and report writing is patchy at best and lacks consistency.

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<tr><th>OPPORTUNITIES</th><th>THREATS</th></tr>
<tr><td>

A previous over-reliance on external consultants is beginning to be replaced with an insourcing model that captures the learning from external advisers to expand

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Financial pressure on district councils is likely to continue in the medium term (3-5 years).
The approach to identifying and delivering the efficiency

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capacity within the company. ➢ The imminent conclusion of the pay and grading process presents a significant opportunity to look to the future and set new expectations for Publica. ➢ A review of the Executive Leadership Team arrangements would help to clarify roles and expectations around issues such as commissioning, council liaison etc. ➢ The compact cohort of twenty Group and Business Managers has the potential to provide a powerful engine room for change and improvement across the business, if they can move from silo to team working. ➢ There is an opportunity to evolve the 'transformation' narrative, which has become tarnished, into a service improvement agenda that replaces the dominant perception of a centralised team 'doing transformation' to hard-pressed services, with a new approach that invests in and supports Group and Business Managers to deliver improvement (and holds them accountable for the results). ➢ Salesforce and other initiatives present an opportunity to develop business information capability to drive improvement and increase the return to the councils. ➢ Emerging council priorities around climate emergency, housing and commercialisation present an opportunity for Publica to demonstrate its ability to respond to new priorities and deliver stronger outcomes through joint working where councils' priorities align. ➢ The recent moves by shareholders (Council Leaders) to meet – and the imminent informal shareholders meeting – are welcome developments, as Publica will benefit from a joined-up approach by its shareholders; extending similar joint meetings to cabinet portfolio holders in key priority areas may also be of benefit.	savings set out in the 2020 Vision business case is not sufficiently strategic. ➢ Publica has not responded effectively to the changing expectations of the councils about what Publica will deliver and how it will work since the decision to establish the company in 2016/17. ➢ Council concerns about the branding and identity of Publica relative to that of the councils themselves is both a threat in its own right and, to some extent, a proxy for other concerns about Publica's current manner of operation. ➢ Prolonged single status process (terms and conditions, pay and grading) continues to present risks in implementation (equal pay) and hurdle to progress across the business. ➢ Project and programme management within Publica is haphazard and lacks senior management oversight. Some work is currently underway to address this concern. ➢ The vision of the current/previous Managing Director far exceeds the current capacity of the organisation to deliver. ➢ Many employees have perceived previous management messaging as presenting a binary choice between loyalty to 'their' council (in most cases their previous employer) or to Publica; most have tacitly chosen the former. ➢ The views of elected Councillors can be under-appreciated by the Publica Board from a political perspective. ➢ Local government reorganisation continues to be a threat to district councils and therefore to Publica. ➢ There is a casualness in communication between employees and elected councillors which is widely held to be conducive to good working relations, but recent examples of cabinet member dissatisfaction with communication suggest otherwise and long-standing evidence across local government demonstrates that over-familiarity between elected members and officials can lead to the erosion of standards.

Annexe B – Commissioning – Direction of Travel

1. Three of the four partner Councils purchase the majority of their services, including commissioning, from Publica, and whilst the Heads of Paid Service are the lead commissioners for each Council (except at Cheltenham where the Executive Director for People & Change is the lead commissioner), with a direct relationship in that context with Publica's Executive Director (Commissioning) and Managing Director, the bulk of the responsibility for commissioning sits within Publica, acting as agent for the Councils.

2. Consequently the Executive Director (Commissioning) must be able to be undertake the commissioning function in such a way that they are directly accountable to the Councils for the services commissioned from Publica, and also for the services commissioned by Publica from third parties, on behalf of the Councils. In essence, Publica as contracting agent for the Councils must ensure that the Councils have sufficient information to challenge the performance of services provided by Publica.

3. The provision of robust performance data in future – both quantitative and qualitative, together with an analysis thereof – will give the Councils the assurance they require that their commissioned services are being delivered in accordance with the quality and standard that they expect. This data will be presented in the first instance to the Heads of Paid Service who will approve it (or otherwise) for inclusion in a formal report to the relevant Council Committee/Cabinet. It is proposed that a 'tiered' approach be developed and adopted, in discussion with members and the Heads of Paid Service, to ensure that the appropriate level of detail is provided to all relevant stakeholders in order to provide them with the assurance they require.

4. In circumstances where the performance falls below what is expected, the Executive Director (Commissioning) will have the authority to report this to the Council, with the reasonable expectation that appropriate members of Publica's senior management team (or a senior manager from another contractor where it is their performance that is called into question) will separately report on the reasons why this is the case and what is being done to rectify the situation.

5. In relation to any new commissioning activity, Publica should undertake the necessary options appraisal and the Executive Director (Commissioning) will be responsible for presenting this in an objective manner to the Councils' statutory officers in order that they can then make appropriately informed recommendations to the Councils.

6. Similarly, when any contract which one or more of the Councils have entered into (whether with Publica or another third party) is due for review, the Executive Director (Commissioning) should report objectively to the Councils statutory officers on the options available, which may in some circumstances include contracting with a third party other than Publica, for a service/function currently provided by Publica. As above, the final recommendations will be formulated by the Councils' statutory officers.

Annexe C – Initial Thoughts on Leadership Development Programme

1. The proposed Leadership Development Programme is at an early stage of development. The first principle is that Group and Business Managers should be the lynch pin around which the programme revolves, but that it should extend to Team Leaders and frontline employees and engage Directors and retained council employees, on the principle of 'leadership at every level'.

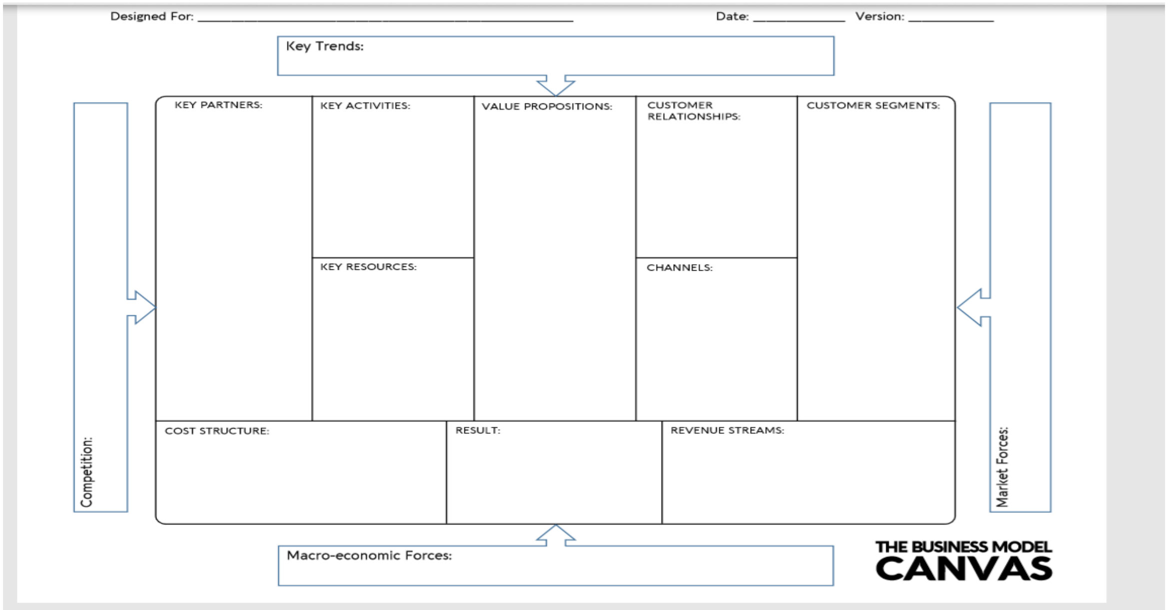
2. The programme needs to be a sustained investment, quite likely over a nine or twelve month period as a one-off event or a short series will not have the necessary impact or the capacity to embed cultural change.

3. It is envisaged that the programme will have a number of components, but the key will be endurance;

   - Work with the cohort of Group and Business Managers to develop a new, consistent and challenging understanding of the organisation's expectations of them as managers and leaders and to empower and equip them to take up the opportunity that is on offer.

   - Evolve the historical 'transformation' narrative into a service improvement agenda that replaces the dominant perception of a centralised team 'doing transformation' to hard-pressed services, with a new approach that invests in and supports Group and Business Managers to deliver improvement (and holds them accountable for the results), with a resolute focus on driving service improvement to the frontline and delivering council priorities.

4. The programme is not intended to be about high strategy – more leadership competencies, business planning, commercial and political awareness – but the underlying agenda around behaviours and cultural change are at least as important. A lot of the early discussions about the programme have used the Business Model Canvas management tool (below) as a tool to aid the discussion. The Business Model Canvas is a bit dated as a management tool, but it suits Publica's circumstances in that it looks at the purpose of a business, partners, resources etc. – and therefore can help to tease out discussions around the roles of partner councils, shareholders, the councillors etc.



5. The programme will develop a sense of team and shared trust and confidence between the Group and Business Managers to empower and equip them to take a greater collective role in

managing the Publica business as a whole. This is partly about setting expectations, partly giving permission and developing ownership, and partly about providing some of the tools.

6. It is also essential the programme includes an outward view of the best of modern local government, utilising external speakers to widen the cohorts understanding and appreciate of alternative ideas and approaches around areas such as performance and customer service. The involvement of members of the Publica Board, Council leaders, Cabinet Members and retained officers in the Programme will also help to build a common view.

7. The programme will take into account the substantial amount of information that HR and the Transformation Team have collected over the past 6-12 months from both staff and Managers through various forms, which includes the employee survey, change sessions, Business Managers induction and one to ones, as well as the recent peer review findings.

8. It is also recognised that there needs to be a conscious sense in which this is intended and received as an investment in employees. This will help to address the employee survey and directed discussions which show that morale amongst the Publica workforce is mediocre and trust and confidence in senior leadership is particularly low.

9. The programme needs to be co-produced and co-delivered by Publica's transformation and HR teams. This will take longer than straightforward delivery by an external provider under contract, but there is a valuable development opportunity for these employees as part of this programme, of which we should take full advantage, not least because once the programme is completed there will be a need to continue and extend the approach using the in-house teams. Where external support is needed, there will be a requirement that the organisations commissioned will provide a legacy of skills and knowledge so ensuring that capacity is built internally, thus helping the programmes sustainability going forward rather than an ongoing reliance on 3rd party organisations.