

AGENDA

Meeting: Cabinet
Place: Salisbury Guildhall, The Market Place, Salisbury, SP1 1JH
Date: Wednesday 15 February 2012
Time: 3.00 pm

Membership:

Cllr John Brady	Cabinet Member for Finance Performance and Risk
Cllr Lionel Grundy OBE	Cabinet Member for Children's Services
Cllr Keith Humphries	Cabinet Member for Public Health and Protection Services
Cllr John Noeken	Cabinet Member for Resources
Cllr Fleur de Rhe-Philippe	Cabinet Member for Economic Development and Strategic Planning
Cllr Jane Scott OBE	Leader of the Council
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing
Cllr Dick Tonge	Cabinet Member for Highways and Transport
Cllr Stuart Wheeler	Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries)


Please direct any enquiries on this Agenda to Yamina Rhouati, of Democratic Services, County Hall, Trowbridge, direct line 01225 718024 or email yamina.rhouati@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

All public reports referred to on this agenda are available on the Council's website at www.wiltshire.gov.uk

Part I

Items to be considered while the meeting is open to the public

Key Decisions Matters defined as 'Key' Decisions and included in the Council's Forward Work Plan are shown as 

1. **Apologies**

2. **Minutes of the previous meetings** (*Pages 1 - 38*)

To confirm and sign the minutes of the Cabinet meetings held on 17 January and 30 January.

3. **Minutes - Capital Assets Committee** (*Pages 39 - 44*)

To receive and note the minutes of the Capital Assets Committee held on 18 January 2012

4. **Declarations of Interest**

To receive any declarations of personal or prejudicial interests or dispensations granted by the Standards Committee.

5. **Leader's announcements**

6. **Public participation**

The Council welcomes contributions from members of the public. This meeting is open to the public, who may ask a question or make a statement. Written notice of questions or statements should be given to Yamina Rhouati of Democratic Services by 12.00 noon on Monday 13 February 2012. Anyone wishing to ask a question or make a statement should contact the officer named above.

7. **Budget Monitoring Period 9 December 2012** (*Pages 45 - 66*)

Report of the Chief Finance Officer is circulated

8. **Treasury Management Strategy 2012-13** (*Pages 67 - 88*)

Report of the Chief Finance Officer is circulated

9. **Treasury Management Strategy 2011-12 - Revision January 2012** (*Pages 89 - 106*)

Report of the Chief Finance Officer is circulated

10. **Wiltshire Council's Business and Financial Plan Update 2012/13** (*Pages 107 - 140*)



Report of the Chief Finance Officer is circulated

11. **Formation of a School Company** (*Pages 141 - 150*)

Report of the Corporate Director is circulated

12. **Business Plan Scorecard Report** (*Pages 151 - 160*)

Report of the Service Director Policy, Performance and Partnership is circulated

13. **Salisbury Central Car Park and Maltings** (*Pages 161 - 166*)

Report of the Service Director – Economy & Enterprise is circulated

14. **Urgent Items**

Any other items of business, which the Chairman agrees to consider as a matter of urgency

15. **Exclusion of the Press and Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

16. **Salisbury and the Maltings Car Park**

Confidential report of the Service Director – Economy and Enterprise is to follow

The items on this agenda reflect the key goals of Wiltshire Council, namely 'Work together to support Wiltshire's Communities', 'Deliver high quality, low cost, customer focused services and 'Ensure local, open, honest decision making'

CABINET

MINUTES of a MEETING held in COUNCIL CHAMBER - COUNCIL OFFICES,
BRADLEY ROAD, TROWBRIDGE, BA14 0RD on Tuesday, 17 January 2012.

Cllr John Brady	Cabinet Member for Finance Performance and Risk
Cllr Lionel Grundy OBE	Cabinet Member for Children's Services
Cllr Keith Humphries	Cabinet Member for Public Health and Protection Services
Cllr John Noeken	Cabinet Member for Resources
Cllr Fleur de Rhe-Philipe	Cabinet Member for Economic Development and Strategic Planning
Cllr Jane Scott OBE	Leader of the Council
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing
Cllr Dick Tonge	Cabinet Member for Highways and Transport
Cllr Stuart Wheeler	Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries)

Also in Attendance: Cllr Allison Bucknell, Cllr Chris Caswill, Cllr Christine Crisp, Cllr Peter Doyle, Cllr Richard Gamble, Cllr Jon Hubbard, Cllr David Jenkins, Cllr Julian Johnson, Cllr Jacqui Lay, Cllr Howard Marshall, Cllr Laura Mayes, Cllr Jemima Milton, Cllr Francis Morland, Cllr Christopher Newbury, Cllr Jeffrey Ody, Cllr Jeff Osborn, Cllr Judy Rooke, Cllr Anthony Trotman and Cllr Christopher Williams

1. **Apologies**

An apology for lateness was received from Cllr Dick Tonge, Cabinet member for Highways and Transport who arrived at 10.45 am.

2. **Minutes of the previous meeting**

The minutes of the meeting held on 13 December 2011 were presented.

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 13 December 2011.

3. Declarations of Interest

The Leader referred all Councillors present to the previously circulated letter from the Monitoring Officer which gave detailed advice on interests in so far as the item on the Wiltshire and Swindon Waste Site Allocations DPD was concerned (minute no. 7 refers).

Cllr Morland declared a personal interest in above mentioned item by virtue of him being a member of Dilton Marsh and Heywood Parish Councils and Westbury Town Council.

4. Leader's announcements

With the Leader's permission, Cllr John Thomson, Cabinet member for Adult Care, Communities and Housing made an announcement concerning the Housing PFI project.

Cllr Thomson was delighted to announce that the contract for the Council's housing PFI project had been signed on 21 December 2012, which was less than a week after the Council received final Government approval of its business case. He explained that this was the only such project in the South West and was unique in using private sector land to deliver around half of the affordable homes.

In addition to providing around 350 new homes and substantial investment into Wiltshire, the PFI would also create at least 40 jobs and training places. Building work had already started on the first phase of 242 homes to be provided in Melksham, Trowbridge, Warminster and Westbury, with the first residents due to move in by the summer. A second phase of around 100 additional homes would now be progressed with the Council's partners. The Council would have 100% nomination rights for 20 years through its Homes 4 Wiltshire register, continuing at 75% once the contract ends.

Cllr Thomson thanked all those Council members and officers, past and present and the Council's partners at Sarsen Housing Association and Persimmon Homes who had been involved in delivering this innovative and necessary project. Cllr Thomson particularly thanked Chris Trowell, the Council's PFI Project Manager and Mike Swabey, the Council's Strategic Project Manager for their unstinting hard work and having done a brilliant job to bring the project to fruition. Councillors would be kept informed of progress.

5. Public participation

The Leader acknowledged receipt of written representations from members of the public in respect of the Wiltshire and Swindon Waste Site Allocations DPD (minute no. 7 refers) and the proposed closure of Urchfont Manor (minute no. 9 refers) which would be dealt with on consideration of those items. She

explained that as usual, she would be happy for any members of the public present to contribute their views on any items on the agenda.

6. **Telecare Monitoring Service**

Cllr John Thomson, Cabinet Member for Adult Care, Communities and Housing, presented a report which sought approval to close the Careconnect operation and TUPE transfer the Careconnect staff to the new provider of telecare call monitoring, Wiltshire Medical Services (WMS). Approval was also sought to transfer the remaining out of hours services that were not related to telecare to the Council's interim telephony provider until a strategic solution could be procured in 2012.

WMS would provide Telecare (assistive technology) which included a wide range of electronic equipment that could fulfil a wide range of functions. In the event of a customer triggering an alert, WMS would be able to offer either a health or social care response. Cllr Thomson explained the many benefits of Telecare which included increasing the safety and confidence of customers enabling them to live independently in their own homes for as long as possible; delaying longterm admission to hospital or care home facility and reducing the cost of care without reducing the quality of care.

Andrew Bailey and Andrew Scott from Tunstall Telecom, manufacturers of the Telecare lifeline service gave a demonstration of the electronic equipment and what would happen in the event of an alert being triggered.

Cllr Thomson acknowledged the excellent service provided by Careconnect and emphasised that the proposal to now award the contract to WMS bore no reflection on the performance of Careconnect. However, Careconnect did not have sufficient staff or the correct equipment to support the significant expansion envisaged in telecare provision under the Help to Live at Home strategy which would integrate health and social care.

Resolved:

- a) **To decommission Careconnect and transfer the telecare monitoring service to another provider.**
- b) **To transfer the non-social care out-of-hours call handling services provided by Careconnect to the Council's existing out of hours telephony provider in an interim basis.**
- c) **To commission Wiltshire Medical Services to provide telecare monitoring for current Careconnect customers and future telecare customers in Wiltshire.**
- d) **Further to a decision by Cabinet in July 2011 to commence a consultation process, which has now concluded, to transfer**

Careconnect staff under T.U.P.E. to Wiltshire Medical Services (or implement redundancies if relevant).

- e) To commission the Council's interim telephony provider to take over the non-social care out of hours services on an interim basis pending the completion of the Council's review of telephony services that is being undertaken currently. (This service is already being provided for the Council for various aspect of the Council's business). The Corporate Procurement Unit to seek exemption from competition for the interim.**
- f) To recognise the excellent work undertaken by Careconnect over the years in supporting people and to extend thanks to existing and past staff for their contributions.**

Reason for decisions

Careconnect does not have sufficient staff or the correct equipment to support the significant expansion envisaged in telecare provision under the Help to Live at Home strategy.

For the past 18 months the Council has been piloting a telecare response service utilising Wiltshire Medical Services, which has the expertise and experience to provide these services and to grow with demand in the future. It also will be able to link the social care and health out of hours response services for the benefit of customers. The remaining minority out of hours services that Careconnect also provide do not represent a viable business in their own right and therefore also need to be transferred elsewhere.

7. Wiltshire & Swindon Waste Site Allocations DPD - Proposed Submission Arrangements

Cllr Morland declared a personal interest in this item by virtue of him being a member of Dilton Marsh and Heywood Parish Councils and Westbury Town Council.

Public Participation

Written representations were received from the following members of the public in the form of questions and statements, details of which, together with responses were circulated:

Mrs Virginia Neal, Clerk to Chitterne Parish Council
Adele Martin, Ludgershall & Campaigner of No2Waste
Mr Martyn Harvey, No2Waste group
Mr and Mrs Greenwood on behalf of the NO2Waste Campaign Group

Mrs Nicky Bamford
Mrs Anne Henshaw, North Wiltshire and Swindon CPRE

Verbal representations were also made at the meeting by:

Mrs Virginia Neal
Mr and Mrs Greenwood
Mrs Anne Henshaw
Mr RJ Parnham

Cllr Fleur de Rhe-Philipe, Cabinet Member for Economic Development and Strategic Planning, presented a report on the draft Wiltshire and Swindon Waste Site Allocations Development Plan Document (DPD) which set out:-

- a summary of the plan preparation process to date.
- the key issues that had emerged through the consultation undertaken between June and August 2011.
- the arrangements for submitting the draft DPD.
- the implications of the Examination process.
- the next steps.

Cllr de Rhe Philipe presented the DPD and sought Cabinet approval of it for onward recommendation to Council at its meeting on 7 February 2012 for the purpose of formally submitting it to the Secretary of State.

Cllr de Rhe Philipe explained that the councils (Swindon and Wiltshire, as joint strategic planning authorities for waste) faced a significant challenge in managing year-on-year increases in the amount of waste being generated by our communities and businesses. In preparing the DPD, the aim had been to build a plan that provided a flexible and responsive approach to enable the management of Wiltshire and Swindon's waste in a sustainable and efficient manner. The DPD also built upon the adopted policy framework set out in the Waste Core Strategy and Development Control Policy DPDs.

Every effort had been made to address issues raised through previous rounds of consultation with the final list of proposed sites having been the subject of rigorous testing and appraisals.

The DPD presented a flexible framework of 35 sites for accommodating a range of potential waste uses all designed to derive value from waste through recycling, recovery, composting and treatment.

The 35 sites presented a real opportunity to manage waste in a modern and efficient manner, thereby aiming to break the reliance on landfill. Once the plan is adopted, these sites would be able to come forward for the waste uses proposed subject to full planning permission being granted.

Cllr de Rhe Philipe proposed a couple of minor amendments which would be incorporated into the DPD in response to the representations received as follows:

In response to Mr and Mrs Greenwood:

- For clarity, additional wording be added to the **Water Environment** section of the DPD to fully establish the scope of the assessment work required to support any subsequent planning application. The wording would therefore read (7th sentence):

'The assessment will need to ensure that foul water discharges from any development can be connected to the public sewer system, where available, subject to a capacity appraisal and agreement upon a point of connection'.

In response to Chitterne Parish Council's question about the Valley Farm site:

- To correct a drafting error, an amendment was required to reflect the fact that there was a need for any impact assessment on traffic to also consider traffic approaching from the west and not just the east as stated in the site profile.

A number of Councillors addressed Cabinet on the proposed DPD making general points and specific points relating to their respective electoral division areas to which Cllr de Rhe Philipe and the Service Director for Economy and Enterprise responded.

Following debate and hearing contributions from members of the public, it was

Resolved:

That Cabinet:

- a) approve the submission draft Wiltshire and Swindon Waste Site Allocations Development Plan Document to be updated to incorporate the two minor amendments mentioned above;**
- b) recommend to Council that the submission draft DPD be approved for the purpose of formally submitting it to the Secretary of State and**
- c) delegate to the Service Director for Economy and Enterprise, in consultation with the Cabinet Member for Economic Development and Strategic Planning, authorisation to make minor amendments to the draft DPD (as set out in Appendix A to the report presented) in the interests of clarity and accuracy and to make appropriate arrangements for submission of the documents to the Secretary of State and any consequential actions as directed**

by the Inspector relating to the Examination.

Reason for decision

The need for an up-to-date, long-term plan for future waste management facilities is a statutory priority for both Wiltshire Council and Swindon Borough Council. This draft DPD presents a schedule of proposed site allocations that are considered both environmentally suitable and capable of meeting the long-term needs of the Councils and the waste management industry.

Regulatory and constitutional procedures require that the policy framework of the authority be a shared matter for Cabinet and Council.

Cabinet's functions set out in the constitution include proposing to Full Council new policies which fall within the Policy Framework as defined in paragraph 1 of Part 3 of the Constitution. In order to secure Council approval, therefore, the draft DPD should first be endorsed by Cabinet.

The resolution of Cabinet will then be presented to Council on 7 February 2012 for final consideration and approval.

8. Regulation of Investigatory Powers Act 2000 - Revised Policy and Procedure documents

Cllr John Noeken, Cabinet Member for Resources, presented a report which sought adoption of revised Corporate Policy and Procedures Documents in relation to the conduct of surveillance operations by Council Officers in accordance with the requirements of the Regulation of Investigatory Powers Act 2000 (RIPA).

It was noted that the Council already had a robust procedure in place for use of RIPA powers. This proposal brought the existing policy in line with the latest statutory requirements and responded to recommendations from an audit inspection. Responsibility for oversight of the Policies was proposed to be delegated to the Cabinet Member for Resources with any significant changes being referred to Cabinet for approval as necessary.

Resolved:

- a) To note the contents of the report.**
- b) To adopt the revised Policy and Procedures with immediate effect.**
- c) Responsibility for oversight of the Policies be delegated to the Cabinet Member for Resources with any significant changes being referred to Cabinet for approval as necessary.**

Reasons for decision

Wiltshire Council is statutorily required to have a RIPA policy in place. We have had a policy in place since at least 2004. The Office of Surveillance Commissioners (OSC) carry out inspections of Local Authority RIPA processes on a regular basis to ensure compliance with RIPA legislation.

This proposal will revise the Wiltshire Council RIPA Policy to bring it in line with recent amendments to that legislation and to adopt recommendations made by the OSC at the last inspection.

9. **Proposed Creation of Central Devizes Customer Access Point and the Closure of Browfort, Urchfont Manor and Bradley Road Buildings**

Public Participation

Written representations were received from the following members of the public in the form of questions and statements, details of which were circulated:

Nicola Mitchell, Chairman of Urchfont Parish Council
Celia Bell, Student Representative on the Urchfont Management Board
Diane Kerchevall
Dr Jennifer Johnson-Jones, Bedfordshire
Elizabeth Ann Hunter
Hilary M Garrett, Burnley
Jacky Attridge, Shrivenham, Oxon
Lyn Hamilton, Student at Urchfont, South Cadbury
Michele Lomas, Marlborough
Mr Arnold Lowrey, Cardiff
Mr and Mrs Hopkins
Mr John Blunden, Urchfont
Mr C P Cook
Mr Richard Hawkins
Mr Robert Hughes FRCS
Mr G J Skinner CBE
Janet Crowther, Kent
Mrs Mair Edwards
Mrs Nina Guilfoyle
Ms Catherine Brown
Ms Lorna Abel, Southampton
Ms Norah Kennedy
Ms Penny Copland-Griffiths
Ms Stella Hall
Ms Valerie Oxley, Nottinghamshire
Nicola Vesey Williams
Mr Nigel Partridge
Sally Boehme and Clifford Johnson

various members of Staff at Urchfont Manor:

Eleanor Young, Dianne Hayward, Margaret Simper, Catherine Brown, Dionne Surman, Christine Bozier, Audrey Laurie, Jessica Scull, Marie Smith, Sharon Davies, Christel Smart, John Young, Pete Rutt and Martin Brown

Various students and tutors at Urchfont Manor: Hazel Credland, Valerie Oxley and Arnold Lowrey

The Leader also referred to a late submission from Mr Chris Howes

Verbal representations were also made at the meeting by:

Nicola Mitchell, Chairman of Urchfont Parish Council

Mr David Motram

Mr John Blunden

Mr Peter Newell

Mr Cairns Langland

Mr Robert W Giles

Mrs Wendy Trinder

Mr Nigel Partridge

Cllr Stuart Wheeler, Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries) presented a report which sought approval to create a customer access facility in central Devizes, provide hot desking facilities in the Devizes area and provide an alternative Ceremony Room to service the Devizes area.

The report also sought approval to undertake the work necessary to cease using and to dispose of the buildings known as the Browfort offices (to include The Cedars, The Beeches, The Yew Trees and The Lodge), the Bradley Road offices and Urchfont Manor.

The Bradley Road offices had previously been intended for phased closure as part of the council's wider transformation programme and early closure could be achieved, bringing a benefit to the council's revenue budget.

The Browfort offices would no longer be required due to a combination of reduced staffing levels and furtherance of the hot desking model of 3:2 desk ratio. In Trowbridge, the Council's office accommodation would be in the refurbished County Hall building, which would include a new Trowbridge Library and integrated customer access provision.

Urchfont Manor was currently used to deliver a significant part of the council's informal adult learning provision although it was noted that adult education was also provided at other sites and by other providers such as Wiltshire College.

In keeping with the Council's commitment to localise its service delivery and recent national guidance from the Department for Business Innovation and

Skills, the Adult Education Service would be consulting on the development of a revised service being provided at a local level.

Cllr Lionel Grundy Cabinet member for Children's Services explained that courses being run from Urchfont Manor (the provision of which were not a statutory function) were operating at a loss of approximately £120,000 per annum. Furthermore, Urchfont Manor was not accessible by public transport and was therefore not in keeping with localised service delivery. He also explained that the Council's budget for the Children and Education services was under constant pressure due to the growing number of children at risk. The priority therefore had to be the protection of vulnerable children.

Following a query by the Leader, Cllr Toby Sturgis, Cabinet member for Waste, Property, Environment and Development Control Services explained that in accordance with the Council's normal approach, a specialist agent would be engaged for the disposal of such a property if agreed by Cabinet. This would ensure that the property was extensively marketed at the widest possible range of potential purchasers.

In response to representations by the public, the Leader put forward an additional recommendation in respect of securing continued community access as far as possible of the area around Urchfont Manor.

Cllr Jeff Osborn expressed concern that the Urchfont Management Committee of which he was a member, had not met to consider these proposals. The Leader explained that the Management Committee was at liberty to convene its meetings as and when it considered it appropriate to do so.

Following a lengthy debate and having heard contributions from members of the Council and members of the public to which members of Cabinet responded, it was

Resolved:

- a) To delegate to Dr Carlton Brand, Corporate Director, in consultation with Cllr Stuart Wheeler, Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries) the authority to:**
 - i. undertake all necessary actions to secure, develop and deliver a new customer access site in central Devizes as well as providing hot desk facilities and an alternative Ceremony Room in the Devizes area;**
 - ii. instruct officers within the Transformation Programme to commence the necessary consultation with key stakeholders and staff to enable the closure of Browfort offices during autumn 2012;**

- iii. **complete the early closure of Bradley Road in autumn 2012, ensuring the relocation of the current customer access facility to the refurbished County Hall ensuring these complement the new Library and other customer facilities within the refurbished building;**
 - iv. **undertake the required actions to secure the closure of Urchfont Manor by the end of September 2012. Recognising that future Adult Education Service provision including, where required, local flexible delivery in line with the Department for Business Innovation and Skills strategic proposals for Further Education and Skills, will be determined by Cabinet after consultation with service users, area boards, local communities and partners;**
 - v. **market and dispose of the Bradley Road offices and Urchfont Manor sites as part of the Transformation Programme;**
 - vi. **market and dispose of the Browfort offices site if officers cannot develop an appropriate, financially viable, alternative long term public service use for the site, such as use by another public body or Extra Care provision;**
 - vii. **ask the Chief Financial Officer to ensure that the overall savings generated by these proposals are identified and tracked within the council's budget setting process and the costs of the alternative provision is properly reflected and funded in the councils capital and revenue budgets;**
- b) That when disposing of Urchfont Manor, officers working with the community, take whatever steps are necessary to ensure continued community access and management of Oakfrith Wood, appropriate ongoing access by the school and community to the playing fields to the north of the Manor House and as far as is practicable, long term use of the existing cricket pitch by the Cricket Club. These arrangements are to be structured after negotiation with the successful purchaser in a manner that allows the council to achieve the maximum capital receipt whilst ensuring ongoing community use and access with completion of these negotiations to be delegated to the Corporate Director (Dr Carlton Brand) following consultation with the Cabinet member for Waste, Property, Environment and Development Control Services.**

Reasons for decision

There are four main drivers behind these decisions:-

- 1 To create a town centre customer access location within Devizes. This will complement the council's commitment to deliver services by 'taking them to the

customer' and help support foot fall into central Devizes, recognising the importance of this key Market Town and the current economic climate.

- 2 To reflect the smaller staff base across the council following the reduction in 412 staff positions during the Business Plan period 2011 to date, the reconfiguration of some services and the need for less office accommodation now that staff are able to work flexibly following the successful deployment of the council's new ICT provision. .
- 3 To respond to the current economic climate and ongoing budget pressures, whilst enabling the council to continue to invest in, and protect, front line service delivery by further rationalising and modernising its property portfolio.
- 4 To continue the delivery of the councils' policy to ensure all its property holdings are sustainable, fit for purpose, and represent value for money for Wiltshire residents, both now and in the future.

10. **Urgent Items**

There were no urgent items.

11. **Exclusion of the Press and Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Number 12 below because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

12. **Proposed Creation of Central Devizes Customer Access Point and the Closure of Browfort, Urchfont Manor and Bradley Road Buildings**

Cllr Wheeler, Cabinet member for Campus Development and Culture (including Leisure, Sport and Libraries) presented a confidential report which provided additional information on the financial elements of the proposals referred to under minute number 9 above.

Resolved:

To note that the savings achieved would be in the general order of those indicated, but would vary depending on the exact model and extent of re-provision in Devizes and the sale price of Urchfont Manor.

(Duration of meeting: 10.30 am - 2.05 pm)

These decisions were published on the 23 January 2012 and will come into force on 31 January 2012

The Officer who has produced these minutes is Yamina Rhouati, of Democratic Services, direct line 01225 718024 or e-mail yamina.rhouati@wiltshire.gov.uk
Press enquiries to Communications, direct line (01225) 713114/713115

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CABINET

MINUTES of a MEETING held in COUNCIL CHAMBER - COUNCIL OFFICES,
BRADLEY ROAD, TROWBRIDGE, BA14 0RD on Tuesday, 17 January 2012.

Cllr John Brady	Cabinet Member for Finance Performance and Risk
Cllr Lionel Grundy OBE	Cabinet Member for Children's Services
Cllr Keith Humphries	Cabinet Member for Public Health and Protection Services
Cllr John Noeken	Cabinet Member for Resources
Cllr Fleur de Rhe-Philipe	Cabinet Member for Economic Development and Strategic Planning
Cllr Jane Scott OBE	Leader of the Council
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing
Cllr Dick Tonge	Cabinet Member for Highways and Transport
Cllr Stuart Wheeler	Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries)

Also in Attendance: Cllr Richard Britton, Cllr Chris Caswill, Cllr Christine Crisp
Cllr Peter Doyle, Cllr Richard Gamble, Cllr Jon Hubbard
Cllr Jacqui Lay, Cllr Howard Marshall, Cllr Laura Mayes
Cllr Francis Morland, Cllr Jeff Osborn, Cllr Judy Rooke
Cllr Anthony Trotman, Cllr Ian West. Cllr Christopher Williams

13. Apologies

All members were present.

14. Declarations of Interest

The Leader referred all Councillors present to the previously circulated letter from the Monitoring Officer which gave detailed advice on interests in so far as this meeting was concerned on the item on the Wiltshire and South Wiltshire Core Strategies (minute no.s 17 and 18 respectively refer).

Cllr Toby Sturgis, Cabinet member for Waste, Property, Environment and Development Control Services declared a prejudicial interest in the item on the Wiltshire Core Strategy in so far as it related to land at Great Somerford which he had previously owned and currently lived adjoining the site.

Cllr Judy Rooke declared a prejudicial interest as her property backed on to Rowden Lane, Chippenham which was very close to the Country Park and strategic site proposed for development in the Wiltshire Core Strategy. Cllr Rooke had lodged formal questions on the Wiltshire Core Strategy which she presented under the item and then withdrew from the meeting.

15. Leader's announcements

There were no announcements.

16. Public participation

The Leader reported receipt of questions and statements received in respect of the Wiltshire Core Strategy (minute no. 18 refers) which would be taken at the item. In addition, she said she would be happy for members of the public present to participate in the discussion on items on the agenda.

17. Adoption of South Wiltshire Core Strategy

Cllr Fleur de Rhe Philipe, Cabinet member for Economic Development and Strategic Planning presented a report which requested Cabinet to note the content of the Inspector's Report into the examination of the South Wiltshire Core Strategy Development Plan Document (DPD) and his conclusions regarding soundness.

The report also sought approval for the South Wiltshire Core Strategy, as amended by the changes identified in the Inspector's Report, being recommended to Full Council at its meeting on 7 February 2012 for adoption.

Cllr Fleur de Rhe Philipe presented the Inspector's Report and draft South Wiltshire Core Strategy for Cabinet's consideration. She explained the background to the Strategy following its endorsement by Council in November 2009 for the purposes of submitting it to the Secretary of State for consideration. However, the Examination in Public process was suspended in light of proposals to abolish the Regional Spatial Strategy and at the time the impending Localism legislation to enable the Council to reconsider the housing and employment figures. It was agreed with the Inspector that a review be carried out, which was completed and approved for submission to the Inspector by Full Council on 22 February 2011.

The target for housing growth was revised down to 9,900 and the target for jobs growth revised down to 10,400 over the plan period. Such changes were considered by the Inspector as 'focussed changes' and were the subject of consultation and the Examination process re-opened to consider these changes.

The Inspector's Report delivered in October 2011, considered the Core Strategy sound and compliant with legal requirements. The Inspector had recommended

a number of changes that needed to be made to the submission draft Core Strategy to make it sound. Most of these changes were those put forward by the Council and were based on evidence. The Inspector had made two small changes and details of all changes were set out in Annexes to the report presented.

Once adopted, the South Wiltshire Core Strategy would replace a number of saved policies in the Salisbury Local Plan and would form part of the statutory development plan for the south of the County. The policies within the South Wiltshire Core Strategy, had been subsumed into the Draft Wiltshire Core Strategy Submission Document which would be considered later in the meeting (minute no. 18 refers) to ensure delivery of a single Core Strategy for Wiltshire.

Cllr de Rhe Philippe emphasised that the Inspector's Report was binding on the Council and the recommendations it contained must be adhered to. The Council therefore had the option of either adopting it or rejecting it but not to make any further changes. Rejection of the Inspector's Report at this stage would result in there being no up to date development plan for the southern part of Wiltshire. This would leave a policy vacuum at a time when the Government had stated its intention to ensure that there was a presumption in favour of sustainable development in the absence of an up to date plan.

Resolved:

- a) **To recommend to Council that the South Wiltshire Core Strategy, as amended by the changes identified in the Inspector's Report, be adopted as part of the statutory development plan for Wiltshire.**
- b) **Following approval of Council, to agree that the Service Director for Economy and Enterprise in consultation with the Cabinet Member for Economic Development and Strategic Planning, undertakes the final stages associated with the formal adoption of the Core Strategy.**

Reason for decisions

The South Wiltshire Core Strategy will form part of the Council's Policy Framework. In line with the Local Government Act and the Council's constitution it must first be approved by Cabinet before it is adopted by Full Council. The Inspector's Report is binding on the Council and his recommendations must be acted upon. As the document has been found sound its adoption by the Council would ensure up-to-date planning policy is in place for southern Wiltshire.

18. Pre-Submission Draft Wiltshire Core Strategy Development Plan Document

Cllrs Toby Sturgis and Judy Rooke declared prejudicial interests in this item as detailed under minute no. 14 above.

Public Participation

Written representations were received from the following members of the public in the form of questions and statements, details of which, together with responses were circulated:

Mr John Kirkman
Mr Kim Stuckey
Mrs Marilyn Mackay
Mr Edward Heard
Mr Ken J McCall (Campaign for a Better Trowbridge)
Mr Michael Sprules (Chairman of Residents Against Development Affecting Recreation Land - RADAR)
Mr Nick Murry
Pinsent Masons (Chippenham 2020)
Mr Tony Peacock, Showell Protection Group

Cllr Judy Rooke (member for Chippenham Lowden and Rowden)

Verbal representations were also made at the meeting by:

Mr Ken J McCall
Mrs Anne Henshaw (North Wiltshire and Swindon Council for the Protection of Rural England)
Mr Ian James
Mrs Jane Browning
Mr Richard Hames
Mr Peter Humphries
Mr Owen Inskip (Chippenham 2020)
Mr Michael Sprules
Mr Edward Heard
Mr Nick Murry

Cllr Fleur de Rhe Philipe, Cabinet member for Economic Development and Strategic Planning presented a report which sought the following:

- Cabinet's recommendation to Council that the Draft Wiltshire Core Strategy Development Plan Document (DPD) be formally published for a final stage of consultation and

- endorsement of the Pre-Submission Draft Wiltshire Core Strategy DPD and to recommend that Council approves the document for the purpose of Submission to the Secretary of State.

If agreed, the recommendations would be presented to Council at its extraordinary meeting on 7 February 2012.

The report also set out the arrangements for consultation and the next steps in the process.

Cllr de Rhe Philipe accordingly presented the Draft Wiltshire Core Strategy DPD and related documents for Cabinet's consideration.

The Wiltshire Core Strategy, once adopted, would provide an up-to-date strategic planning policy for Wiltshire and ensure that Wiltshire developed in the most sustainable way. The South Wiltshire Core Strategy, which had been earlier in the meeting recommended to Full Council for adoption (minute no. 17 above refers) had been subsumed into the Draft Submission Document to ensure delivery of a single Core Strategy for Wiltshire.

Cllr de Rhe Philipe explained how the draft document had evolved and the extensive consultation undertaken on it.

The June 2011 Consultation Document had formed the basis for the development of the Pre-Submission Draft Core Strategy now presented. It was however noted that there had been changes made as a result of consultation, further refinement of the evidence base and to aid clarity. Details of the changes were presented and Cllr de Rhe Philipe highlighted the main areas of change.

Cllr de Rhe Philipe presented a table of further proposed changes which were considered necessary to correct drafting errors, further improve clarity and/or to strengthen the document. In the interests of transparency, these further changes are attached as an appendix to these minutes which also highlights minor changes agreed following debate at this meeting.

Cabinet was advised that by endorsing the Pre-Submission Draft Core Strategy for publication (i.e. the consultation on the soundness of the draft DPD) and subsequent submission to the Secretary of State, the Council considered that the document was sound.

If Full Council approved publication, preparations would be made to publish the Draft Wiltshire Core Strategy and supporting documents for a period of six weeks in accordance with the Council's Statement of Community Involvement and statutory requirements.

The consultation would start on or around 20 February 2012 and finish before the Easter weekend. The consultation would provide an opportunity to

challenge the soundness, rather than to re-open the discussions that had informed the development of the document.

Following consultation and subject to there being no representations that raised fundamental issues of soundness of the Plan, Full Council could then approve the document for Submission to the Secretary of State without the need to refer back to Cabinet.

Once submitted to the Secretary of State (July 2012), the process of Independent Examination by a Government appointed Planning Inspector would then commence.

Cllr de Rhe Philipe stressed that not progressing the Core Strategy would expose Wiltshire to speculative proposals that it would not be well placed to defend or develop in a way that maximised benefits for local communities.

A number of Councillors addressed Cabinet on the document particularly in relation to their respective electoral division areas to which Cllr de Rhe Philipe and the Service Director for Economy and Enterprise responded.

Cllr de Rhe Philipe thanked officers for the huge amount of work involved in getting the Wiltshire Core Strategy DPD document to this stage.

Following debate and on hearing contributions from members of the public, it was

Resolved:

That Cabinet agrees to:

- a) **amend the Draft Wiltshire Core Strategy as detailed in the appendix to these minutes and for these amendments to be incorporated in the document to be presented to Council;**
- b) **recommend to Council on 7 February 2012 that the Draft Wiltshire Core Strategy as amended be approved for publication for a final six week statutory consultation period commencing on or around 20 February 2012;**
- c) **endorse the Draft Wiltshire Core Strategy as amended and recommend that Council approves the document for the purpose of Submission to the Secretary of State subject to there being no representations received during the consultation which, in the opinion of the Director for Economy and Enterprise in consultation with the Cabinet Member for Economic Development and Strategic Planning, raise fundamental issues on the soundness of the Strategy and**

- d) **authorise the Service Director for Economy and Enterprise, in consultation with the Cabinet Member for Economic Development and Strategic Planning to make any further necessary changes to the Draft Core Strategy in the interests of clarity and accuracy before it is published, and to make arrangements for consultation.**

Reason for decisions

To ensure that progress continues to be made on preparing an up-to-date development plan for Wiltshire, in line with the timetable set out in the Council's recently approved Local Development Scheme and statutory requirements.

19. **Urgent Items**

There were no urgent items.

Minutes - Appendix

(Duration of meeting: 2.30 - 4.30 pm)

These decisions were published on the 24 January 2012 and will come into force on 1 February January 2012.

The Officer who has produced these minutes is Yamina Rhouati, of Democratic Services, direct line 01225 718024 or e-mail yamina.rhouati@wiltshire.gov.uk
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Pre-Submission Draft Wiltshire Core Strategy Development Plan Document

Changes

The following changes to the draft Wiltshire Core Strategy were approved by Cabinet on 17 January 2012. They are considered necessary to correct drafting errors, improve clarity and/or to strengthen the document.

Further changes may also be required, which constitute more minor changes and in the interests of clarity and accuracy. These are not identified and will be addressed under delegated authority.

Document Reference	Change required	Reason for Change
Beginning of document	Add new paragraphs to clarify 'How to use this document', including text from June 2011 consultation document.	To improve clarity.
Paragraph 2.0	Delete sentence "A rural buffer policy has historically effectively protected the identity of outlying rural settlements in this part of Wiltshire and been successful in retaining the openness of the countryside" This statement could create confusion, as the Rural Buffer policy will be revoked when the provisions of the Localism Act fully come into force. References in the Royal Wootton Bassett Area Strategy section already cover the issue reflected in this statement.	To improve clarity.
Page 29	Wiltshire Key Diagram: Wilton should be shown as a Local Service Centre rather than 'Market Town. Shading showing Housing Market Areas (HMA) is incorrect and should show Royal Wootton Bassett and Cricklade Community Area in the <u>west</u> HMA and Amesbury should be in the <u>south</u> HMA.	Drafting error.
Core Policy 1	Review supporting text to Core Policy 1 and Core Policy 2 to improve clarity and address: Large and small villages are treated together within Core Policy 1, although the approach to each of these types of settlements is different within the supporting text (e.g. paragraphs 4.14 and 4.15) and within Core Policy 2. See changes to paragraphs 4.14 and 4.28 below also.	To improve clarity.

Document Reference	Change required	Reason for Change
Paragraph 4.14	Revisions to clarify small and infill developments in smaller settlements. New text underlined.	To improve clarity and strengthen document.

	<p>4.14 At the settlements identified as villages, a limited level of development will be supported in order to help retain the vitality of these communities. At Large Villages the existing settlement boundaries will be retained and development will predominantly take the form of small housing and employment sites within the settlement boundaries. <u>Small housing sites are defined as sites involving less than 10 dwellings (i.e. not a major application)</u> Development outside the settlement boundary will be strictly controlled. Relaxation of the boundaries will only be supported where it has been identified through a community-led planning policy document, such as a Neighbourhood Plan, which includes a review of the settlement boundary to identify new developable land <u>to help meet the housing and employment needs of that community</u>. In turn this could bring forward benefits to the local community such as improvements to the economy through the identification of land for employment purposes.</p>	
<p>Paragraph 4.28</p>	<p>Add the following wording to the end of paragraph 4.28: “The delivery strategy defines the level of growth appropriate within the built up area of small villages as infill. For the purposes of core policy 2, infill is defined as the filling of a small gap within the village that is only large enough for not more than a few dwellings, generally only one. Exceptions to this approach will only be considered through the Neighbourhood Plan process.”</p>	<p>To improve clarity and strengthen the document.</p>
<p>Paragraph 4.35</p>	<p>Add “(including low-carbon and renewable energy)” to bullet point 2.</p>	<p>To improve clarity.</p>
<p>Core Policies 2 and 32, Appendix A (Development Template)</p>	<p>Amend number of dwellings for Station Road Strategic Site, Westbury to 250 dwellings rather than 300 dwellings.</p>	<p>Drafting error.</p>

Document Reference	Change required	Reason for Change
Core Policy 2	<p>(i) Change “around 37,000 homes” to “at least 37,000 homes”.</p> <p>(ii) Insert new wording in second paragraph of Core Policy 2 to emphasise the priority afforded to employment land delivery:</p> <p>“This will be delivered in a sustainable pattern in a way that prioritises the delivery of <u>employment land</u>, the re-use of previously developed sites...”</p> <p>(iii) Add sentence onto the end of paragraph relating to the “Development outside of the limits of development will only be permitted where it has been identified through community led planning documents including neighbourhood plans...” to ensure development is sustainable, accords with the wider Strategy and does not take place in the open countryside. New text as follows:</p> <p>“This must be adjacent or well related to the limits of development.”</p> <p>(iv) Add new text “Master plans will be developed for each strategic site in partnership with the local community, local planning authority and the developer.” at the end of the text introducing the list of ‘strategic development’ sites in Core Policy 2.</p> <p>(v) Add new text to follow change made under (iv) above. “At mixed use strategic sites development will be phased to ensure employment land and appropriate infrastructure is brought forward during the early stages of development”</p> <p>(vi) Proposed Bradford on Avon strategic site should read 2 to 3 hectares of employment land, rather than 2.3 hectares.</p>	<p>Drafting errors, to improve clarity and strengthen document.</p> <p>Changes (ii) and (v) have been made in response to discussion at Cabinet.</p>
Page 45	Amesbury Community Area Map: Durrington and Bulford to be shown on map.	Drafting error.
Page 54	Bradford on Avon Community Area Map: Amend area of strategic site (Kingston Farm) to be the same as that shown in the development proforma in Appendix 1 (part of the site is missing).	Drafting error.

Cabinet 17 January 2012 - Appendix

Document Reference	Change required	Reason for Change
Core Policy 9	<p>Chippenham Central Area of Opportunity:</p> <p>Add to end of bullet point on Langley Park “to support the retention of significant business uses on part of the site.”</p>	To improve clarity and strengthen policy.
Paragraph 5.65	<p>Devizes Area Strategy:</p> <p>Remove final bullet point as limits of development not shown on the proposals map and other points covered by other bullets in the list.</p> <p>In 7th bullet point, floorspace needed should be comparison retailing and not convenience</p>	To improve clarity and correct drafting error.
Page 79 and Core Policy 12	<p>Devizes Area Strategy:</p> <p>Rowde should be shown as a Large Village and not a Small Village.</p>	Drafting error and strengthening document.
Page 84	<p>Malmesbury Community Area Map:</p> <p>(i) Oaksey is marked incorrectly on the map and should be shown as a Large Village.</p> <p>(ii) Dauntsey is designated as a Small Village and should be shown on the map.</p>	Drafting error.
Paragraph 5.92	<p>Insert new bullet point regarding loss of small employment sites in Pewsey, which has been an issue in recent years. To mitigate this loss, opportunities to bring forward the saved local plan allocation for employment at Marlborough Road Pewsey could be investigated through the neighbourhood plan process.</p>	Drafting error.
Page 105 and Core Policy 18	<p>Pewsey Area Strategy:</p> <p>(i) Charlton St Peter should be added as a small village and Wilsford to be removed from small villages.</p> <p>(ii) Redraft bullet point in Core Policy 18 regarding Principal Employment Areas to refer to these as locally important rural employment sites to clarify their status and update list.</p> <p>(iii) Reference needs to be made to saved Local plan allocation for employment land in Pewsey.</p>	Drafting errors and strengthening of document.
Paragraph 5.109	<p>Salisbury Area Strategy:</p> <p>Insert new bullet point to clarify that the cumulative impact of all Strategic Sites at Salisbury should be considered in transport assessments.</p>	To improve clarity.

Cabinet 17 January 2012 - Appendix

Document Reference	Change required	Reason for Change
Page 127 and Core Policy 24	Area covered by New Forest National Park Area (NFNPA) should be shown on Southern Wiltshire Community Area Map. Exclude villages within NFNPA from Core Policy 24.	
Page 138 and Core Policy 27	Tisbury Area Strategy: Sutton Mandeville is missing from small villages in Core Policy 27. Only Chilmark is identified on the Tisbury Community Area Map as a small village, update to include all small villages in Core Policy 27.	Drafting error.
Page 144	Trowbridge Community Area Map: West Ashton should be shown as a small village.	Drafting error. In response to discussion at Cabinet.
Page 154 and Core Policy 31	Warminster Area Strategy: Upton Scudamore should be shown as a small village.	Drafting error and strengthening document.
All community area Strategies (Chapter 5)	Revise tables showing 'Delivery of Housing 2006 to 2026' for each Community Area so they all refer to a base date of 2011 and have been checked for arithmetical errors including rounding. Remove duplication in Area Strategy in bullet point list of issues, where an 'issue' is covered by other Core Policies in the document and there is no benefit from reiteration. In introductory sentence to list of bulleted "issues", refer to "issues and considerations" rather than just "issues" as this more accurately reflects the points set out. Associated change also required in Core Policies that cross refer to these paragraphs.	Drafting error and to improve clarity.

Cabinet 17 January 2012 - Appendix

Document Reference	Change required	Reason for Change
Para 6.4	<p>Add new wording onto the end of Paragraph 6.4:</p> <p>“There may be proposals that arise during the plan period that are of exceptional strategic importance to the Wiltshire economy and do not strictly accord with the Strategy, which may merit consideration. In such circumstances, potential will be explored in conjunction with the Swindon and Wiltshire Local Enterprise Partnership, with consideration being given to the sub-regional context and impacts on the overall development strategy, in particular not undermining the delivery of the strategic employment sites already planned at settlements.”</p>	Drafting error and to strengthen document.
Paragraph 6.44	Update overall target for affordable housing in line with new threshold, to “at least 10,000 new affordable homes” being delivered rather than “at least 11,000 new affordable homes”.	To strengthen document.
Core Policy 43	Affordable housing provision of 40% (net) will be provided on sites of “5 or more dwellings” rather than “3 or more dwellings”.	This change is necessary to reflect up to date viability evidence and correct drafting error.
Paragraph 6.50	<p>Add text to the end of paragraph 6.50 relating to cross subsidy element of Core Policy 44 - Rural exceptions sites:</p> <p>“The land values in the detailed financial appraisal should be benchmarked against those for agricultural land in the local area and historic values of exception sites.”</p>	To strengthen document.
Table 22, Page 199	<p>Title of Table 22 should be “Supply of permanent accommodation for Gypsies and Travellers, April 2006 to November 2011</p> <p>Heading of second column of Table 22 should read “Permitted Apr 06 - Nov 11”.</p> <p>0 is missing from East under third column.</p>	Drafting error and to improve clarity.

Document Reference	Change required	Reason for Change
Core Policy 47	<p>Period should be 2011 to 2021 and not 2006 to 2021.</p> <p>Provision should be made for 82 permanent pitches and not 167 pitches.</p> <p>Dates in transit provision should be 2011 to 2021 and not 2006 to 2021.</p>	Drafting errors.
Core Policy 48 and Paragraph 6.66	<p>Strengthen policy under heading 'Reuse of redundant buildings' so that it gives priority to proposals for employment and tourism use, and make associated changes to paragraph 6.66. Reword policy as follows:</p> <p>"Reuse of redundant agricultural buildings</p> <p>Proposals to convert redundant agricultural buildings for employment and tourism will be supported where it satisfies all of the following criteria:</p> <ul style="list-style-type: none"> i. The buildings have architectural merit, are structurally sound and capable of conversion without major rebuilding, and only modest extension or modification which preserves the character of the original building; and ii. the reuse would lead to the viable long-term safeguarding of a heritage asset; and iii. the use would not detract from the character or appearance of the landscape or settlement and would not be detrimental to the amenities of residential areas; and iv. The building can be served by adequate access and infrastructure; and v. The site has reasonable access to local services; and vi. the use meets identified local needs for employment. <p>In exceptional circumstances, where there is clear evidence that employment or tourism uses cannot be made viable, residential development may be appropriate where it meets the above criteria and has reasonable access to employment."</p>	To strengthen policy.

Cabinet 17 January 2012 - Appendix

Document Reference	Change required	Reason for Change
Core Policy 57	Amend criterion v as follows: “the maximisation of opportunities for sustainable construction techniques, use of renewable energy sources and ensuring buildings and spaces are orientated to gain maximum benefit from sunlight and passive solar energy, unless this conflicts with the character of surrounding townscape, landscape or topography where it is of high quality in accordance with CP 41 ”.	To improve clarity.
All Maps	Review all maps and their keys in the interests of clarity and accuracy to ensure correct information is incorporated and make changes where appropriate. For example, including the following: (i) Indicative areas of green space on significant strategic sites to show that not all the site will be covered in built form and areas may need to be kept open, for example, due to flood plains or proposed country parks; (ii) Saved Local Plan allocations; and (iii) Principal Employment Areas.	To improve clarity and drafting errors.
Pages 14 and 15, Appendix A	East Chippenham Strategic Site Development Proforma: (i) Amend final bullet point in ‘Key Objectives’ to read: “Development to enhance and protect the landscape quality and biodiversity of the River Avon corridor, promoting its recreational use, and the sites connectivity to the town and wider countryside through enhanced pedestrian and cycle access along the corridor.” (ii) Amend third bullet point under ‘Transport’ to read: “Improvements to public transport connectivity and pedestrian and cycling links between the town centre, railway station and Wiltshire College campuses, with improved pedestrian and cycle access along the River Avon corridor, are required.	To strengthen document and improve clarity. In response to discussion at Cabinet.

Cabinet 17 January 2012 - Appendix

Document Reference	Change required	Reason for Change
Page 43, Appendix A	<p>Westbury Development Proforma:</p> <p>Insert new objective:</p> <p>“To minimise the realignment of the Lake in securing a link road connecting Station Road and Mane Way, and make alternative suitable provision for the Sailing Club if required.”</p>	<p>To strengthen document and improve clarity.</p> <p>In response to discussion at Cabinet.</p>
Appendix E	Insert Malmesbury and Marlborough into the list of settlement boundaries to be retained.	Drafting error.

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CABINET

MINUTES of a MEETING held in COUNCIL CHAMBER - COUNCIL OFFICES,
BRADLEY ROAD, TROWBRIDGE, BA14 0RD on Monday, 30 January 2012.

Cllr John Brady	Cabinet Member for Finance Performance and Risk
Cllr Lionel Grundy OBE	Cabinet Member for Children's Services
Cllr Keith Humphries	Cabinet Member for Public Health and Protection Services
Cllr Fleur de Rhe-Philippe	Cabinet Member for Economic Development and Strategic Planning
Cllr Jane Scott OBE	Leader of the Council
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing
Cllr Dick Tonge	Cabinet Member for Highways and Transport
Cllr Stuart Wheeler	Cabinet Member for Campus Development and Culture (including Leisure, Sport and Libraries)

Also in Attendance:	Cllr Tony Deane
	Cllr Richard Gamble
	Cllr Jon Hubbard
	Cllr Francis Morland
	Cllr Jeff Osborn

20. **Apologies**

An apology for absence was received from Cllr John Noeken, Cabinet member for Resources.

21. **Declarations of Interest**

There were no declarations of interest.

22. **Leader's announcements**

There were no announcements.

23. **Public participation**

The Leader acknowledged that two members of the public had registered to speak at this meeting on the following item. She also explained that she would

be happy for other members of the public present to also participate in the discussion at this meeting.

24. Call in of Cabinet Decision - Proposed closure of Urchfont Manor

Public Participation

The following members of the public addressed Cabinet on this item:

Mr Cairns Langland
Mr David Motram

Cabinet at its meeting on 17 January 2012 agreed the creation of a central Devizes Customer Access Point, the closure of the Council offices at Browfort in Devizes and Bradley Road in Trowbridge and Urchfont Manor.

Since publication of the decisions in relation to this item in the form of the minutes of the meeting on 23 January, the Chairman of the Organisation and Resources Select Committee, Cllr Jeff Osborn gave notice within the prescribed period, that he wished to call-in the decision in so far as it related to the closure and disposal of Urchfont Manor.

Accordingly, a meeting of the Organisation and Resources Select Committee was held earlier today (30 January) to consider the request to call-in the decision. The Committee after hearing representations from Cllr Jeff Osborn, relevant Cabinet members, other Councillors and members of the public resolved as follows:

‘That the Organisation and Resources Select Committee requests that Cabinet reconsider the decision to close Urchfont Manor House in light of inadequate consultation, as defined within paragraphs 25 and 26 of the Cabinet procedure rules in Part 7 of the Constitution.’

The full report to the Scrutiny Select Committee and subsequent minutes can be accessed on the following link to the Council’s website:

[Organisations and Resources Select Committee - 30 January 2012](#)

This meeting of Cabinet had therefore been convened to reconsider its original decisions dated 17 January in light of the Scrutiny Select Committee’s comments.

After hearing from members of the public, and at the invitation of the Leader, Cllr Jeff Osborn was invited to report on his Committee’s decision to refer the matter back to Cabinet for reconsideration.

A report on the outcome of the Scrutiny Select Committee's deliberations was presented. It was noted that the referral back to Cabinet stemmed from the Select Committee's concerns over the following main issues:

- The report to Cabinet did not confirm compliance with the Council's Consultation Strategy or explain any divergence from it;
- perceived lack of consultation with all members of the Urchfont Manor College Board of Management which in the opinion of the Select Committee, should have been regarded as an advisory panel for purposes of consultation and
- no consultation having been undertaken with the relevant Scrutiny Select Committee.

Cllr Jeff Osborn requested that now information concerning the closure of Urchfont Manor was in the public domain, Cabinet should hold the decision to dispose of it in abeyance to allow time to consider the matter in more detail and to engage in meaningful consultation.

The Leader responded to the views from the Scrutiny Select Committee. In relation to the issue of consultation, the Leader drew a distinction between the service and the buildings from which the service is currently provided, in this instance between the decision to review the provision of adult education services and the decision to close and dispose of Urchfont Manor.

In relation to adult education provision, the Leader emphasised that this would be reviewed in line with the Department for Business Innovation and Skills strategic proposals for Further Education and Skills and only determined following consultation with service users, area boards and local communities and partners and to try and ensure locally based provision.

Urchfont Manor was a strategic property site in the same category as Browfort and Bradley Road buildings and as such, decisions to dispose of them were not a matter for consultation. The Council through its Business Plan had previously agreed that it would be rationalising its property portfolio. Furthermore, the future of Urchfont Manor had been the subject of consideration for several years with the involvement of the Urchfont Management Board. Cabinet had, in September 2008, considered various options for this building which at that time, included investment in the property, creation of dedicated conferencing and training facilities, partnership arrangements with Wiltshire College, outsourcing the delivery of courses and conferences to a private provider and disposing of it. Unfortunately, no financially feasible proposal to secure its retention had since emerged.

The Leader explained that at a time of significant budget pressures, the Council had to give priority to its statutory functions, particularly those in relation to protecting vulnerable members of our communities. The Council did not have the necessary funds to be able to invest in Urchfont Manor to secure its

retention and long term protection. In terms of providing an opportunity to explore the setting up of a Trust to take on responsibility for Urchfont Manor, the Leader explained that this could be explored by those interested in pursuing such an option. However, she also explained that the Council was duty bound to secure best value for the site and any deviation from this would have to be referred to the Secretary of State.

Cllr Stuart Wheeler, Cabinet member for Campus Development and Culture (including Leisure, Sport and Libraries) emphasised that there was an important distinction between a decision yet to be made on the future delivery of the adult education service, for which consultation had begun, and the decision made on the building from where the service was currently being provided.

Cllr Toby Sturgis, Cabinet member for Waste, Property, Environment and Development Control Services explained that consultation on the disposal of the property would be impracticable. The Council would not be in a position to provide all details concerning the disposal to preserve the confidentiality of commercially sensitive information and to protect the Council's interests in securing the best price for it. He confirmed that the Council would be selling the property freehold with no subsidy and that Cabinet had resolved to try to ensure continued community access to Oakfrith Wood, the playing fields to the north of Urchfont Manor and existing cricket pitch by the Cricket Club.

Cllr Lionel Grundy, Cabinet member for Children's Services reported that the Council would be seeking views on what the public would like provided in terms of adult education. Given that such provision was not a statutory function and the Council did not receive any funding for it, any service would need to be self financing.

In response to a query on the lawfulness of the Cabinet's decision, the Service Director for Law and Governance in his capacity as the Council's Monitoring Officer advised that the report to Cabinet did draw the distinction between the proposal to review the adult education service and the proposal to dispose of the property from which the service was being provided. He agreed that the Council could be open to challenge if it did not consult on the review of the provision of the adult education service and noted that arrangements were in hand to consult fully with interested parties including current users of the service.

He agreed that Cabinet in making its decision needed to have regard to the principles of decision making in the Constitution, including consultation with interested parties where appropriate and practicable, and the need to secure best value and to operate efficiently, effectively and economically. The Service Director confirmed he was satisfied that the Cabinet had acted reasonably in weighing these considerations and that its decision was lawful.

The Leader explained that the decision to dispose of Urchfont Manor had not been taken lightly and followed several years of considering how it could possibly be retained and maintained. Following debate, it was

Resolved:

- a) **That Cabinet notes the recommendation of the Organisation and Resources Select Committee dated 30 January 2012 and thanks it for its work.**
- b) **That the decisions of Cabinet dated 17 January 2012 in relation to Urchfont Manor, the subject of referral by the Select Committee, be confirmed.**

For ease of reference, the full resolutions of Cabinet dated 17 January 2012 can be accessed on the following link of the Council's website:

[Cabinet - 17 January 2012](#)

(Duration of meeting: 3.45 - 4.35 pm)

These decisions were published on 3 February 2012 and effective immediately

The Officer who has produced these minutes is Yamina Rhouati, of Democratic Services, direct line 01225 718024 or e-mail yamina.rhouati@wiltshire.gov.uk
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CABINET CAPITAL ASSETS COMMITTEE

MINUTES of a MEETING held in COUNCIL CHAMBER - COUNCIL OFFICES,
BRADLEY ROAD, TROWBRIDGE, BA14 0RD on Wednesday, 18 January 2012.

Cllr Jane Scott OBE	Leader of the Council
Cllr John Noeken	Cabinet Member for Resources
Cllr Fleur de Rhe-Philipe	Cabinet Member for Economic Development and Strategic Planning
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing

Also in Attendance:

Cllr John Brady
Cllr Lionel Grundy OBE
Cllr Jeff Osborn
Cllr Dick Tonge
Cllr Stuart Wheeler

76. **Apologies**

None.

77. **Minutes of the previous meeting**

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 15 November 2011.

78. **Chairman's Announcements**

The Chairman noted that she had agreed to accept an item of Urgent Late Business (Schools Funding Settlement 2012/13 – Capital Allocations). This was due to the recent provision of information from the Department for Education, and the need to brief Members prior to the capital budget being finalised. The item would be taken under Urgent Business (item 8).

79. **Declarations of interest**

There were no declarations of interest.

80. **Oil to Biomass Boiler Conversion Programme**

Cllr Toby Sturgis, Cabinet member for Waste, Property, Environment and Development Control Services, presented a report which set out proposals for investing in a programme of biomass boiler installations in the schools estate.

Officers highlighted a risk in relation to schools which transferred to academy status in the future. The costings had been calculated on the basis of Council paying for the boiler installation and fuel, and charging the schools for the supply of the heat. However, if a school were to transfer to academy status in the future, then there was no guarantee that the Academy would wish to continue to purchase heat from the Council. Although the boiler would remain in the Council's ownership, the Academy would be a new legal entity and could not be bound to agreements made by the predecessor maintained school. The associated risks and actions taken to mitigate these were set out at paragraphs 30-32.

Resolved:

- a. **To agree a commitment to allocate capital funding for the programme of works as outlined in paragraph 12 (up to £2.73 million on funding to deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme).**
- b. **To delegate to the Service Director for Economy and Enterprise to implement the programme, in consultation with the Cabinet Member for Waste, Property, Environment and Development Control Services, the Service Director for Finance and the Service Director for Business Services.**

Reason for Decision

The project would deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme, paying back more than the investment over 20 years, including the inflation effect on money and generating an overall surplus due to the Government's Renewable Heat Incentive (RHI).

In addition, the project would reduce the Council's carbon footprint by 14% of the corporate carbon emissions reduction target. Other benefits included a projected £1 million saving from reduced carbon trading costs, and employment generation and improvement in woodland management by stimulating a demand for biomass fuels.

81. **Capital Allocation and Monitoring**

The Director of Finance introduced the report, which set out the position of the 2011/12 Capital Programme as at 30 November 2011. The report also detailed changes to the budget such as reprogramming of schemes.

Officers were asked to clarify the figures on page 45 which showed an overspend on Highways, Winter Fleet and Street Cleaning Vehicles, with an actual spend of £0.676 million, against a budget of £0.277 million.

Resolved

- a. To note the current position of the Capital Programme 2011/12 at Period 8 as set out in Appendix A.**
- b. To note the total budget increases of £0.528 million and the £0.620 million reprogramming of spend between 2011/12 and 2012/13.**
- c. To recommend to Council, via Cabinet, the approval of £0.085 million of additional budget for E-recruitment Software to be funded from general capital receipts.**

Reasons for Decision

To inform the Cabinet (Capital Assets) Committee of the current position of the 2011/12 Capital Programme and to highlight changes in the Capital Programme.

82. **Warminster Depot**

The Cabinet member for Waste, Property, Environment and Development Control Services introduced the report which invited the Committee to consider an opportunity to negotiate to acquire properties adjacent to a council-owned piece of land at Warminster Highways Depot, with a view to improving future prospects for redevelopment of the highways depot function on its existing site.

Resolved:

That Cabinet (Capital Assets) Committee authorises the appropriate Corporate Director to approve the acquisition of properties at 32 and 34 Bath Road, Warminster, with reference to the Cabinet Member for Waste, Property Environment and Development Control Services, and following satisfactory negotiations with the property owners.

Reasons for Decision

To facilitate potential future development of the Council's existing depot site at Furnax Lane, Warminster, without the constraints currently imposed by the two subject properties.

83. Urgent items

The Cabinet member for Children's Services introduced the report, which informed the Committee of a drop in the Schools Funding Settlement 2012/13 and set out the impact on Wiltshire's School Capital Programme.

It was noted that the national budget had not changed, but that funding prioritisation had changed to focus on a shortage of space in schools, such as in West London, rather than the condition or age of existing buildings.

Councillors expressed disappointment at the news, particularly as Wiltshire had not benefitted from the Building Schools for the Future programme.

It was requested that a further report be prepared for the next Cabinet Liaison meeting, setting out costs and a detailed breakdown of the changes to the Schools Capital Programme.

Resolved:

- a. To note the Capital Allocation for 2012/13 for Education projects, the impact on the capital programme and the actions being taken.**
- b. To request that officers draft a letter to the Department for Education, setting out the Council's disappointment at this decision and showing the impact on Wiltshire. This letter will be copied to local MPs and the Prime Minister's office.**

Reasons for Decision

To inform the Committee of the announcement made by the Secretary of State in December 2011, and the levels of capital grant to be received for Education programmes in 2012/13.

84. Exclusion of the Press and Public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, to exclude the public from the meeting for the business specified in minute 85 below as it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in

withholding the information outweighs the public interest in disclosing the information to the public.

85. Warminster Depot

The Committee noted the confidential financial information relating to the proposal at minute 82 above.

(Duration of meeting: 2.30 - 3.10 pm)

These decisions were published on 20 January 2012 and will come into force on 30 January 2012

The Officer who has produced these minutes is James Hazlewood, of Democratic Services, direct line 01722 434250 or e-mail james.hazlewood@wiltshire.gov.uk
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Wiltshire Council

Cabinet

15 February 2012

Subject: Budget Monitoring Period 9 December 2012

Cabinet Member: Cllr John Brady – Finance, Performance & Risk

Key Decision: No

Executive Summary

The report advises members of the revenue budget monitoring position as at the end of Period 9 (December 2011) for the financial year 2011/2012 and highlights significant new cost pressures or changes since the last report on 13 December 2011.

The Period 7 budget monitoring report identified significant potential cost pressures that totalled £1.539 million. This period has identified improvements in these cost pressures totalling £1.260 million. This gives revised potential cost pressures of £0.279 million at period 9.

Action will continue to balance the budget by 31 March 2012, and this is discussed in more detail within the body of the report.

If the budget is balanced by the end of the financial year, the year end balance on the general fund reserves is projected to be £11.559 million. This meets the requirement to keep robust reserves as set out in the Council's financial plan.

Proposals

1. Members are asked to note the outcome of the Period 9 (December 2011) budget monitoring and receive updated movements since the previous report in December.

Reason for Proposal

To inform effective decision making and ensure a sound financial control environment.

Michael Hudson
Chief Finance Officer

Subject: Budget Monitoring Period 9 December 2012

Cabinet Member: Cllr John Brady – Finance, Performance & Risk

Key Decision: No

PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of Period 9 (December 2011) for the financial year 2011/2012 and highlight any significant new cost pressures or changes since the last report on 13 December 2011.

BACKGROUND

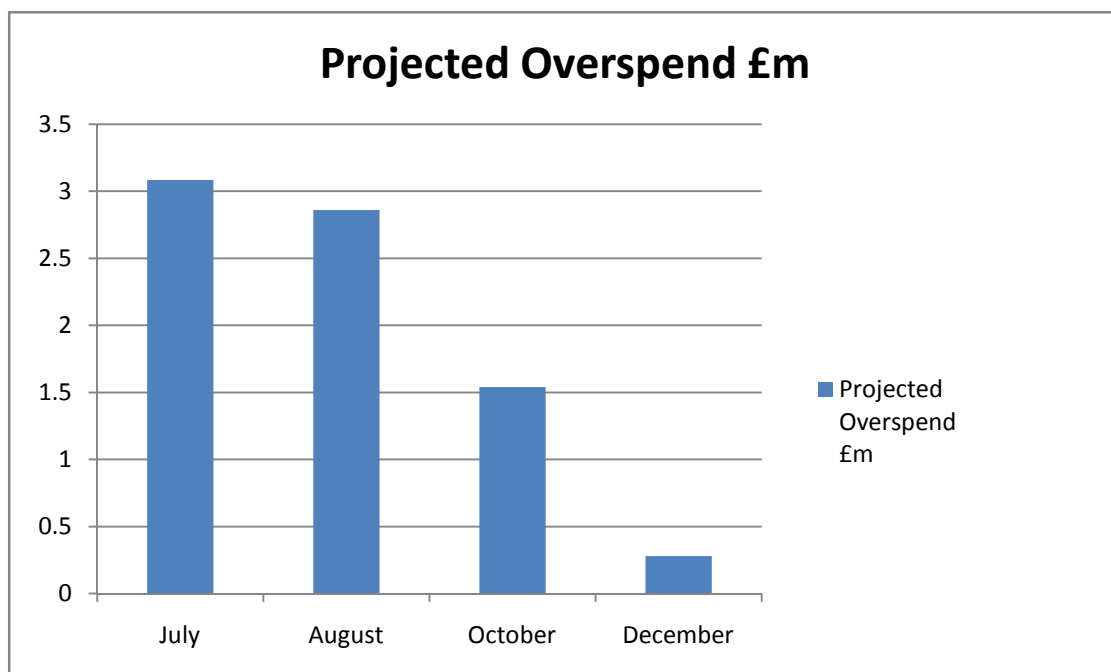
2. This report is in the new senior management structure ratified by Council on 8 November 2011. The detailed reports have been recast into the new structure, which shows expenditure by service areas.
3. As in previous periods, the report focuses on the gross and net position by service area. Comprehensive appendices showing the individual budget headings are included in Appendix C. More details on the movements in the year are included later in the report.

SUMMARY

4. The projected year end position for the relevant accounts is set out as follows:

	Revised Budget Period 9 £m	Profiled Budget to date £m	Actual and committed to date £m	Projected Position for Year £m	Projected Over/ (Underspend) £m	Over/ (Underspend) reported at period 7 £m	Movement since period 7 £m
General Fund Total	329.847	438.411	329.499	330.126	0.279	1.539	(1.260)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	(0.485)	(0.074)	0.000	(0.074)

5. The graph below shows how the forecast outturn overspend has decreased in budget monitoring reports in Cabinet this year. The graph shows a clear continual improvement in the projected overspend, following financial management throughout the Council.



COST AND INCOME PRESSURES

6. Finance have continued to monitor budgets with a focus on those budgets assessed to be subject to a higher risk of volatility due to factors such as changes in demand or assumptions. This has identified the areas where costs have risen quicker than forecast.
7. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
8. The Period 7 report identified significant potential cost pressures in those high risk services totalling £1.539 million. This report identifies an overall improvement in these cost pressures with a reduction totalling £1.260 million. This gives a downward revised cost pressure of £0.279 million at period 9. This is summarised and tied back to the last monitoring report in Appendix D. This table has been recast to reflect the Council's new management reporting structure. The overall balance brought forward is the same, but some of the figures have been split down to give more details.
9. The period 9 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.

BUDGET MOVEMENTS SINCE PERIOD 7 REPORTED TO MEMBERS

10. There have been some movements between service areas in budget since the last monitoring report at period 7. More details are given in Appendix B.

Detailed monitoring

11. The overall revised projected net position by service areas is set out in Appendix C.
12. A more detailed summary of the forecast variances is set out by service areas as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled period 9 budget and actual and committed to date. This is due to timing differences for example with schools and work will continue to refine budget profiling within the year.

Adult Social Care (Operations and Commissioning) (Including Older People, Physical Impairment, Learning Disability, Mental Health, Supporting People and Resources, Strategy and Commissioning)

13. The current forecast overspend across the combined Adult Social Care Service areas is £0.757m (£1.678m over spend for Operations and £0.921m under spend for commissioning), compared to £1.236m when last reported. This reflects improvements to partner income forecasts.
14. As previously reported, the cost pressures being experienced are largely as a result of demand for Adult Social Care services being greater than that which were assumed when setting the budget. This is predominantly in the areas of:
 - Older People through demand for residential placements and domiciliary care services. The forecast includes an assumption that the authority will continue to make an additional 13 placements per month, 46 placements to the end of the financial year;
 - Support for Adult Social Care Services provided through the Supporting People budget;
 - Support to people with a Physical Impairment through demand for new high cost, complex care packages;
 - Learning Disabilities through demand for new and complex packages of care.
15. We are now into the winter months and the service continues to work in partnership with the Primary Care Trust (PCT) throughout this period to monitor the demand pressures and the impact of this on the PCT and also on social care services. There is considerable pressure currently at both a national and local level for PCT's and Local Authorities to work together to ensure that hospital delays are minimised. The service continues to closely manage and monitor hospital delays with the PCT, and to assess the financial implications for the authority. However, the service is facing increasing and significant pressure to make additional placements above those planned and budgeted for.

16. As previously reported, the service has experienced a reduction in the rate at which people are leaving the care system, for example through moving out of county or through death rates. This is occurring across residential and nursing placement budgets and domiciliary care budgets. Rates have been reducing overall since April 2009, but the trend experienced so far in this financial year has been more prominent.
17. Cost pressures are continuing from an increasing number of people transferring to packages of social care following reassessment against the Continuing Health Care (CHC) criteria. To the end of December, the service has paid for packages of care for 20 people following this process, at an in year cost of £0.360 million. This is reflected in the current forecast and is managed as part of the overall panel process.
18. The service continues to ensure that adult social care expenditure is tightly controlled. All packages of care are agreed through a panel process, against strict criteria to ensure that the most cost effective placements are made as well as meeting a person's needs. This process has been subject to review by members of the Health and Adult Social Care Select Committee, who confirmed that they believe that the processes in place are robust.

Community Leadership & Governance

19. The current forecast overspend against the service of £0.028 million relates to the delivery of budgeted staff savings in the Area Boards service area.

Libraries, Heritage & Arts

20. The current forecast overspend against the Libraries, Heritage and Arts Service of £0.098 million (£0.121 million when last reported) is as a result of lower than budgeted income levels. The service is reviewing its planned expenditure against all budget areas to identify ways in which this can be further managed down. This is reflected in the current forecast and any further improvements will be reflected in future reports.

Strategic Housing

21. There is currently a forecast underspend against Strategic Housing of £0.461m compared to £0.338 million when last reported. This is as a result of forecast expenditure in the Housing Options and Allocations service being less than budgeted and a number of vacancies across the department resulting in a forecast underspend against staffing budgets.

Highways and Street Scene

22. Budget monitoring has confirmed further pressure within service lines which has increased the anticipated overspend from £0.810 million to £1.190 million. This increase is driven by an expected shortfall in income to be achieved on Market stall rentals, as well as pressure within the Countryside service line

attributable to higher than expected payments to agencies/partnerships and unachievable income. This combined with continued pressures highlighted in previous reports has resulted in the forecast overspend of £1.190 million.

Leisure

23. The Leisure service forecast overspend has been reduced to £0.210 million due to a prudent reduction in the anticipated spend, the remaining overspend is due to reasons previously reported

Car Parking

24. Car Parking is reporting a forecast overspend of £1.500 million, this is a small improvement on projected costs of £0.050 million on the figure reported in period 7. The forecast on income remains unchanged.

Children's Services (including Safeguarding, Children's Social Care, Integrated Youth, Early Years, School Improvement, Business & Commercial Services, Targeted Services & Learner Support, Commissioning & Performance and Funding Schools)

25. Children's Services budgets are projected to underspend by £0.288 million. An increase in the overspend for Children's Social Care is offset by underspends across other service areas.
26. Looked after Children (LAC) numbers were 396 at the end of December and the in year increase in the numbers of LAC is reflected in the expenditure on placements. The external placement budget is projected to overspend by £0.373 million, commissioning 6,926 more nights care than budgeted for. The in-house placement budget is projected to overspend by £0.298 million, or 11,515 nights care.
27. The overspend on care leavers has increased by £0.098 million in December and reflects data cleansing and improved systems for recording expenditure on personal allowances for young people leaving care.
28. Integrated Youth Services are projected to underspend by £0.465 million. This is due to planned vacancies across the service and to over recovery of the year 1 savings target within the Connexions Service.
29. Schools and Learning Services are projected to underspend by £0.671 million. Key variances include:
 - The Early Years service is projected to underspend by £0.349 million due to planned vacancies and one off income.
 - SEN Transport budgets are projected to underspend by £0.200 million due to improved procurement and review of individual routes.

- Urchfont Manor is projected to overspend by £0.100 million due to a shortfall in income
30. The implementation of the corporate Admin Review has led to potential delays in achieving savings through phase 2 of the Business Support reviews in Social Care and Business & Commercial Services through the alignment of the processes. This may impact on achievement of the full year saving included in the business plan for 2012/2013. This will be further reviewed during future budget monitoring.

Policy, Performance & Partnerships

31. This service is projected to underspend by £0.104 million. There are a number of vacant posts following the bringing together of services from different Departments in to a single service area resulting in a saving of £0.080 million on staffing costs. Other non-pay budgets such as travel are also underspending.

Finance, Procurement & Internal Audit

32. The forecast overspend has increased by £0.100 million from that previously reported. This is a direct result of forecast increased costs against the Housing PFI set up costs budget which drew to a financial close in December 2011.

Legal & Democratic

33. There have been no changes in the previously reported £0.600 million overspend within Legal & Democratic Services. Around £ 0.080 of the overspend relates to the cost of parish and town council elections. The balance reflects a significant increase in the demand for legal services, particularly in relation to protecting vulnerable children. Steps are being taken to reduce this overspend by actively recruiting to permanent positions and reducing the number of locum lawyers.

Communications & Branding

34. The anticipated overspend on Communications & Branding is £0.130 million. This is a change from the previous forecast position of £0.060 million underspend and is due to underestimated costs on Design and Print work within service areas being approved and, following the centralisation of this activity, then moved in from other service areas. This forecast also takes into account the anticipated shortfall on the income target of £0.350 million.

Human Resources & Organisational Development

35. The anticipated under spend of £0.200 million is as a result of good budget management in the HR Project Team, the delay in delivering a small number of strategic projects and the reduction against planned delivery of leadership/management development interventions in 2012. This delay is primarily due to the senior management restructuring and organisational changes that have been ongoing. The strategic projects will be delivered in 2012/2013 budget period and the learning and development uptake will increase.

Information Services

36. Information Services have continued to manage the budget to the bottom line and are now forecasting an underspend of £1 million.
37. This is largely due to a reduction in server and desktop hardware and infrastructure expenditure; these costs have been captured as part of the transformation programme. In future years these costs will once again be met by the revenue budget and not by transformation.
38. There has been a significant saving on the Microsoft and Enterprise agreement for 2011/12. This agreement is on a 3 year contract and will require an audit and account adjustment in June 2013, through a process known as 'True-up', which reflects the installed Microsoft software on our systems.
39. Further underspends have been achieved from recruiting and developing a staff structure to provide internal support and expertise effectively reducing agency and maintenance support contract costs. These have been used to manage increased expenditure in Telecoms and Software Maintenance Support contracts brought about from the transformation programme.

Business Services

40. Business services have effectively reduced the under spend down from £0.100 million to £0.040 million by holding vacancies, reducing expenditure and negotiating a new Health and Safety system for less than forecast.

Strategic Property Services

41. Strategic Property Services is reporting a forecast underspend of £0.300 million. This is unchanged from period 7 report.

Transformation Programme

42. Since the last report the forecast overspend of £0.350 million on Transformation has risen to £0.390 million. Whilst efforts still continue to contain these costs within the service line, previously reported pressures arising from structural problems on business rates, grounds maintenance costs and in year costs from increasing utility prices and shortfall on lettings income have all led to this increased forecast overspend.
43. As reported in October 2011, the overspend within Transformation is being offset by an underspend within Strategic Property Services estimated at £0.300 million which is down to the effective management of the services staffing establishment.

Economy & Enterprise

44. Economy & Enterprise is reporting a forecast underspend of £0.400 million This is unchanged from period 7 report.

Development Services

45. Development Services is reporting a forecast underspend of £0.180 million. This is unchanged from period 7 report.

Highways Strategic Services

46. The Highways and Strategic Services line is forecasting an underspend of £0.240 million; an increase of £0.130 million from that previously reported. The main driver behind this increase is an upturn in the level of supervision fees received from developers; these are collected in relation to the supervision function carried out by Wiltshire Officers on construction sites across the County. The supervision expenditure is however likely to increase accordingly. This coupled with the delay in the setting up of the Safety Camera Unit has caused the budget to underspend at the forecasted level.

Passenger Transport (including Education Transport and Public Transport)

47. The service is forecasting a combined underspend of £0.620 million which is attributable to savings achieved in various areas of spending since the budget was set. These have been reflected in the budget that is being proposed for 2012/13. The underspend has seen a movement between the Education and Public Transport service lines due to clarification of expected transport contract costs through detailed analysis of the Routewise system. The underspend on Education Transport has decreased, but this has been offset with an increase

in the Public Transport underspend, meaning the overall underspend has reduced by £0.020 million since the last monitoring report.

Waste

48. Within the Waste service the assumptions around inflation on waste management have been analysed together with assumptions around the cost of the investment in new services. The forecast for Landfill Tax has also been restated. At this stage officers feel that the forecast overspend is £0.280 million, an increase of £0.090 million on the previous reported forecast.

Digital Inclusion

49. An underspend of £0.071 million is projected against the revenue budget for Digital Inclusion. Staffing costs are expected to underspend by £0.054 million, the remainder of the underspend is against travel and project running costs.
50. It should be noted that the financial plan already assumes that £0.070 million will be rolled forward in to 2012/2013. The over position will be reviewed at final outturn to see whether a request could be made to roll this further underspend forward.

Corporate Directors

51. This new heading has been introduced to reflect the direct costs controlled by the corporate directors. One area that is currently forecast to underspend is the business support function that is projected to underspend by £0.040 million.

Corporate

52. An underspend of £1.500 million is forecast as a result of re-programming of capital expenditure and the revenue financing cost associated with those. This is unchanged from the previous report. The level of specific provisions has been reviewed and it has been considered prudent to increase by £0.340 million to reflect specific claims which are currently under negotiation.

Housing Revenue Account

53. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. At present, the account is reporting a surplus of £0.485 million against a budgeted surplus of £0.411 million, an improvement since last reported of £0.074 million. This is largely as a result of reviewing forecasts based on more accurate spend to date trends.

RESERVES

54. The tables below provide the latest forecast as at period 9 on the general fund balance and estimated earmarked reserves held by the council. The latest forecast on general fund currently stands at £11.559 million at 31 March 2012. This will be factored into the revenue budget proposals for 2012/2013.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2011		(13.926)
Planned contribution in 2011/2012	1.867	
Extra draw re transformation	0.500	
Current Forecast Overspend at year end	0.000	
Total Forecast movement		2.367
Forecast Balance 31 March 2011		(11.559)

55. A review of the assessment of need has been undertaken by the S.151 Officer to link all the General Fund balances to risk. This will be updated as part of setting the 2012/2013 budget.

Overall conclusions

56. The December Cabinet report for period 7 suggested an overspend / shortfall on the balanced budget of £1.539 million due to cost pressures.
57. During the period additional cost pressures and savings have been identified that gives a downwards reduction of £1.260 million. This has resulted in a revised forecast of a potential projected overspend based on assumptions, at end of period 9, of £0.279 million.

Cost pressures reported period 7	£1.539 million
Reduction in cost pressures in period	(£1.260 million)

Cost pressures end of period 9	£0.279 million
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58. The early identification of potential issues is part of sound and prudent financial management. Action to address this year's forecast should be taken where officers have the delegated powers to do so and this is underway.

Implications

59. This report informs member's decision making.

Risks assessment

60. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on its reserves. The level of reserves is limited and a one off resource that cannot thus be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken. At this stage that is in place.

Equalities and diversity impact of the proposals

61. None have been identified as arising directly from this report.

Financial implications

62. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report. If all proposed actions are delivered this will yield a balanced budget by 31 March 2012.

Legal Implications

63. None have been identified as arising directly from this report.

Proposals

64. Members are asked to note the outcome of the period 9 (December) budget monitoring and receive updates movements since the previous report in October.

Reasons for proposals

65. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

2011-15 Business Plan

2011-15 Financial Plan

Budget Monitoring Cabinet Period 3 26 July 2011

Budget Monitoring Cabinet Period 4 13 September 2011

Budget Monitoring Cabinet Period 5 18 October 2011

Budget Monitoring Cabinet Period 7 13 December 2011

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Report author: Matthew Tiller, Chief Accountant

Appendices:

Appendix A: Revenue Budget Movements 2011/2012

Appendix B: Service Area Movements 2011/2012

Appendix C: Detailed Service Area Budget Statements

Appendix D: Forecast Variance Movement

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Wiltshire Council Revenue Budget Movements 2011/2012

Appendix A

Service	Original Budget	Restructure Virements	Original Budget (restructured)	In Year Virements to Period 5	Revised Budget Period 5	In year Virements Periods 6 & 7	Revised Budget Period 7	In year Virements Periods 8 & 9	Revised Budget Period 9
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care Operations									
Older People	40.070	(0.098)	39.972	4.091	44.063	(0.009)	44.054	0.014	44.068
Physical Impairment	7.976	0.000	7.976	(0.174)	7.802	0.000	7.802		7.802
Learning Disability	39.589	0.000	39.589	(2.681)	36.908	(0.177)	36.731		36.731
Mental Health	21.770	0.278	22.048	(1.110)	20.938	0.021	20.959		20.959
Supporting People	7.190	0.000	7.190	(0.063)	7.127	0.000	7.127		7.127
Adult Care Commissioning									
Resources, Strategy & Commissioning	3.073	0.309	3.382	(0.301)	3.081	1.967	5.048	(0.174)	4.874
Extra Non ring fenced grant	0.000	0.000	0.000	2.000	2.000	(2.000)	0.000		0.000
Communities, Libraries, Heritage & Arts									
Community Leadership & Governance	2.932	0.000	2.932	0.207	3.139	(0.062)	3.077	0.026	3.103
Libraries Heritage & Arts	4.832	0.000	4.832	(0.060)	4.772	(0.036)	4.736		4.736
Housing Services									
Housing Services	2.949	(0.021)	2.928	(0.147)	2.781	(0.005)	2.776		2.776
Neighbourhood Services									
Highways and Street Scenes	14.775	0.185	14.960	2.930	17.890	(0.047)	17.843		17.843
Leisure	3.389	0.000	3.389	(0.585)	2.804	(0.049)	2.755		2.755
Car Parking	(7.330)	0.000	(7.330)	0.258	(7.072)	(0.028)	(7.100)		(7.100)
Children & Families									
Safeguarding	0.796	0.000	0.796	0.044	0.840	(0.001)	0.839		0.839
Connexions Service	1.887	(1.887)	0.000		0.000	0.000	0.000		0.000
Youth Development Service	2.081	(2.081)	0.000		0.000	0.000	0.000		0.000
Youth Offending Service	1.616	(1.616)	0.000		0.000	0.000	0.000		0.000
Young People's Support Service	0.173	(0.173)	0.000		0.000	0.000	0.000		0.000
Other Targeted Services	1.834	(1.834)	0.000		0.000	0.000	0.000		0.000
Children's Social Care	28.586	(0.224)	28.362	(0.370)	27.992	(0.156)	27.836	0.208	28.044
Integrated Youth	0.000	5.615	5.615	0.036	5.651	(0.067)	5.584	(0.232)	5.352
Schools & Learning									
Early Years	9.784	(0.390)	9.394	0.087	9.481	0.000	9.481	(0.481)	9.000
School Buildings & Places	0.251	(0.251)	0.000		0.000	0.000	0.000		0.000
School Improvement	4.544	(0.314)	4.230	2.089	6.319	(0.019)	6.300	0.037	6.337
Traded Services	(0.377)	0.377	0.000		0.000	0.000	0.000		0.000
Special Educational Needs	5.938	(5.938)	0.000		0.000	0.000	0.000		0.000
Business & Commercial Services	0.000	(0.303)	(0.303)	1.044	0.741	(0.025)	0.716	0.428	1.144
Targeted Services & Learner Support	0.000	8.004	8.004	1.405	9.409	(0.088)	9.321	0.020	9.341
Children's Services Commissioning & Performance									
Commissioning and Performance	2.135	1.015	3.150	(0.256)	2.894	0.161	3.055	(0.257)	2.798
Funding Schools	0.000	0.000	0.000	1.968	1.968	0.000	1.968		1.968
Policy, Performance & Partnership									
Policy, Performance & Partnership	0.343	0.141	0.484	(0.001)	0.483	0.084	0.567		0.567
Finance									
Finance, Procurement & Internal Audit	17.467	(7.595)	9.872	(0.247)	9.625	(0.106)	9.519	(0.531)	8.988
Revenues & Benefits - Subsidy	0.107	0.000	0.107	0.000	0.107	0.000	0.107		0.107
Legal & Democratic									
Legal & Democratic	4.228	0.001	4.229	1.855	6.084	0.161	6.245		6.245
Communications									
Comms & Branding	2.215	(0.429)	1.786	0.172	1.958	(0.010)	1.948		1.948
HR & Organisational Development									
Human Resources & Organisational Development	3.247	0.000	3.247	(0.011)	3.236	(0.002)	3.234	0.001	3.235
Business Services									
Information Services	17.746	(0.051)	17.695	(0.236)	17.459	(1.148)	16.311	0.040	16.351
Shared Services and Customer Care/ Business Services	4.836	0.858	5.694	(0.011)	5.683	(0.012)	5.671		5.671
Strategic Property Services	12.880	(10.310)	2.570	(0.031)	2.539	0.042	2.581		2.581
Transformation Programme									
Transformation Programme	0.193	10.599	10.792	0.842	11.634	2.341	13.975	0.635	14.610
Economy and Enterprise									
Economy & Enterprise	4.129	0.001	4.130	(0.009)	4.121	0.433	4.554		4.554
Development Services									
Development Services	2.038	0.000	2.038	(0.253)	1.785	(0.013)	1.772		1.772
Strategic Services, Highways and Transport									
Highways Strategic Services	8.196	(0.342)	7.854	0.111	7.965	(0.019)	7.946		7.946
Public Transport	12.590	0.059	12.649	(0.107)	12.542	(0.009)	12.533		12.533
Education Transport	8.560	0.098	8.658	(0.133)	8.525	(0.001)	8.524		8.524
Waste									
Waste	29.060	0.000	29.060	(2.457)	26.603	(0.011)	26.592	(0.121)	26.471
Public Health & Protection									
Public Health & Protection	4.519	0.000	4.519	(0.084)	4.435	(0.013)	4.422	(0.020)	4.402
Digital Inclusion									
Digital Inclusion	0.000	0.000	0.000	0.000	0.000	0.252	0.252		0.252
Corporate Directors									
Corporate Directors	1.852	0.000	1.852	(0.453)	1.399	(0.004)	1.395	0.407	1.802
Corporate									
Movement To/ From Reserves	(1.867)	0.000	(1.867)	(7.292)	(9.159)	(0.500)	(9.659)		(9.659)
Capital Financing	22.321	0.000	22.321	0.000	22.321	0.216	22.537		22.537
Restructure and Contingency	7.023	0.000	7.023	(0.600)	6.423	(1.061)	5.362		5.362
Specific and General Grants	(32.299)	0.000	(32.299)	(2.067)	(34.366)	0.000	(34.366)		(34.366)
Corporate Levys	0.000	6.317	6.317	0.600	6.917	0.000	6.917		6.917
2011-2012 Budget Requirement	329.847	0.000	329.847	0.000	329.847	(0.000)	329.847	0.000	329.847
HRA Budget	(0.411)	0.000	(0.411)	0.000	(0.411)	0.000	(0.411)		(0.411)
	329.436	0.000	329.436	0.000	329.436	(0.000)	329.436	0.000	329.436

Major Wiltshire Council Virements between Services Areas from Period 7 to Period 9

£m	£m
Adult Care Operations	HR & Organisational Development
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Other minor service area virements	Other minor service area virements
Revised Budget Period 9	Revised Budget Period 9
Adult Care Commissioning	Business Services
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Centralisation of corporate budgets	Other minor service area virements
Revised Budget Period 9	Revised Budget Period 9
Communities, Libraries, Heritage & Arts	Transformation Programme
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Other minor service area virements	Movement of Monkton Park running costs from finance
Revised Budget Period 9	Movement of funding of Waste Management computer system
	Other minor service area virements
	Revised Budget Period 9
Housing Services	Economy and Enterprise
Revised Budget Period 7	Revised Budget Period 7
No in Year Virements period 8 & 9	No in Year Virements period 8 & 9
Revised Budget Period 9	Revised Budget Period 9
Neighbourhood Services	Development Services
Revised Budget Period 7	Revised Budget Period 7
No in Year Virements period 8 & 9	No in Year Virements period 8 & 9
Revised Budget Period 9	Revised Budget Period 9
Children & Families	Strategic Services, Highways and Transport
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	No in Year Virements period 8 & 9
Other minor service area virements	Revised Budget Period 9
Revised Budget Period 9	
Schools & Learning	Waste
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Other minor service area virements	Movement of funding of Waste Management computer system
Revised Budget Period 9	Revised Budget Period 9
Children's Services Commissioning & Performance	Public Health & Protection
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Centralisation of corporate budgets	Other minor service area virements
Other minor service area virements	Revised Budget Period 9
Revised Budget Period 9	
Policy, Performance & Partnership	Digital Inclusion
Revised Budget Period 7	Revised Budget Period 7
No in Year Virements period 8 & 9	No in Year Virements period 8 & 9
Revised Budget Period 9	Revised Budget Period 9
Finance	Corporate Directors
Revised Budget Period 7	Revised Budget Period 7
In Year Virements period 8 & 9	In Year Virements period 8 & 9
Movement of Monkton Park running costs to transformation	Centralisation of corporate budgets
Revised Budget Period 9	Revised Budget Period 9
Legal & Democratic	Corporate
Revised Budget Period 7	Revised Budget Period 7
No in Year Virements period 8 & 9	No in Year Virements period 8 & 9
Revised Budget Period 9	Revised Budget Period 9
Communications	SUMMARY TOTALS
Revised Budget Period 7	Revised Budget Period 7
No in Year Virements period 8 & 9	Revised Budget Period 9
Revised Budget Period 9	
	HRA Budget (Unchanged)

Wiltshire Council Revenue Budget Monitoring Statement: Period 9

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		Original Budget	Revised Budget Period 9	Profiled Budget to Date	Actual and committed to date	Projected Position for Year	Projected Variation for Year: Overspend / (Underspend)	Variation as % of Revised Budget: Overspend / (Underspend)
		£m	£m	£m	£m	£m	£m	
Adult Care Operations								
Older People	Gross Costs	47.849	53.117	39.226	40.451	55.252	2.135	4.0%
	Income	(7.877)	(9.049)	(6.773)	(9.492)	(11.077)	(2.028)	22.4%
	Net	39.972	44.068	32.453	30.959	44.175	0.107	0.2%
Physical Impairment	Gross Costs	9.046	8.432	6.547	6.898	8.827	0.395	4.7%
	Income	(1.070)	(0.630)	(0.488)	(0.689)	(0.693)	(0.063)	10.0%
	Net	7.976	7.802	6.059	6.209	8.134	0.332	4.3%
Learning Disability	Gross Costs	43.463	40.232	31.798	31.370	41.062	0.830	2.1%
	Income	(3.874)	(3.501)	(2.810)	(3.043)	(4.093)	(0.592)	16.9%
	Net	39.589	36.731	28.988	28.327	36.969	0.238	0.6%
Mental Health	Gross Costs	26.034	25.028	19.043	19.677	25.343	0.315	1.3%
	Income	(3.986)	(4.069)	(3.122)	(3.948)	(4.179)	(0.110)	2.7%
	Net	22.048	20.959	15.921	15.729	21.164	0.205	1.0%
Supporting People	Gross Costs	7.190	7.127	5.784	5.732	7.923	0.796	11.2%
	Income	-	-	-	-	-	-	-
	Net	7.190	7.127	5.784	5.732	7.923	0.796	11.2%
Adult Care Commissioning								
Resources, Strategy & Commissioning	Gross Costs	3.511	5.021	4.266	2.822	4.120	(0.901)	(17.9%)
	Income	(0.129)	(0.147)	(0.111)	(0.080)	(0.167)	(0.020)	13.6%
	Net	3.382	4.874	4.155	2.742	3.953	(0.921)	(18.9%)
Communities, Libraries, Heritage & Arts								
Community Leadership & Governance	Gross Costs	3.987	3.158	2.368	3.106	3.187	0.029	0.9%
	Income	(1.055)	(0.055)	(0.041)	(0.345)	(0.056)	(0.001)	1.8%
	Net	2.932	3.103	2.327	2.761	3.131	0.028	0.09%
Libraries, Heritage & Arts	Gross Costs	5.893	5.761	4.321	4.467	5.702	(0.059)	(1.0%)
	Income	(1.061)	(1.025)	(0.769)	(0.565)	(0.868)	0.157	(15.3%)
	Net	4.832	4.736	3.552	3.902	4.834	0.098	2.1%
Strategic Housing								
Strategic Housing	Gross Costs	3.770	3.948	2.960	2.414	3.251	(0.697)	(17.7%)
	Income	(0.842)	(1.172)	(0.889)	(0.671)	(0.936)	0.236	(20.1%)
	Net	2.928	2.776	2.071	1.743	2.315	(0.461)	(16.6%)

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		Original Budget	Revised Budget Period 9	Profiled Budget to Date	Actual and committed to date	Projected Position for Year	Projected Variation for Year: Overspend / (Underspend)	Variation as % of Revised Budget: Overspend / (Underspend)
		£m	£m	£m	£m	£m	£m	
Neighbourhood Services								
Highways & Street Scene	Gross Costs	18.219	24.514	17.725	18.505	25.454	0.940	3.8%
	Income	(3.259)	(6.671)	(4.887)	(6.460)	(6.421)	0.250	(3.7%)
	Net	14.960	17.843	12.838	12.045	19.033	1.190	6.7%
Leisure	Gross Costs	8.549	7.668	5.751	6.786	7.838	0.170	2.2%
	Income	(5.160)	(4.913)	(3.685)	(3.485)	(4.873)	0.040	(0.8%)
	Net	3.389	2.755	2.066	3.301	2.965	0.210	7.6%
Car Parking	Gross Costs	1.961	1.827	1.370	1.422	1.827	-	-
	Income	(9.291)	(8.927)	(6.910)	(5.667)	(7.427)	1.500	(16.8%)
	Net	(7.330)	(7.100)	(5.540)	(4.245)	(5.600)	1.500	(21.1%)
Children & Families								
Safeguarding	Gross Costs	0.884	0.927	0.695	0.739	1.023	0.096	10.4%
	Income	(0.088)	(0.088)	(0.036)	(0.144)	(0.088)	-	-
	Net	0.796	0.839	0.659	0.595	0.935	0.096	11.4%
Children's Social Care	Gross Costs	29.202	29.209	21.410	23.918	29.984	0.775	2.7%
	Income	(0.840)	(1.165)	(0.761)	(0.804)	(1.165)	-	-
	Net	28.362	28.044	20.649	23.114	28.819	0.775	2.8%
Integrated Youth	Gross Costs	7.009	6.737	4.926	4.254	6.272	(0.465)	(6.9%)
	Income	(1.394)	(1.385)	(1.036)	(0.782)	(1.385)	-	-
	Net	5.615	5.352	3.890	3.472	4.887	(0.465)	(8.7%)
Schools & Learning								
Early Years	Gross Costs	25.161	24.743	18.539	18.730	24.394	(0.349)	(1.4%)
	Income	(15.767)	(15.743)	-	(0.095)	(15.743)	-	-
	Net	9.394	9.000	18.539	18.635	8.651	(0.349)	(3.9%)
School Improvement	Gross Costs	5.319	9.391	7.528	6.015	9.325	(0.066)	(0.7%)
	Income	(1.089)	(3.054)	(2.044)	(2.331)	(3.054)	-	-
	Net	4.230	6.337	5.484	3.684	6.271	(0.066)	(1.0%)
Business & Commercial Services	Gross Costs	3.444	4.730	3.412	3.653	4.844	0.114	2.4%
	Income	(3.747)	(3.586)	(2.559)	(0.061)	(3.586)	-	-
	Net	(0.303)	1.144	0.853	3.592	1.258	0.114	10.0%
Targeted Services & Learner Support	Gross Costs	24.237	25.831	19.650	13.766	25.461	(0.370)	(1.4%)
	Income	(16.233)	(16.490)	(1.555)	0.110	(16.490)	-	-
	Net	8.004	9.341	18.095	13.876	8.971	(0.370)	(4.0%)

Wiltshire Council Revenue Budget Monitoring Statement: Period 9

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		Original Budget	Revised Budget Period 9	Profiled Budget to Date	Actual and committed to date	Projected Position for Year	Projected Variation for Year: Overspend / (Underspend)	Variation as % of Revised Budget: Overspend / (Underspend)
		£m	£m	£m	£m	£m	£m	
<u>Children's Services Commissioning & Performance</u>								
Commissioning & Performance	Gross Costs	9.014	8.728	7.241	6.949	8.705	(0.023)	(0.3%)
	Income	(5.864)	(5.930)	(0.488)	(0.344)	(5.930)	-	-
	Net	3.150	2.798	6.753	6.605	2.775	(0.023)	(0.8%)
Funding Schools	Gross Costs	283.436	242.028	183.461	113.219	242.028	-	-
	Income	(283.436)	(240.060)	(1.269)	(24.551)	(240.060)	-	-
	Net	-	1.968	182.192	88.668	1.968	-	-
<u>Policy, Performance & Partnership</u>								
Policy, Performance & Partnership	Gross Costs	0.488	0.571	0.428	0.343	0.467	(0.104)	(18.2%)
	Income	(0.004)	(0.004)	(0.003)	(0.002)	(0.004)	-	-
	Net	0.484	0.567	0.425	0.341	0.463	(0.104)	(18.3%)
<u>Finance</u>								
Finance, Procurement & Internal Audit	Gross Costs	19.185	18.220	13.665	13.184	18.340	0.120	0.7%
	Income	(9.313)	(9.232)	(6.924)	(3.798)	(9.232)	-	-
	Net	9.872	8.988	6.741	9.386	9.108	0.120	1.3%
Revenues & Benefits - Subsidy	Gross Costs	133.339	133.339	100.004	82.568	133.339	-	-
	Income	(133.232)	(133.232)	(99.924)	(98.415)	(133.232)	-	-
	Net	0.107	0.107	0.080	(15.847)	0.107	-	-
<u>Legal & Democratic</u>								
Legal & Democratic	Gross Costs	5.033	7.049	5.287	6.315	8.049	1.000	14.2%
	Income	(0.804)	(0.804)	(0.603)	(0.952)	(1.204)	(0.400)	49.8%
	Net	4.229	6.245	4.684	5.363	6.845	0.600	9.6%
<u>Communications</u>								
Comms & Branding	Gross Costs	2.156	2.318	1.739	1.598	2.098	(0.220)	(9.5%)
	Income	(0.370)	(0.370)	(0.278)	(0.015)	(0.020)	0.350	(94.6%)
	Net	1.786	1.948	1.461	1.583	2.078	0.130	6.7%
<u>HR & Organisational Development</u>								
Human Resources & Organisational Development	Gross Costs	3.777	3.558	2.669	2.426	3.358	(0.200)	(5.6%)
	Income	(0.530)	(0.323)	(0.242)	(0.342)	(0.323)	-	-
	Net	3.247	3.235	2.427	2.084	3.035	(0.200)	(6.2%)

Wiltshire Council Revenue Budget Monitoring Statement: Period 9

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		<i>Original Budget</i>	<i>Revised Budget Period 9</i>	<i>Profiled Budget to Date</i>	<i>Actual and committed to date</i>	<i>Projected Position for Year</i>	<i>Projected Variation for Year: Overspend / (Underspend)</i>	<i>Variation as % of Revised Budget: Overspend / (Underspend)</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	
<u>Business Services</u>								
Information Services	Gross Costs	17.985	16.638	12.478	13.242	15.638	(1.000)	(6.0%)
	Income	(0.290)	(0.287)	(0.215)	(0.278)	(0.287)	-	-
	Net	17.695	16.351	12.263	12.964	15.351	(1.000)	(6.1%)
Shared Services & Customer Care/Business Services	Gross Costs	9.056	9.033	6.775	6.997	8.733	(0.300)	(3.3%)
	Income	(3.362)	(3.362)	(2.522)	(2.534)	(3.022)	0.340	(10.1%)
	Net	5.694	5.671	4.253	4.463	5.711	0.040	0.7%
Strategic Property Services	Gross Costs	3.915	3.926	2.950	3.188	3.626	(0.300)	(7.6%)
	Income	(1.345)	(1.345)	(1.009)	(0.372)	(1.345)	-	-
	Net	2.570	2.581	1.941	2.816	2.281	(0.300)	(11.6%)
<u>Transformation Programme</u>								
Transformation Programme	Gross Costs	14.430	18.062	13.547	13.226	18.352	0.290	1.6%
	Income	(3.638)	(3.452)	(2.589)	(2.268)	(3.352)	0.100	(2.9%)
	Net	10.792	14.610	10.958	10.958	15.000	0.390	2.7%
<u>Economy & Enterprise</u>								
Economy & Enterprise	Gross Costs	4.441	4.865	3.649	6.024	4.465	(0.400)	(8.2%)
	Income	(0.311)	(0.311)	(0.233)	(3.080)	(0.311)	-	-
	Net	4.130	4.554	3.416	2.944	4.154	(0.400)	(8.8%)
<u>Development Services</u>								
Development Services	Gross Costs	6.661	6.579	4.934	4.332	6.089	(0.490)	(7.4%)
	Income	(4.623)	(4.807)	(3.605)	(3.755)	(4.497)	0.310	(6.4%)
	Net	2.038	1.772	1.329	0.577	1.592	(0.180)	(10.2%)
<u>Strategic Services, Highways & Transport</u>								
Highways Strategic Services	Gross Costs	9.047	9.280	6.746	6.184	9.230	(0.050)	(0.5%)
	Income	(1.193)	(1.334)	(0.965)	(1.214)	(1.524)	(0.190)	14.2%
	Net	7.854	7.946	5.781	4.970	7.706	(0.240)	(3.0%)
Public Transport	Gross Costs	15.714	15.963	11.456	11.325	15.563	(0.400)	(2.5%)
	Income	(3.065)	(3.430)	(2.433)	(2.657)	(3.600)	(0.170)	5.0%
	Net	12.649	12.533	9.023	8.668	11.963	(0.570)	(4.5%)
Education Transport	Gross Costs	9.481	9.347	6.012	5.625	9.267	(0.080)	(0.9%)
	Income	(0.823)	(0.823)	(1.020)	(0.937)	(0.793)	0.030	(3.6%)
	Net	8.658	8.524	4.992	4.688	8.474	(0.050)	(0.6%)

Wiltshire Council Revenue Budget Monitoring Statement: Period 9

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		Original Budget	Revised Budget Period 9	Profiled Budget to Date	Actual and committed to date	Projected Position for Year	Projected Variation for Year: Overspend / (Underspend)	Variation as % of Revised Budget: Overspend / (Underspend)
		£m	£m	£m	£m	£m	£m	
Waste								
Waste	Gross Costs	32.622	30.033	20.083	27.152	29.913	(0.120)	(0.4%)
	Income	(3.562)	(3.562)	(2.615)	(2.420)	(3.162)	0.400	(11.2%)
	Net	29.060	26.471	17.468	24.732	26.751	0.280	1.1%
Public Health & Protection								
Public Health & Protection	Gross Costs	5.709	6.127	4.596	4.516	6.127	-	-
	Income	(1.190)	(1.725)	(1.294)	(2.581)	(1.725)	-	-
	Net	4.519	4.402	3.302	1.935	4.402	-	-
Digital Inclusion								
Digital Inclusion	Gross Costs	-	0.252	0.189	0.115	0.181	(0.071)	(28.2%)
	Income	-	-	-	-	-	-	-
	Net	-	0.252	0.189	0.115	0.181	(0.071)	(28.2%)
Corporate Directors								
Corporate Directors	Gross Costs	1.897	1.847	1.205	1.512	1.807	(0.040)	(2.2%)
	Income	(0.045)	(0.045)	(0.032)	(0.033)	(0.045)	-	-
	Net	1.852	1.802	1.173	1.479	1.762	(0.040)	(2.2%)
Corporate								
Movement To/From Reserves		(1.867)	(9.659)	(8.864)	(7.292)	(9.659)	-	-
Capital Financing		22.321	22.537	6.134	7.488	21.037	(1.500)	(6.7%)
Restructure & Contingency		7.023	5.362	3.000	1.538	5.702	0.340	6.3%
Specific & General Grants		(32.299)	(34.366)	(26.291)	(29.299)	(34.366)	-	-
Corporate Levys		6.317	6.917	4.738	1.399	6.917	-	-
	Net	1.495	(9.209)	(21.283)	(26.166)	(10.369)	(1.160)	12.6%
Wiltshire Council General Fund Total								
	Gross Costs	863.609	825.955	605.150	518.599	826.095	0.140	0.0%
	Income	(533.762)	(496.108)	(166.739)	(189.100)	(495.969)	0.139	(0.0%)
	Net	329.847	329.847	438.411	329.499	330.126	0.279	0.1%
Housing Revenue Account (HRA)								
	Gross Costs	22.322	22.322	16.742	13.326	21.164	(1.158)	(5.2%)
	Income	(22.733)	(22.733)	(17.050)	(17.021)	(21.649)	1.084	(4.8%)
	Net	(0.411)	(0.411)	(0.308)	(3.695)	(0.485)	(0.074)	18.0%
Total Including HRA								
	Gross Costs	885.931	848.277	621.892	531.925	847.259	(1.018)	(0.1%)
	Income	(556.495)	(518.841)	(183.789)	(206.121)	(517.618)	1.223	(0.2%)
	Net	329.436	329.436	438.103	325.804	329.641	0.205	0.1%

Wiltshire Council Forecast Variance Movements

	Reported Period 7	Variance	Current Pressures Period 9
	£m	£m	£m
<u>Adult Care Operations</u>			
Older People	1.103	(0.996)	0.107
Physical Impairment	0.416	(0.084)	0.332
Learning Disability	0.441	(0.203)	0.238
Mental Health	0.251	(0.046)	0.205
Supporting People	0.777	0.019	0.796
<u>Adult Care Commissioning</u>			
Resources, Strategy & Commissioning	(1.751)	0.830	(0.921)
<u>Communities, Libraries, Heritage & Arts</u>			
Community Leadership & Governance	0.018	0.010	0.028
Libraries Heritage & Arts	0.122	(0.024)	0.098
<u>Strategic Housing</u>			
Strategic Housing	(0.339)	(0.122)	(0.461)
<u>Neighbourhood Services</u>			
Highways and Street Scene	0.810	0.380	1.190
Leisure	0.265	(0.055)	0.210
Car Parking	1.550	(0.050)	1.500
<u>Children & Families</u>			
Safeguarding	0.096		0.096
Children's Social Care	0.602	0.173	0.775
Integrated Youth	(0.443)	(0.022)	(0.465)
<u>Schools & Learning</u>			
Early Years	(0.267)	(0.082)	(0.349)
School Improvement	0.107	(0.173)	(0.066)
Business & Commercial Services	0.208	(0.094)	0.114
Targeted Services & Learner Support	(0.466)	0.096	(0.370)
<u>Children's Services Commissioning & Performance</u>			
Commissioning and Performance	0.009	(0.032)	(0.023)
Funding Schools			0.000
<u>Policy, Performance & Partnership</u>			
Policy, Performance & Partnership		(0.104)	(0.104)
<u>Finance</u>			
Finance, Procurement & Internal Audit	0.020	0.100	0.120
Revenues & Benefits - Subsidy			0.000
<u>Legal & Democratic</u>			
Legal & Democratic	0.600		0.600
<u>Communications</u>			
Comms & Branding	(0.060)	0.190	0.130
<u>HR & Organisational Development</u>			
Human Resources & Organisational Development		(0.200)	(0.200)
<u>Business Services</u>			
Information Services		(1.000)	(1.000)
Shared Services and Customer Care/ Business Services	0.100	(0.060)	0.040
Strategic Property Services	(0.300)		(0.300)
<u>Transformation Programme</u>			
Transformation Programme	0.350	0.040	0.390
<u>Economy and Enterprise</u>			
Economy & Enterprise	(0.400)		(0.400)
<u>Development Services</u>			
Development Services	(0.180)		(0.180)
<u>Strategic Services, Highways and Transport</u>			
Highways Strategic Services	(0.110)	(0.130)	(0.240)
Public Transport	(0.400)	(0.170)	(0.570)
Education Transport	(0.240)	0.190	(0.050)
<u>Waste</u>			
Waste	0.190	0.090	0.280
<u>Public Health & Protection</u>			
Public Health & Protection			0.000
<u>Digital Inclusion</u>			
Digital Inclusion		(0.071)	(0.071)
<u>Corporate Directors</u>			
Corporate Directors	(0.040)		(0.040)
<u>Corporate</u>			
Movement To/ From Reserves			0.000
Capital Financing	(1.500)		(1.500)
Restructure and Contingency		0.340	0.340
Specific and General Grants			0.000
Corporate Levys			0.000
TOTAL FORECAST VARIANCE MOVEMENT	1.539	(1.260)	0.279
HRA Budget		(0.074)	(0.074)

**Wiltshire Council
Cabinet**

15 February 2012

Subject: Treasury Management Strategy 2012-13

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

Executive Summary

This report presents the Treasury Management Strategy for 2012-13 including:

- a) the Prudential and Treasury Indicators (Prls and Trls) for the next three years;
- b) other debt management decisions required for 2012-13 that do not feature within the Prls or Trls; and
- c) the Annual Investment Strategy for 2012-13.

Proposals

The Cabinet is requested to recommend that the Council:

- a) adopt the Prudential and Treasury Indicators (Appendix A);
- b) adopt the Annual Investment Strategy and approve the changes in the Strategy, resulting from the replacement of Fitch Ratings individual credit ratings with new bank viability ratings (Appendix B, paragraph 22) and the updated guidance on the determination of the maturity of LOBO loans (a detailed explanation is shown below in paragraphs 21 to 24 of this report);
- c) delegate to the Chief Finance Officer the authority to vary the amount of borrowing and other long term liabilities within both the Treasury Indicators for the Authorised Limit and the Operational Boundary;
- d) authorise the Chief Finance Officer to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long term portfolio;
- e) agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits; and
- f) agree that any long term surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Chief Finance Officer the authority to select such funds.

Reasons For Proposals

To enable the Council to agree a Treasury Management Strategy for 2012-13 and set Prudential Indicators that comply with statutory guidance and reflect best practice.

**Michael Hudson
Chief Finance Officer**

15 February 2012

Subject: Treasury Management Strategy 2012-13

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

Purpose of Report

1. This report asks the Cabinet to consider and recommend that the Council approve the Prudential and Treasury Indicators, together with the Treasury Management Strategy for 2012-13, incorporating changes in respect of credit ratings (Fitch's new bank viability rating) and the determination of the maturity of LOBO loans.

Background

2. The Council is required by legislation to approve a Treasury Management Strategy, which incorporates the setting of Prudential and Treasury Indicators and an Annual Investment Strategy.

Main Considerations for the Cabinet

Revised Prudential Indicators (PrIs) and Treasury Indicators (TrIs)

Basis of the Indicators

3. A summary of the revised PrIs and TrIs is shown in Appendix A. The key indicators are the Treasury Indicators relating to the Authorised Limit (TrI 1) and the Operational Boundary (TrI 2), which control the Council's exposure to debt.
4. The PrIs and TrIs have been set on the basis of all known commitments and the effect of all known revenue and capital proposals relating to the council.

Monitoring and Reporting of the Prudential Indicators

5. Progress will be monitored against the PrIs and TrIs throughout the year, particularly against the two borrowing limits. Cabinet will be kept informed of any issues that arise, including potential or actual breaches. Members will receive bi-monthly capital monitoring reports and an Interim Report on Treasury Management Strategy for 2012-13 in November 2012. Cabinet will also receive regular treasury reports.
6. The elements within the Authorised Limit and the Operational Boundary, for borrowing and other long term liabilities require the approval of the Council. In order to give operational flexibility, members are asked to delegate to the Chief Finance Officer the ability to effect movements between the two

elements where this is considered necessary. Any such changes will be reported to members. The operational boundary is a key management tool for in-year monitoring. It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate. Any breach of the operational boundary will be reported to members immediately. The authorised limit will in addition need to provide headroom over and above the operational boundary, sufficient for unusual cash movements, for example, and should not be breached.

Borrowing Strategy

Levels

7. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded (please refer to Appendix A – paragraph 11) with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent, as investment returns are low and counterparty risk is high, and will be maintained for the borrowing excluding the HRA reform settlement.
8. Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. Interest rates in financial markets will be monitored and a pragmatic approach adopted, to changing circumstances:
 - a) if it was felt that there was a significant risk of a sharp **fall** in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
 - b) if it was felt that there was a significant risk of a much sharper **rise** in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

HRA

9. The requirement for the HRA reform settlement to be made to the DCLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £119.4 million available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the normal PWLB interest rates solely for the settlement requirements. This provides a compelling option to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be

considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

10. The final debt structure and the actions taken following the review will be reported to members at the next available opportunity.

Rate and Timing of Borrowing

11. Taking account of the cash required to support the capital programme over the medium term, the Council has a requirement, subject to the approval of the capital programme on 28th February 2012, to borrow an additional £116 million between now and the end of 2014-15. This is reflected in Pr1 4 in Appendix A (Net Borrowing – General Fund), i.e. the increase in net borrowing of £291.2 million in 2014-15 less £163.1 million in 2010-11, less the underlying decrease in investments of £12.1 million.
12. The timing of any borrowing is crucial in terms of interest rates and the potential to minimise interest costs. Prior to any actual borrowing the treasury team will, in conjunction with our treasury advisers, proactively manage the interest rate position, using all information available to inform the borrowing decision.
13. It is, of course, not always possible to obtain the lowest rates of interest, as there is a risk that unforeseen events can significantly alter the level of rates, however, ongoing active monitoring of rates will mitigate against this risk.
14. In supporting the capital programme, the Council will consider all borrowing options, such as:
 - a) internal borrowing, which is the cheapest form of borrowing, using medium term cash balances;
 - b) fixed rate PWLB borrowing;
 - c) long term fixed rate market loans at rates, which can be significantly below PWLB rates for the equivalent maturity period (where available).
15. Whilst maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

Other Debt Management Issues

Policy on Borrowing in Advance of Need

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

Debt Rescheduling

17. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
18. The reasons for any rescheduling to take place will include:
 - a) the generation of cash savings and / or discounted cash flow savings;
 - b) helping to fulfil the treasury strategy;
 - c) enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
19. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
20. All rescheduling will be reported to members at the earliest meeting following its action.

Lender Option Borrower Option (LOBO) Market Loans

21. Wiltshire Council currently has borrowings of £61 million in LOBO loans.
22. There are basically two main types of LOBO loan (of which the Council has a both in it's portfolio):
 - a) a loan with an 'initial period' at a relatively low rate of interest, on the completion of which the rate will automatically increase to a 'secondary rate' under the terms of the loan agreement. The interest rate is then subject to 'call option dates' at certain predetermined stages (e.g. every six months, every five years) over the life of the loan, at which time the lender has the option to set a revised interest rate and the borrower has the option to repay the loan without penalty; or
 - b) a loan subject to 'call option dates' only (i.e. there is no 'secondary rate') at which time the lender has the option to raise the interest rate and the borrower has the option to repay the loan without penalty.
23. If the lender exercises his option to revise the interest rate at one of the 'call option dates', the Council's strategy is that it will always exercise its option to repay the loan. Consideration will then be given to rescheduling the debt where the overall level of debt prior to the repayment needs to be maintained.
24. There has been a change in guidance (CIPFA – Treasury Management in Public Services Guidance Notes for Local Authorities, 2011 Edition) relating to the determination of the maturity of borrowing that affects the date on which a LOBO loan should be treated as maturing. Previous guidance was that the date of maturity of LOBO loans should be based on their appropriate

“contractual lives”, this has been changed and the date of maturity should now be referenced to the earliest date on which the lender can require payment. Guidance states that “if the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment.” This has made it necessary to amend the relevant treasury management indicator (Trl 5 – Appendix A, paragraph 26).

Short Term Cash Deficits

25. Temporary loans, where both the borrower and lender have the option to redeem the loan within twelve months, are used to offset short term revenue cash deficits. They may also be used to cover short term capital requirements until longer term loans become more cost effective. The majority of these loans will be at fixed interest rates, maturing on specific dates. It is recommended that the Council continue to utilise temporary loans for any short term cash deficits that arise in respect of revenue and/or capital.

Cash Investments

Annual Investment Strategy

26. The Annual Investment Strategy for 2012-13, which sets out the policy framework for the investment of cash balances, is shown in Appendix B. Key issues to note are:
 - a) the risk appetite of this Council is low in order to give priority to the security of its investments;
 - b) the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity;
 - c) all Council investments will be in sterling. This will avoid foreign exchange rate risk.
27. The strategy introduces a number of changes in 2012-13, they are:
 - a) the Investment Duration Matrix previously shown and referenced in Appendix B has been removed as it is no longer necessary as the Council uses Sector Treasury Services credit ratings list, which incorporates investment duration limits;
 - b) the replacement, by the Fitch rating agency, of the individual counterparty ratings with new Bank Viability Ratings, which represents Fitches view “as to the intrinsic creditworthiness of a user” and are “designed to be internationally comparable”; and
 - c) the updated guidance on the determination of the maturity of LOBO loans, as explained in paragraphs 21 to 24 above.

Short Term Cash Surpluses

28. It is anticipated that temporary short term cash surpluses will arise regularly during the year. Investment of these surpluses should be in specific investments (e.g. short term Sterling investments of less than one year). Such investments will normally be short term deposits maturing on specific dates that reflect cash flow requirements at the date the deposit is made. However, under certain market conditions, money market funds will be used, particularly if they provide improved returns.

Longer Term Cash Surpluses

29. Some cash surpluses, for example core revenue balances, net creditors, accrued reserves and special funds such as those for insurance and PFI can be invested on a long term basis. These cash surpluses may be used for capital financing requirements, where longer term interest rates mean that it is less cost effective to take out longer term loans.
30. Improved returns may be obtained by placing these surpluses in money market funds. The Chief Finance Officer has delegated authority to select money market funds and appoint External Cash Managers within the current approved strategy and it is recommended that this authority is retained.
31. The proposed Investment Strategy for 2012-13 includes the use of unspecified investments (e.g. more than 12 months to maturity and for which external professional advice is required) that the Council's treasury adviser may recommend for investment of longer term cash surpluses such as a PFI Sinking Fund.
32. Although the Council has been well positioned in terms of the balance between both loans and investments, rates of interest paid on deposits have been fairly static over the last financial year. Following a further period of similarly low rates, interest rates are not expected to start increasing until quarter 3 (June to September) 2013. The Bank Rate is not expected to rise until September 2013.

Icelandic Deposits

33. The position in respect of the £12 million investment that was frozen as a result of the collapse of the Icelandic banks, Heritable (£9 million) and Landsbanki (£3 million) is that the Council has:
- a) received just over £6 million from Heritable, with further repayments expected in 2012; and
 - b) recently received its first distribution, of circa £0.950 million, from Landsbanki Islands hf. Bank, following Iceland's Supreme Court judgement that Councils, amongst other test creditors, have priority status and consequently will be paid first (before unsecured creditors). Distributions from Landsbanki, including the first, will be received in a 'basket of currencies' (GBP, US Dollars, Euros and Icelandic Kroner). It is anticipated that the recovery of all the assets will take some time and may not be concluded until 2016 or later.

34. It is likely that the Council will eventually recover 95% of its original investment in Heritable and 98% of the original investment in Landsbanki Islands hf.

Minimum Revenue Provision

35. The minimum revenue provision (MRP) is the amount set aside for the repayment of the debt as a result of borrowings made to finance capital expenditure.
36. In accordance with Local Authorities (Capital Finance and Accounting) Regulations 2008 the council adopted a MRP annual policy in May 2009.
37. For financial year 2011-12 the annual policy remained unchanged, in that a regulatory method of setting aside 4% of the borrowing requirement for supported borrowing and an asset life method calculation for any unsupported borrowing was applied.
38. It is proposed that this policy is retained in 2012-13.

Environmental and Climate Change Considerations

39. a) to d) None have been identified as arising directly from this report.

Equalities Impact of the Proposal

40. None have been identified as arising directly from this report.

Risk Assessment and Financial Implications

41. The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of its investment counterparties (the organisations with which the Council deposits cash surpluses).
42. The strategies in Appendix A and Appendix B take account of the forecast movement in interest rates and allow sufficient flexibility to vary strategy if actual movements in interest rates are not in line with the forecast.
43. The risk that counterparties are unable to repay investments could jeopardise the Council's ability to meet its payments. Investment counterparty risk is controlled by using suitable criteria for assessing and monitoring credit risk, including the use of an up to date lending list. The lending list is based on counterparty categories relating to country, type, sector, maximum investment, and maximum duration of investment (see Appendix B). The Council uses the credit worthiness service provided by its treasury advisers, which is a sophisticated modelling approach incorporating the credit ratings of all three major credit rating agencies, together with 'overlays' of Credit Default Swap (CDS) spreads (default risk), credit watches, credit outlooks and sovereign ratings from the agencies (a more detailed explanation is included within the Annual Investment Strategy in Appendix B).
44. With the borrowing required for HRA self-financing, the Council's treasury portfolio has an increased proportion of debt to investments.

45. Interest earnings are an important source of revenue for the Council and it is, therefore, important that the portfolio is managed in a way that maximises the investment income stream, whilst managing exposure to risk and maintaining sufficient liquidity.

Legal Implications

46. None have been identified as arising directly from this report.

Options Considered

47. Future consideration will be given to alternative borrowing and investment options to improve the cost effectiveness of and return on treasury activities for the Council. This may incorporate consideration of alternative sources of capital financing, such as the issuing of bonds, rather than the more traditional borrowing approaches, together with longer term investments, where appropriate and subject to security and liquidity of investments.
48. The options in relation to the revenue and capital budgets in these proposals are fully consistent with the figures included within the budget considerations.

Conclusion

49. The Cabinet is requested to recommend that the Council:
- a) adopt the Prudential and Treasury Indicators (Appendix A);
 - b) adopt the Annual Investment Strategy and approve the changes in the Strategy, resulting from the replacement of Fitch Ratings individual credit ratings with new viability ratings (Appendix B, paragraph 22) and the updated guidance on the determination of the maturity of LOBO loans (paragraphs 21 to 24 of this report);
 - c) delegate to the Chief Finance Officer the authority to vary the amount of borrowing and other long term liabilities within both the Treasury Indicators for the Authorised Limit and the Operational Boundary;
 - d) authorise the Chief Finance Officer to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long term portfolio;
 - e) agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits; and
 - f) agree that any long term surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Chief Finance Officer the authority to select such funds.

Michael Hudson
Chief Finance Officer

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Background Papers

The following unpublished documents have been relied on in the preparation of this Report: NONE

Appendices

Appendix A Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15
Appendix B Annual Investment Strategy for 2012-13

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15

1. The Prudential and Treasury Management Codes and Treasury Guidelines require the Council to set a number of Prudential and Treasury Indicators for the financial year ahead. This appendix sets out the indicators required by the latest codes analysed between Prudential Indicators and Treasury Indicators.

Prudential Indicators**Prl 1 – Capital Expenditure**

2. This Prl shows the actual and anticipated level of capital expenditure for the five years 2010-11 to 2014-15. The years 2013-14 to 2014-15 are not ratified and will be taken to members in the Capital Programme Proposals 2013-14 onwards. This will be submitted to Cabinet and Council in February 2012.

Department	2010-11 Actual £million	2011-12 Expected £million	2012-13 Estimate £million	2013-14 Estimate £million	2014-15 Estimate £million
General Fund	111.3	112.2	113.9	80.4	48.7
Housing Revenue Account	3.3	4.2	9.4	10.2	10.6
Total	114.6	116.4	123.3	90.6	59.3

3. The capital expenditure figures shown in Prl 1 assume a certain level of financing from borrowing each year. New and existing borrowing needs to be affordable and sustainable.

Prl 2 – Ratio of Financing Costs to Net Revenue Stream

4. Prl 2 identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (funding receivable from the Government and council tax payers and rents receivable in the case of the HRA).

	2010-11 Actual £million	2011-12 Expected £million	2012-13 Estimate £million	2013-14 Estimate £million	2014-15 Estimate £million
General Fund	5.8%	6.8%	8.2%	9.0%	4.5%
Housing Revenue Account	0.7%	0.6%	19.9%	18.7%	17.5%

5. The cost of financing will rise proportionately over the reporting period because of the effect on financing costs where 'new debt' is expected to rise faster than 'old debt' is repaid. In terms of the rise in HRA financing costs in 2012-13, through 2013-14 and 2014-15, this is due to the change in HRA system. Previously the rise in financing costs was not an affordability issue as the new borrowing taken out was supported by Revenue Support Grant. Only by the use of continued Unsupported Borrowing was there any pressure on the Council Tax.

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15

6. However, the changes to the Revenue Support Grant mechanism that were introduced for 2006-07 and later years (specifically the grant “floor”) mean that the Council may not be able to afford the financing costs of all the supported capital expenditure indicated by the Government, because we do not receive the full grant. This has the effect of “levelling the playing field” so that support for capital borrowing has to be considered alongside all other revenue priorities in the budget process. Support for capital can no longer be “passported” automatically.

Prl 3 – Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax and Housing Rents

7. Prl 3 represents the potential increase in Council Tax/Housing Rents required to fund the planned increase in the capital budgets for the forthcoming year and future years as a proportion of the tax base at Band D/average weekly housing rents. Due to the change to the subsidy system there is no planned effect on average housing rents due to the additional borrowing required.

	2012-13 £	2013-14 £	2014-15 £
Effect on Band D Council Tax	13.98	16.69	10.69
Effect on Average Housing Rent per week	0.00	0.00	0.00

Prl 4 – Net Borrowing and the Capital Financing Requirement

8. Prl 4 measures the so-called “Golden Rule” and focuses on prudence. Its purpose, as described in the Prudential Code, is: *“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two years”.*
9. The Capital Financing Requirement (CFR) increases whenever capital expenditure is incurred. If resourced immediately (from capital receipts, direct revenue contributions or capital grant/contributions) the CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase in CFR.
10. Where capital expenditure is not resourced immediately, there is a net increase in CFR, represented by an underlying need to borrow for capital purposes, whether or not external borrowing actually occurs. The CFR may then reduce over time through future applications of capital receipts, capital grants/contributions or further charges to revenue.
11. This Prl is necessary, because under an integrated treasury management strategy (in accordance with best practice under the CIPFA Code of Practice on Treasury Management in the Public Services), borrowing is not associated with particular items or types of expenditure, whether revenue or capital.

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15

	2010-11 Actual £million	2011-12 Expected £million	2012-13 Estimate £million	2013-14 Estimate £million	2014-15 Estimate £million
CFR – General Fund	320.4	353.4	389.3	396.4	391.1
CFR – HRA	3.8	123.2	123.2	123.2	123.2
Net Borrowing – Gen Fund	163.1	220.2	268.2	282.2	291.2
Net Borrowing – HRA	0.0	119.4	119.4	119.4	119.4
CFR not funded by net borrowing – Gen Fund	157.3	133.2	121.1	114.2	99.9
CFR not funded by net borrowing - HRA	3.8	3.8	3.8	3.8	3.8

12. The increase in the General Fund net borrowing figure between 2010-11 and 2011-12 results from expected additional borrowing. In the following financial years, 2012-13 to 2014-15, net borrowing is expected to increase as planned additional long term borrowing is taken out.
13. No problems are foreseen in meeting the “Golden Rule” over the period under review. The table above shows a significant margin not funded by net borrowing.

Pr1 5 – Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services (“The Code”)

14. The Revised CIPFA Code of Practice for Treasury Management in the Public Services 2009 was adopted by Wiltshire Council at its meeting on 23 February 2010.
15. All recommendations within this report are consistent with the Revised CIPFA Code.

Treasury Management Indicators within the Prudential Code

Tr1 1 – Authorised Limit for External Debt

16. The Authorised Limit is the Operational Boundary (see Tr1 2 below), including an allowance for unplanned and irregular cash movements. This allowance is difficult to predict and has previously been set at 15%. Having reviewed the position, a more prudent allowance of 2.5% is proposed for General Fund borrowing for 2012-13 to 2014-15. This revised allowance provides for the possibility of additional borrowing during the year as a result of Government support for further schemes and provides headroom where the projection proves too optimistic (payments made earlier or receipt of income delayed against that forecast) and will be kept under review. There is no allowance in respect of HRA borrowing as it is capped and, therefore, cannot be exceeded.

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15

Authorised Limit	2012-13 £million	2013-14 £million	2014-15 £million
Borrowing – General Fund	418.5	417.6	426.8
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	541.9	541.0	550.2

17. The Authorised Limit set by the Authority is the statutory borrowing limit under Section 3(1) of the Local Government Act 2003, a breach would be serious and therefore there is the need to build in sufficient headroom.

Tr1 2 – Operational Boundary for External Debt

18. The Operational Boundary and the Authorised Limit are central to the Prudential Code and reflect the limits that authorities place on the amount of their external borrowing.

19. The Operational Boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cash flow purposes, which is consistent with other budget proposals. The basis of the calculation for General Fund borrowing 2012-13 (£408.5 million) is:

- Expected Capital Financing Requirement at 31 March 2012 of £353.6 million
- Plus the expected long-term borrowing to finance capital expenditure (unsupported only £48.2 million)
- Less the expected set-aside for debt repayment (£13.3 million)
- Plus the expected maximum level of short-term cash flow borrowing that is anticipated (£20.0 million).

20. The basis of the calculation for HRA borrowing 2012-13 is the debt settlement of £123.2 million.

Operational Boundary	2012-13 £million	2013-14 £million	2014-15 £million
Borrowing	408.5	407.6	416.5
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	531.9	531.0	539.9

21. The Operational Boundary for each year also includes a small provision for other long term liabilities.

22. The Operational Boundary is a key management tool for monitoring the Authority's expected level of borrowing. It is essential to ensure that borrowing remains within the limits set and to take appropriate action where any likely breach is anticipated. Monitoring will take place through the year and will be reported to Cabinet.

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15Trl 3 – External Debt – Actuals at 31 March 2010 and Expected 2011

23. This Trl shows the amount of gross external debt outstanding in periods prior to the budget years under consideration. Other long term liabilities relate to finance leases on certain properties, plant, vehicles and equipment. It should be noted that as these figures are taken at a point in time, they are not comparable with the Authorised Limit and Operational Boundary, which are control limits.

	31/3/11 Actual £million	31/3/12 Expected £million
Borrowing – General Fund	245.2	290.2
Borrowing – HRA	0.0	123.6
Other Long Term Liabilities	0.2	0.2
TOTAL	245.4	414.0

Treasury Management Indicators within the Treasury Management CodeTrl 4a and 4b – Upper Limit on Fixed Interest Rate Exposures and Variable Interest Rate Exposures, respectively

24. Future interest rates are difficult to predict. Anticipated rates are shown in the main report, under Risk Assessment. Indications are that best value will be achieved by taking long-term loans at fixed rates in 2012-13. However, consideration of short term variable rate loans may prove to be advantageous, in 2012-13 and in future financial years.
25. Interest rates will be monitored closely, in conjunction with the treasury adviser, to take advantage of any favourable changes in circumstances. The strategy should still be flexible, the upper limit for fixed interest rate and variable interest rate exposures are set out below.

The Council's upper limit for fixed interest rate exposure for the three year period 2012-13 to 2014-15 is 100% of net outstanding principal sums.

The Council's upper limit for variable interest rate exposure is 40% for 2012-13, 40% for 2013-14 and 45% for 2014-15 of net outstanding principal sums.

Trl 5 – Upper & Lower Limits on the Maturity Structure of Borrowing

26. The Council's policy needs to ensure that it is not forced to refinance too much of its long term debt in any year when interest rates are high. The present long-term debt of £245.2 million (as at 15 December 2011) falls due for repayment over the next 60 years. LOBO (Lender Option Borrower Option) market loans are included at rates determined by reference to the earliest date on which the lender can require payment (i.e. at the next interest rate call date), as currently recommended by CIPFA. Despite this change, most of the Council's debt remains as maturing within the period "10 years and above", albeit PWLB debt only, and it does not make it necessary, at this stage, to increase any of the upper limits. Depending on the maturity profile, the upper limits may require amendment for further borrowing in the future.

Prudential and Treasury Indicators for 2012-13, 2013-14 & 2014-15

27. In addition to the main maturity indicators it is considered prudent that no more than 15% of long term loans should fall due for repayment within any one financial year.
28. In order to protect the Council from this risk and to safeguard the continuity in treasury management financing costs, the following limits have been adopted.

Limits on the Maturity Structure of Borrowing	Upper	Lower Limit
Maturing Period:		
- under 12 months	15%	0%
- 12 months and within 24 months	15%	0%
- 2 years and within 5 years	45%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

Trl 6 – Principal Sums invested for periods of longer than 364 days

29. This Trl is covered by the Annual Investment Strategy, which is detailed in the following appendix.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2012-13**The Main Strategy**

1. The Council will have regard to the Department for Communities and Local Government's (DCLG's) Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
2. The general investment policy of the Council is the prudent investment of any surplus cash balances, the priorities of which are:
 - a) the security of capital and
 - b) the liquidity of investments.
3. The Council will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity. The risk appetite of this Council is low in order to give priority to the security of its investments.
4. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
5. All Council investments will be in sterling. This will avoid foreign exchange rate risk.
6. Investment of the Council's normal cash flow requirements will be in specified investments, as prescribed in "The Guidance". The categories of organisations with whom investments will be placed and the minimum high credit ratings required for each category are those set out in the minimum requirements for high credit rating below.
7. Investments in money market funds may be made if the fund has a high credit rating (AAA), as prescribed in the minimum requirements for high credit rating below.
8. In addition, using the professional judgement of the Council's treasury advisers, non specified investments may be made in UK Government Bonds (Gilts) and in multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a high credit rating, as prescribed in the minimum requirements for high credit rating below.
9. Such investments are the only non-specified investments authorised for use and will only be:
 - a) in sterling
 - b) in the case of UK Gilts, for a maximum of 50 years; and
 - c) for investments maturing in excess of 12 months, limited to £30 million.
10. For specified investments made under the recommendations of the Council's treasury adviser, the approved policy must be followed and is bound by the minimum requirements for high credit rating below.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2012-13

11. The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with this local authority will comply with the requirements of SI 2009 No 393. The Pension Fund Investment Strategy is approved by the Pension Fund Committee.
12. The Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:
 - a) credit watches and credit outlooks from credit rating agencies;
 - b) credit default swap (CDS) spreads, which basically give early warning of likely changes in credit ratings; and
 - c) sovereign ratings to select counterparties from only the most creditworthy countries.
13. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:
 - a) Yellow – 5 years (a new category introduced by the treasury advisers late in 2010 to cover AAA rated Government debt or its equivalent, including a new investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);
 - b) Purple – 2 years;
 - c) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries);
 - d) Orange – 1 year;
 - e) Red – 6 months;
 - f) Green – 3 months; and
 - g) No Colour – not to be used.
14. This methodology does not apply the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2012-13

15. All credit ratings will be monitored at least weekly (daily if there are any updates released by Sector). The Council is alerted to changes in ratings of all three agencies through its use of the Sector creditworthiness service.
16. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
17. In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
18. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.
19. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings.

The Minimum requirements for "high credit rating"

20. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire Council will comply with the minimum requirements below.
21. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.
22. The minimum requirements for high credit rating, by type of institution, are as follows:
 - **Banks incorporated inside the United Kingdom with a short term credit rating of at least F1 or Government backed and their subsidiaries;**
 - **Banks incorporated outside the United Kingdom with a short term credit rating of at least F1+ and a long term rating of A+;**
 - **United Kingdom building societies with a short term credit rating of at least F1 or Government backed;**
 - **All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003) (ratings are not issued for most of these bodies);**

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2012-13

- **Multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;**
 - **All banks & building societies must have a bank viability rating of at least bbb – except where the counterparty is UK Government backed (fully and partially) – (aaa being the highest, through aa, a and bbb (Please note that Fitch Ratings recently (November 2011) introduced a ‘Viability Rating’, which is designed to be internationally comparable and represent Fitch’s view as to the intrinsic creditworthiness of the user. Sector are no longer using the individual ratings, which have been replaced by the viability ratings);**
 - **In addition, all banks and building societies to which the Authority may lend funds must have a support rating of no more than 3 (1 being the highest support rating);**
 - **Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor’s, Moody’s Investor Services Ltd or Fitch Ratings Ltd.; and**
 - **Deposits must only be placed in money market funds subject to individual signed management agreements.**
23. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership):
- a) **Up to £15 million:**
- **UK incorporated banks with a long term credit rating of at least AA;**
 - **Overseas banks that have a long term credit rating of at least AA;**
 - **Multilateral development banks;**
 - **Local authorities and other public bodies; and**
 - **Money market funds.**
- b) **Up to £8 million:**
- **Other UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2012-13

- **Other overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**
- **UK Building societies with long term credit rating of at least A; and**
- **Government backed UK and overseas banks and UK building societies and their subsidiaries.**

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Wiltshire Council

**Cabinet
15 February 2012**

Subject: Treasury Management Strategy 2011-12 – Revision January 2012

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

Executive Summary

This report presents the revised Treasury Management Strategy for 2011-12 to reflect the need to borrow for HRA self-financing due to the statutory change under the Localism Bill and includes:

- a) the revised Prudential and Treasury Indicators (PrIs and TrIs) for the next three years; and
- b) the revised Annual Investment Strategy for 2011-12.

Proposals

The Cabinet is requested to recommend that the Council:

- a) adopt the revised Prudential and Treasury Indicators (Appendix A);
- b) adopt the revised Annual Investment Strategy (Appendix B);
- c) delegate to the Chief Finance Officer the authority to vary the amount of borrowing and other long term liabilities within both the Treasury Indicators for the Authorised Limit and the Operational Boundary;
- d) authorise the Chief Finance Officer to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long term portfolio;
- e) agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits; and
- f) agree that any long term surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Chief Finance Officer the authority to select such funds.

Reasons For Proposals

To enable the Council to agree a revised Treasury Management Strategy for 2011-12 and set revised Prudential Indicators to address the issues arising from the Housing Reform initiative, whilst retaining the required compliance with statutory guidance and reflecting best practice.

**Michael Hudson
Chief Finance Officer**

Subject: Treasury Management Strategy 2011-12 – Revision January 2012

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

Purpose of Report

1. The Council approved the Treasury Management Strategy for 2011-12 at its meeting on 22 February 2011. Under normal circumstances the Strategy would need to be reviewed in February 2012 and a new Strategy approved. However, the existing Strategy does not make any allowances for the additional borrowing that will be required on the implementation of the Government's reforms to the council housing finance system – 'self-financing', which is included within the Localism Bill.
2. Under housing reform, the existing Housing Revenue Account (HRA) subsidy scheme will be abolished and replaced with self-financing and the Council will be in a position to support, maintain and develop its housing stock from rental income. Self-financing will require a payment by the Council to the Department for Communities and Local Government (DCLG) of £119.356 million in March 2012. This will increase the Council's level of indebtedness by just over 50%.
3. This report covers the changes required for the impact of the HRA reform.

Background

4. The Council is required by legislation to approve a Treasury Management Strategy, which incorporates the setting of Prudential and Treasury Indicators and an Annual Investment Strategy.

Main Considerations for the Cabinet

Revised Prudential Indicators (PrIs) and Treasury Indicators (TrIs)

Basis of the Indicators

5. A summary of the revised PrIs and TrIs is shown in Appendix A. The key indicators are the Treasury Indicators relating to the Authorised Limit (TrI 1) and the Operational Boundary (TrI 2), which control the Council's exposure to debt.
6. The PrIs and TrIs were set on the basis of all known commitments and the effect of all known revenue and capital proposals relating to the council and have been revised to reflect the changes relating to the HRA subsidy reforms.

Monitoring and Reporting of the Prudential Indicators

7. The elements within the Authorised Limit and the Operational Boundary, for borrowing and other long term liabilities require the approval of the Council. In order to give operational flexibility, Members are asked to delegate to the Chief Finance Officer the ability to effect movements between the two elements where this is considered necessary. Any such changes will be reported to Members. The operational boundary is a key management tool for in-year monitoring. It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate. Any breach of the operational boundary will be reported to members immediately. The authorised limit will in addition need to provide headroom over and above the operational boundary, sufficient for example for unusual cash movements and should not be breached.

Environmental and Climate Change Considerations

8. a) to d) None have been identified as arising directly from this report.

Equalities Impact of the Proposal

9. None have been identified as arising directly from this report.

Risk Assessment and Financial Implications

10. The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of its investment counterparties (the organisations with which the Council deposits cash surpluses).
11. The strategies in Appendices A and B take account of the forecast movement in interest rates and allow sufficient flexibility to vary strategy if actual movements in interest rates are not in line with the forecast.
12. The risk that counterparties are unable to repay investments could jeopardise the Council's ability to meet its payments. Investment counterparty risk is controlled by using suitable criteria for assessing and monitoring credit risk, including the use of an up to date lending list. The lending list is based on counterparty categories relating to country, type, sector, maximum investment, and maximum duration of investment (see Appendix B). The Council uses the credit worthiness service provided by its treasury advisers, which is a sophisticated modelling approach incorporating the credit ratings of all three major credit rating agencies, together with 'overlays' of Credit Default Swap (CDS) spreads (default risk), credit watches, credit outlooks and sovereign ratings from the agencies (a more detailed explanation is included within the Annual Investment Strategy in Appendix B).
13. The Council's revised treasury portfolio will have an increased proportion of debt to investments.

14. Interest earnings are an important source of revenue for the Council and it is, therefore, important that the portfolio is managed in a way that maximises the investment income stream, whilst managing exposure to risk and maintaining sufficient liquidity.

Legal Implications

15. None have been identified as arising directly from this report.

Options Considered

16. The options in relation to the revenue and capital budgets in these proposals are fully consistent with the figures included within the budget considerations.

Conclusion

17. The Cabinet is requested to recommend that the Council:
 - a) adopt the revised Prudential and Treasury Indicators (Appendix A);
 - b) adopt the revised Annual Investment Strategy (Appendix B);
 - c) delegate to the Chief Finance Officer the authority to vary the amount of borrowing and other long term liabilities within both the Treasury Indicators for the Authorised Limit and the Operational Boundary;
 - d) authorise the Chief Finance Officer to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long term portfolio;
 - e) agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits; and
 - f) agree that any long term surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Chief Finance Officer the authority to select such funds.

Michael Hudson
Chief Finance Officer

Report Author:

Keith Stephens, Business Analyst (Cash and Treasury), Tel: 01225 713603, email: keith.stephens@wiltshire.gov.uk

Background Papers

The following unpublished documents have been relied on in the preparation of this Report: NONE

Appendices

Appendix A Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

Appendix B Annual Investment Strategy for 2011-12

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

- The Prudential and Treasury Management Codes and Treasury Guidelines require the Council to set a number of Prudential and Treasury Indicators for the financial year ahead. This appendix sets out the indicators required by the latest codes (2011-12) analysed between Prudential Indicators and Treasury Indicators, revised, **where appropriate**, to reflect the current estimate of the self-financing settlement under Housing Reform.

Prudential Indicators

Prl 1 – Capital Expenditure

- This Prl shows the actual and anticipated level of capital expenditure for the five years 2009-10 to 2013-14. The years 2012-13 to 2013-14 are not ratified and will be taken to members in the Capital Programme Proposals 2012-13 onwards. This will be submitted to Cabinet and Council in February 2012.

Department	2009-10 Actual £million	2010-11 Expected £million	2011-12 Estimate £million	2012-13 Estimate £million	2013-14 Estimate £million
General Fund	102.8	111.3	112.2	113.9	80.4
Housing Revenue Account	4.4	3.3	4.2	9.4	10.2
Total	107.2	114.6	116.4	123.3	90.6

- The capital expenditure figures shown in Prl 1 assume a certain level of financing from borrowing each year. New and existing borrowing needs to be affordable and sustainable. There is a detailed discussion on the policy on borrowing for capital purposes in the Capital Programme Proposals 2011-12 to 2013-14 report.

Prl 2 – Ratio of Financing Costs to Net Revenue Stream

- Prl 2 identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (funding receivable from the Government and council tax payers and rents receivable in the case of the HRA).

	2009-10 Actual £million	2010-11 Expected £million	2011-12 Estimate £million	2012-13 Estimate £million	2013-14 Estimate £million
General Fund	4.6%	5.5%	6.6%	7.7%	8.9%
Housing Revenue Account	0.7%	0.7%	0.6%	19.9%	18.7%

- The cost of financing will rise, partly due to the reduction in Government grant, as a consequence of the comprehensive spending review and proportionately over the reporting period because of the effect on financing costs where 'new debt' is expected to rise faster than 'old debt' is repaid. In terms of the rise in HRA financing costs in 2012-13 and 2013-14, this is due to the change in HRA system. Previously the rise in financing costs was not an affordability issue as the new borrowing taken out was supported by Revenue Support Grant. Only by the use of continued Unsupported Borrowing was there any pressure on the Council Tax.

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

6. However, the changes to the Revenue Support Grant mechanism that were introduced for 2006-07 and later years (specifically the grant “floor”) mean that the Council may not be able to afford the financing costs of all the supported capital expenditure indicated by the Government, because we do not receive the full grant. This has the effect of “levelling the playing field” so that support for capital borrowing has to be considered alongside all other revenue priorities in the budget process. Support for capital can no longer be “passported” automatically.

Prl 3 – Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax and Housing Rents

7. Prl 3 represents the potential increase in Council Tax/Housing Rents required to fund the planned increase in the capital budgets for the forthcoming year and future years as a proportion of the tax base at Band D/average weekly housing rents. Due to the change to the subsidy system there is no planned effect on average housing rents due to the additional borrowing required.

	2011-12 £	2012-13 £	2013-14 £
Effect on Band D Council Tax	3.15	7.09	12.20
Effect on Average Housing Rent per week	0.00	0.00	0.00

Prl 4 – Net Borrowing and the Capital Financing Requirement

8. Prl 4 measures the so-called “Golden Rule” and focuses on prudence. Its purpose, as described in the Prudential Code, is: *“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two years”.*
9. The Capital Financing Requirement (CFR) increases whenever capital expenditure is incurred. If resourced immediately (from capital receipts, direct revenue contributions or capital grant/contributions) the CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase in CFR.
10. Where capital expenditure is not resourced immediately, there is a net increase in CFR, represented by an underlying need to borrow for capital purposes, whether or not external borrowing actually occurs. The CFR may then reduce over time through future applications of capital receipts, capital grants/contributions or further charges to revenue.
11. This Prl is necessary, because under an integrated treasury management strategy (in accordance with best practice under the CIPFA Code of Practice on Treasury Management in the Public Services), borrowing is not associated with particular items or types of expenditure, whether revenue or capital.

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

	2009-10 Actual £million	2010-11 Expected £million	2011-12 Estimate £million	2012-13 Estimate £million	2013-14 Estimate £million
CFR – General Fund	299.5	320.5	373.0	413.0	416.4
CFR – HRA	2.9	3.8	123.2	123.2	123.2
Net Borrowing – Gen Fund	142.6	175.2	215.2	255.2	275.2
Net Borrowing – HRA	0.0	0.0	119.4	119.4	119.4
CFR not funded by net borrowing – Gen Fund	156.9	145.3	157.8	157.8	141.2
CFR not funded by net borrowing - HRA	2.9	3.8	3.8	3.8	3.8

12. The increase in the General Fund net borrowing figure between 2009-10 and 2010-11 results from a fall in the level of investments held due to increased spending. In the following financial years, 2011-12 to 2013-14, net borrowing is expected to increase as planned additional long term borrowing is taken out.
13. No problems are foreseen in meeting the “Golden Rule” over the period under review. The table above shows a significant margin not funded by net borrowing.

Pr1 5 – Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services (“The Code”)

14. The Revised CIPFA Code of Practice for Treasury Management in the Public Services 2009 was adopted by Wiltshire Council at its meeting on 23 February 2010.
15. All recommendations within this report are consistent with the Revised CIPFA Code.

Treasury Management Indicators within the Prudential Code

Tr1 1 – Authorised Limit for External Debt

16. The Authorised Limit is the Operational Boundary (see Tr1 2 below), including an allowance for unplanned and irregular cash movements. This allowance is difficult to predict, 15% is proposed for General Fund borrowing for 2011-12 to 2013-14 and this will be kept under review. This allows for the possibility of additional borrowing during the year as a result of Government support for further schemes and provides headroom where the projection proves too optimistic (payments made earlier or receipt of income delayed against that forecast). There is no allowance in respect of HRA borrowing as it is capped and, therefore, cannot be exceeded.

Authorised Limit	2011-12 £million	2012-13 £million	2013-14 £million
Borrowing – General Fund	453.0	499.7	504.6
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	576.4	623.1	628.0

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

17. The Authorised Limit set by the Authority is the statutory borrowing limit under Section 3(1) of the Local Government Act 2003, a breach would be serious and therefore there is the need to build in sufficient headroom.

Trl 2 – Operational Boundary for External Debt

18. The Operational Boundary and the Authorised Limit are central to the Prudential Code and reflect the limits that authorities place on the amount of their external borrowing.

19. The Operational Boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cash flow purposes, which is consistent with other budget proposals. The basis of the calculation for General Fund borrowing 2011-12 (£393.8 million) is:

- Expected Capital Financing Requirement at 31 March 2011 of £320.5 million
- Plus the expected long-term borrowing to finance capital expenditure (supported borrowing £22.4 million and unsupported £42.1 million)
- Less the expected set-aside for debt repayment (£11.2 million)
- Plus the expected maximum level of short-term cash flow borrowing that is anticipated (£20.0 million).

20. The basis of the calculation for HRA borrowing 2011-12 (£123.2 million) is:

- Expected Capital Financing Requirement (CFR) at 31 March 2011 of £3.8 million
- Plus the anticipated £119.4 million additional borrowing in respect of HRA subsidy reform.

Operational Boundary	2011-12 £million	2012-13 £million	2013-14 £million
Borrowing	393.8	434.5	438.8
Borrowing – HRA	123.2	123.2	123.2
Other Long Term Liabilities	0.2	0.2	0.2
TOTAL	517.2	557.9	562.2

21. The Operational Boundary for each year also includes a small provision for other long term liabilities.

22. The Operational Boundary is a key management tool for monitoring the Authority's expected level of borrowing. It is essential to ensure that borrowing remains within the limits set and to take appropriate action where any likely breach is anticipated. Monitoring will take place through the year and will be reported to Cabinet.

Trl 3 – External Debt – Actuals at 31 March 2010 and Expected 2011

23. This Trl shows the amount of gross external debt outstanding in periods prior to the budget years under consideration. Other long term liabilities relate to finance leases on certain properties, plant, vehicles and equipment. It should be noted

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

that as these figures are taken at a point in time, they are not comparable with the Authorised Limit and Operational Boundary, which are control limits.

	31/3/10 Actual £million	31/3/11 Expected £million
Borrowing – General Fund	205.2	205.2
Borrowing – HRA	0.0	123.2
Other Long Term Liabilities	0.2	0.2
TOTAL	205.4	328.6

Treasury Management Indicators within the Treasury Management Code**Trl 4a and 4b – Upper Limit on Fixed Interest Rate Exposures and Variable Interest Rate Exposures, respectively**

24. Future interest rates are difficult to predict. Anticipated rates are shown in the main report, under Risk Assessment. Indications are that best value will be achieved by taking long-term loans at fixed rates in 2011-12. However, consideration of short term variable rate loans may prove to be advantageous, in 2011-12 and in future financial years.
25. Interest rates will be monitored closely, in conjunction with the treasury adviser, to take advantage of any favourable changes in circumstances. The strategy should still be flexible, the upper limit for fixed interest rate and variable interest rate exposures are set out below.

The Council's upper limit for fixed interest rate exposure for the three year period 2011-12 to 2013-14 is 100% of net outstanding principal sums.

The Council's upper limit for variable interest rate exposure is 20% for 2011-12, 30% for 2012-13 and 35% for 2013-14 of net outstanding principal sums.

Trl 5 – Upper & Lower Limits on the Maturity Structure of Borrowing

26. The Council's policy needs to ensure that it is not forced to refinance too much of its long term debt in any year when interest rates are high. The present long-term debt of £205.2 million (as at 4 January 2011) falls due for repayment over the next 60 years. LOBO (Lender Option Borrower Option) market loans are included at rates based upon their appropriate 'contractual lives', as recommended by CIPFA. Most of the Councils debt is, therefore, reported as maturing within the period "10 years and above".
27. In addition to the main maturity indicators it is considered prudent that no more than 15% of long term loans should fall due for repayment within any one financial year.

Prudential and Treasury Indicators for 2011-12, 2012-13 & 2013-14

28. In order to protect the Council from this risk and to safeguard the continuity in treasury management financing costs, the following limits have been adopted.

Limits on the Maturity Structure of Borrowing	Upper Limit	Lower Limit
Maturing Period:		
- under 12 months	15%	0%
- 12 months and within 24 months	15%	0%
- 2 years and within 5 years	45%	0%
- 5 years and within 10 years	75%	0%
- 10 years and above	100%	0%

Trl 6 – Principal Sums invested for periods of longer than 364 days

29. This Trl is covered by the Annual Investment Strategy, which is detailed in the following appendix.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

The Main Strategy

1. The Council will have regard to the Department for Communities and Local Government's (DCLG's) Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The general investment policy of the Council is the prudent investment of any surplus cash balances, the priorities of which are:
 - a) the security of capital and
 - b) the liquidity of investments.
2. The Council will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity. The risk appetite of this Council is low in order to give priority to the security of its investments.
3. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
4. All Council investments will be in sterling. This will avoid foreign exchange rate risk.
5. Investment of the Council's normal cash flow requirements will be in specified investments, as prescribed in "The Guidance". The categories of organisations with whom investments will be placed and the minimum high credit ratings required for each category are those set out in the minimum requirements for high credit rating below.
6. Investments in money market funds may be made if the fund has a high credit rating (AAA), as prescribed in the minimum requirements for high credit rating below.
7. In addition, using the professional judgement of the Council's treasury advisers, non specified investments may be made in UK Government Bonds (Gilts) and in multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a high credit rating, as prescribed in the minimum requirements for high credit rating below.
8. Such investments are the only non-specified investments authorised for use and will only be:
 - a) in sterling
 - b) in the case of UK Gilts, for a maximum of 50 years; and
 - c) for investments maturing in excess of 12 months, limited to £30 million.
9. For specified investments made under the recommendations of the Council's treasury adviser, the approved policy must be followed and is bound by the minimum requirements for high credit rating below.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

10. The Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010, and will not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with this local authority will comply with the requirements of SI 2009 No 393.
11. The Council uses the creditworthiness service provided by its treasury adviser. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach, with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as ‘overlays’:
 - a) credit watches (typically resolved over a relatively short period) and credit outlooks (indicates the direction a rating is likely to move over a one to two-year period) from credit rating agencies;
 - b) CDS spreads to give early warning of likely changes in credit ratings; and
 - c) sovereign ratings to select counterparties from only the most creditworthy countries
12. This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.
13. The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within the weekly credit list of worldwide potential counterparties provided by the Council’s treasury advisers. The Council, where it is considered appropriate and in line with its whole investment strategy, will therefore use counterparties within the following durational bands:
 - a) Yellow – 5 years (a new category introduced by the treasury advisers late in 2010 to cover AAA rated Government debt or its equivalent, including a new investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);
 - b) Purple – 2 years;
 - c) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries);
 - d) Orange – 1 year;
 - e) Red – 6 months;

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

- f) Green – 3 months; and
 - g) No Colour – not to be used.
14. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The creditworthiness service does though, use ratings from all three agencies, but by using a scoring system, does not give undue prevalence to just one agency's ratings.
15. All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the treasury advisers creditworthiness service. Following receipt of this information:
- a) any financial institutions meeting the criteria are updated on the list of authorised lenders and investments may then be placed with “qualifying” institutions immediately;
 - b) if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately;
 - c) if funds are held by an institution that subsequently falls outside the current credit rating criteria and CDS overlay, all funds will be withdrawn from that institution at the earliest opportunity. This will normally be on the maturity of that deposit. If the fall is significant and there are more than three months before the maturity date and in any other extreme circumstances, negotiations for premature repayment will be pursued;
 - d) whenever there is a change in the list of authorised lenders, a revised list will be provided to those authorised to deal in investments on behalf of the Council, including its authorised brokers.
 - e) in addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
16. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and information, information on government support for banks and the credit ratings of that government support.
17. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings.

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

The Minimum requirements for “high credit rating”

18. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire Council will comply with the minimum requirements below.
19. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.
20. The minimum requirements for high credit rating, by type of institution, are as follows:
 - **Banks incorporated inside the United Kingdom with a short term credit rating of at least F1 or Government backed and their subsidiaries;**
 - **Banks incorporated outside the United Kingdom with a short term credit rating of at least F1+ and a long term rating of A+;**
 - **United Kingdom building societies with a short term credit rating of at least F1 or Government backed;**
 - **All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003) (ratings are not issued for these bodies);**
 - **Multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;**
 - **All banks & building societies must have an individual rating of at least C (Please note that Fitch Ratings recently (November 2011) introduced a ‘Viability Rating’, which is designed to be internationally comparable and represent Fitch’s view as to the intrinsic creditworthiness of the user. Sector are no longer using the individual ratings, which have been replaced by the viability ratings – this change is reflected in the Treasury Management Strategy 2012-13 elsewhere on the agenda);**
 - **In addition, all banks and building societies to which the Authority may lend funds must have a support rating of no more than 3 (1 being the highest support rating);**
 - **Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor’s, Moody’s Investor Services Ltd or Fitch Ratings Ltd.; and**

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

- **Deposits must only be placed in money market funds subject to individual signed management agreements.**
21. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership):
- a) **Up to £15 million:**
- **UK incorporated banks with a long term credit rating of at least AA;**
 - **Overseas banks that have a long term credit rating of at least AA;**
 - **Multilateral development banks;**
 - **Local authorities and other public bodies; and**
 - **Money market funds.**
- b) **Up to £8 million:**
- **Other UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**
 - **Other overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**
 - **UK Building societies with long term credit rating of at least A; and**
 - **Government backed UK and overseas banks and UK building societies and their subsidiaries.**
22. The following investment duration matrix shows the maximum duration for which an investment can be placed, depending on the combination of the individual institution's long term, short term, individual and support ratings (e.g. up to five years where an institution is classified as F1+ (short term rating), AAA (long term rating), A (individual rating) and 1 (support rating) or up to one year where an institution is classified as F1, A+, A, 2).

WILTSHIRE COUNCIL- ANNUAL INVESTMENT STRATEGY FOR 2011-12

Investment Duration Matrix

		Ratings			
Short Term	Long Term	Individual	Support		
			1	2	3
F1+	AAA	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA+	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA	A	1-5yrs	1-5yrs	1 yr
		A/B	1-5yrs	1-5yrs	3 mths
		B	1-5yrs	1-5yrs	3 mths
		B/C	1-5yrs	1-5yrs	3 mths
		C	1 yr	1 yr	3 mths
	AA-	A	1-2yrs	1-2yrs	1 yr
		A/B	1-2yrs	1-2yrs	3 mths
		B	1-2yrs	1-2yrs	3 mths
		B/C	1-2yrs	1-2yrs	3 mths
		C	1 yr	1 yr	3 mths
F1	A+	A	1 yr	1 yr	3 mths
		A/B	1 yr	1 yr	3 mths
		B	1 yr	1 yr	3 mths
		B/C	3 mths	3 mths	n/a
		C	3 mths	3 mths	n/a
	A	A	1 yr	1 yr	3 mths
		A/B	1 yr	1 yr	3 mths
		B	1 yr	1 yr	3 mths
		B/C	3 mths	3 mths	n/a
		C	3 mths	3 mths	n/a

WILTSHIRE COUNCIL

Joint Overview and Scrutiny Committee - 9th February 2012

Cabinet - 15th February 2012

Council - 28th February 2012

Subject: Wiltshire Council's Business and Financial Plan Update 2012/13

**Cabinet Members: Councillor Jane Scott, OBE - Leader of the Council
Councillor John Brady - Cabinet Member for Finance,
Performance and Risk**

Key Decision: Yes

EXECUTIVE SUMMARY

This is officers' covering report, providing on assessment of Cabinet's draft proposals to Council to set a budget for 2012/13 and the impact on Council Tax, rents, fees and charges, the capital programme, school as well as reserves.

Joint Overview and Scrutiny is asked to appraise and scrutinise the proposals and plan, as well as officers' conclusions, and feedback comments to Cabinet for consideration as appropriate.

Cabinet is asked to consider the findings from the Joint Overview and Scrutiny Committee, as well as findings from public consultation and recommend approval of the plan and consequences flowing from it to the Council.

Council is asked to debate and approve the budget, Council Tax, rents fees and charges, capital programme and reserves.

PROPOSALS

Joint Overview and Scrutiny Committee

It is proposed that the Committee scrutinise the proposals appended to this report as put forward by the Leader and make any comment or recommendation for Cabinet to consider on 15th February before it recommends the plan to Council.

PROPOSALS, continued

Cabinet

It is proposed that Cabinet, subject to consideration of comments and recommendations arising from the Director of Finance and Corporate Directors' statements, Scrutiny and public consultations, makes the following recommendations to Council on 28th February 2012.

- a. To endorse the update of the 2012-15 Business and Financial Plan.
- b. To recommend to Council, for approval, that the savings and investment proposals summarised at Sections 9 and 7 respectively of this report and Sections 4 and 5 of Cabinet's proposed Financial Plan at Appendix 1 of this report, provides a net revenue budget for 2012/13 of £326.655 million.
- c. To recommend to Council to:
 - i. Freeze Wiltshire Council's element of the Band D council tax for 2012/13 £1,222.43, as calculated in accordance with statute, as set out in Section 10 of this report.
 - ii. Set the Council's total net expenditure budget for 2012/13 at £326.655 million.
 - iii. Adopt the changes introduced by Government and move from the current subsidy funding system to one of self-financing when local authorities take on responsibility for the current debt & repayment;
 - iv. Set a 6.4% increase for dwelling rents in accordance with rent restructuring;
 - v. Set the HRA Budget for 2012/13 (original) as set out at Appendix F of Cabinet's proposed Financial Plan at Appendix 1 of this report;
 - vi. That all other rent or service charges related to the HRA be frozen at 2011/12 levels.
 - vii. The Capital programme proposed at Appendix E of Cabinet's proposed Financial Plan, attached to this report at Appendix 1.
 - viii. Set the changes in fees and charges set out in detail at Section 6 of Cabinet's proposed Financial Plan at Appendix 1 of this report.

Reasons for Proposal

The Cabinet, following Scrutiny and consultation, needs to note recommendations to Council to enable it to:

- set its revenue, capital, housing revenue accounts, fees and charges, levels of reserves and resultant Council Tax for 2012/13 to then issue Council Tax and rent bills.
- Provide the Council with a strong business and financial plan for sustainable delivery for the remaining 3 years of those plans.

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WILTSHIRE COUNCIL

Joint Overview and Scrutiny Committee – 9th February 2012

Cabinet - 15th February 2012

Council – 28th February 2012

Subject: Wiltshire Council's Business and Financial Plan Update 2012/13

**Cabinet Members: Councillor Jane Scott, OBE - Leader of the Council
Councillor John Brady - Cabinet Member for Finance,
Performance and Risk**

Key Decision: Yes

1. Purpose of Report

- 1.1. This is officers' covering report, providing an assessment of Cabinet's draft proposals to Council to set a budget for 2012/13 and the impact on Council Tax, rents, fees and charges, the capital programme, school as well as reserves.
- 1.2 Joint Overview and Scrutiny is asked to appraise and scrutinise the proposals and plan, as well as officers' conclusions, and feedback comments to Cabinet for consideration as appropriate.
- 1.3 Cabinet is asked to consider the findings from the Joint Overview and Scrutiny Committee, as well as findings from public consultation and recommend approval of the plan and consequences flowing from it to the Council.
- 1.4 Council is asked to debate and approve the budget, Council Tax, rents fees and charges, capital programme and reserves.

2. Background

- 2.1 In February 2011 Wiltshire Council approved a four year Business and Financial Plans, (the Plans). The Council is obliged by legislation to set a balanced budget and resultant Council Tax, plus related fees and charges. As a result, Members and officers have been updating the Plans to present to Council an updated Financial Plan in order to set its element of the 2012/13 Council Tax.

- 2.2 Last year the Council faced a continued increase in demand for services to the most vulnerable, as well as inflationary pressures and changes in Government policy and funding. The Council has worked hard to deliver the first year performance savings and investment proposals of its Plans. Latest projections identify a balanced budget for 2011/12.
- 2.3 The national and local changes have been appraised against the original Business and Financial Plans, and whilst no changes are proposed to the Business Plan changes arising from these are included for the Financial Plan.
- 2.4 Cabinet has assessed all changes and feedback from ongoing public engagement and, attached to this report at Appendix 1, has issued an update to the Business and Financial Plan. This report is an officer assessment to inform members in their decision making process of the adequacy and ability to deliver the proposals made by Cabinet, and the resultant impact on the on the Council's financial standing. This report therefore considers:
- a) The current financial position of the Council for 2011/12 – Section 3
 - b) Changes to the financial plan assumption reported to Council last year – Section 4
 - c) The feedback from public consultation – Section 5
 - d) The level of government funding available for 2012/13 – Section 6
 - e) The level of investment required for 2012/13 – Section 7
 - f) The consequences of charges, capital, housing and schools proposals – Section 8
 - g) The level of savings required – Section 9
 - h) The resultant Council Tax calculation – Section 10
 - i) An assessment of reserves – Section 11 and Appendix 2
 - j) The impact on 2013-15 and future years – Section 12
 - k) Consideration of other factors and professional advice – Sections 13-18

3. 2011/12 Forecast Outturns

- 3.1 The Council has received regular updates on its revenue, capital, schools and housing budgets. The timing and level of transparency of these reports has significantly improved throughout the year. The latest forecast at Period 9 (December 2011) as set out in Cabinet 15th February agenda, reports a projected potential overspend of £0.3m. Management action and Member decisions throughout the year have been taken to deliver a year-end balanced budget.
- 3.2 As a result of action it is forecast that the 2011/12 revised revenue budget of £329.847m will be balanced and that there will be no need to draw further on resources.
- 3.3 Budget monitoring of the capital, housing and schools budgets also show they are on target and forecast to be balanced on the related reserves above planned in those areas.

4. Changes to the 2012-15 Financial Plan

- 4.1 When Council approved the 2012-15 Business and Financial Plan in February 2011 it set out detailed budget for 2011/12, which as noted in Section 3 is on track to be delivered. The following three years were projects based upon certain assumptions and plans. This report focuses on 2012/13 and the detailed proposals, in line with the priorities flowing from the Business Plan, (note Section 12 of this report assesses 2013-15).
- 4.2 The update to the Business and Financial Plan proposed by Cabinet and issued on 1st February 2012 is attached at Appendix 1 to this report. This identifies that Cabinet do not propose to change the goals and objectives of the Business Plan. However, it does recognise that changes are required to the Financial Plan, largely arising from external factors such as increased demand and inflation. Section 3.6 of the Cabinet's proposed update, at Appendix 1 of this report, identifies the specific changes to the Financial Plan and the reasons for that. This has been assessed and is endorsed as necessary to reflect the ability to deliver a budget in 2012/13.

5. Public Consultation

- 5.1 Public consultation has been carried out in a number of ways:
- Specific consultation as part of Cabinet decision making process throughout the year, such as denominational transport savings;
 - Household surveys; and
 - Public forums.
- 5.2 This Household Survey report findings are based on an overall survey return of 6,610. These came from the following sources:
- People's Voice panellists - 22.9% or 1,511
 - Postal and hard copy returns - 60.1% or 3,975
 - Email/online returns - 17% or 1,124

The Public Forums were attended by 75 people over four nights in Trowbridge, Devizes, Chippenham and Salisbury. The findings from the later two consultations were:

	Household Survey	Public Forums
Top 3 areas to invest monies	<ol style="list-style-type: none"> 1. Maintenance of existing roads (61.8% spend more) 2. Adult social care services for older people (45.1% spend more) 3. Housing – more affordable housing (41.2% spend more) 	<ol style="list-style-type: none"> 1. Funding for local projects (24%) 2. Invest more in pothole repair and road maintenance (18.5%) 3. More rural bus services (16.8%)
Top 3 areas to take money from	<ol style="list-style-type: none"> 1. Archives or public records (46.7% spend less) 2. Housing and council tax benefits (37.4% spend less) 3. Museums and galleries (34.7% spend less) 	<ol style="list-style-type: none"> 1. Reduce streetlighting (27.2%) 2. Increase the cost of adult swimming by £1 a visit (17%) 3. Close public toilets (16.1%)

5.3 At this stage the findings from the public consultation need further consideration, although they do highlight some consistency with the household survey around highways maintenance. They are likely to influence future years budgets, although a proposal has been brought forward for 2012/13 to go further in more strategic reduction in streetlighting following this and trials in 2011, and save £0.5m.

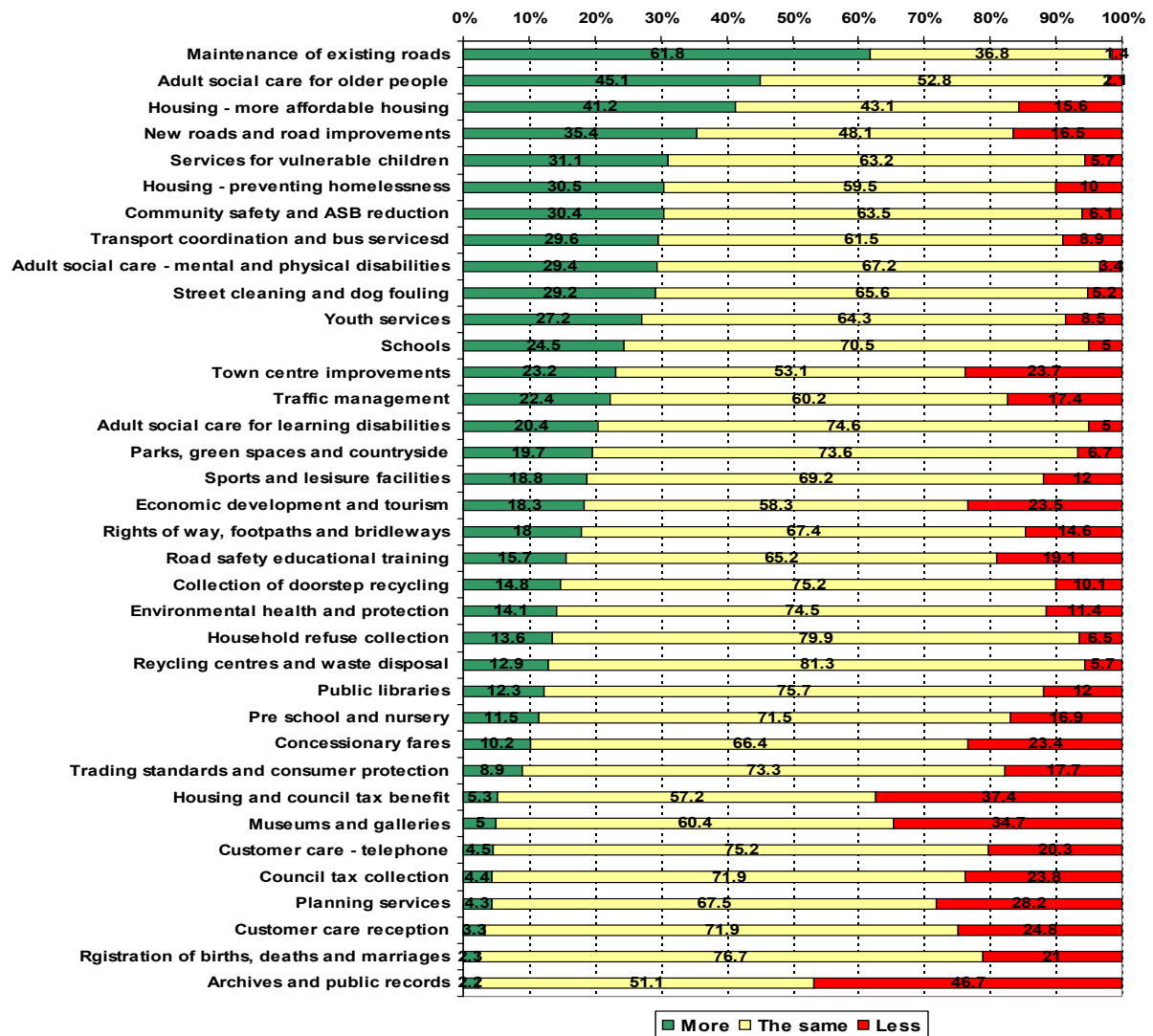
5.4 To date in response to the total consultation received, investment as set out at Section 5 of Cabinet’s proposals additional money has been put into these priority areas:

- **maintenance of roads** - £18.7m in the capital programme, compared with £18.1m in 2011/12 (after accounting for last year’s one off £3m grant);
- **older people and adult social care** - £9.668m is now proposed to be invested in 2012/13 compared to the original plan last February for the same period of £4.421m; and
- **housing** – an additional £5-7m each year will be spent on social housing, and £53m more on affordable in 2012/13 due to changes to funding of the Housing Revenue Account, and a recent successful Private Finance Initiative bid respectively, as set out at Section 8 of the Cabinet’s proposals.

5.5 Savings are also proposed to be found from efficiencies within Benefit processing (£0.280m) and grant to support transitional reduction in rate relief will no longer be awarded to Museums' & galleries (c£0.050m).

5.6 The overall findings were as follows:

Do you think the council should spend more, the same or less on the following services?



5.7 Other consultations are ongoing with Trade Unions, local businesses and with staff as appropriate to restructure proposals. More detailed feedback will be given verbally at Joint Overview and Scrutiny and in writing to Cabinet.

6. Level of Funding

6.1 The Council's government funding is from two sources:-

- Government grant
- Core grants

6.2 Section 10 of this report notes the level of Council Tax, and Section 8 assesses the assumptions on fees and charges plus the funding for capital, housing and schools.

- **Government Grant**

6.3 In 2010, the Government simplified the funding for local authorities to one main grant – the formula grant, and 9 separate core grants. The provisional 2012/13 financial settlement for the formula grant was issued in January 2011. This provisional settlement was re-issued in December 2011 with no changes to Wiltshire and a final announcement is expected 8th February 2012. The assumption is that there will be no changes to the Council's formula grant; consequently we have assumed a formula grant for 2012/13 of £92.732m. That is a reduction from 2011/12 of £11.460m.

6.4 In addition the Government have confirmed a one off grant, on top of the recurring grant of 2011/12, to enable a further Council Tax freeze in 2012/13. We have assumed this will be in line with 2011/12 allocation at £5.479m. That gives a net reduction in formulae grant thus of £5.981m

- **Core Grants**

6.5 Wiltshire has been notified that the Council will be in receipt of £38.033m of core grants in 2012/13. That is an additional £5.734m on the amount received in 2011/12 (£32.299m):

	£m
New Homes Bonus	(4.586)
Early Intervention Grant	(16.078)
Learning Disability Grant	(8.423)
NHS Funding for social care	(4.651)
Benefit Admin	(2.572)
Local Support Services	(1.723)
Total	(38.033)

6.6 The Core grants are shown in Appendix B of Cabinet's proposals, attached to this report at Appendix 1, within the calculation of the net expenditure and have thus been adjusted for in the calculation arriving to the net expenditure requirement before savings of £359.289m. The total government grant thus separately identified in the Financial Plan at Appendix A of Cabinet's proposals in calculating the Wiltshire's Council Tax is only the formula grant plus the Council Tax freeze grant. The remaining element is above the line in Appendix B to offset gross expenditure it relates to such as early years.

7. Level of investment

7.1 Cabinet's proposals set out at Section 5 and Appendix A (see Appendix 1 of this report for Cabinet's proposals), identifies the following levels of investment:

2012/13	Original Plan £m	Proposals £m	Difference £m
Investing in our communities and priority services	5.138	5.424	0.286
Protecting vulnerable people	5.071	13.795	8.724
Funding inflation and cost pressures	14.454	10.223	-4.231
Total	24.663	29.442	4.779

7.2 The key differences between the original and revised Financial Plans are:

- Protecting Vulnerable - £5.274m more due to higher than forecast demand for older people and adult care services arising from local and national changes; plus £3.477m due to an additional £1.5m core grant for Early Intervention targeted at more preventative work and an increased demand in care.
- Funding inflation – we had assumed that inflation would be lower in 2011/12 and only applied low levels of increases totalling £2.277m. Due diligence has identified that inflationary pressures from contracts and consumption of oil and utilities are in excess of previous assumptions and have added £4.862m of additional costs. However, this has been offset by better profiling of capital that has reduced the expected cost of borrowing by £5.227m, as well as a £2m reduction in the need for additional costs of redundancies and base budget adjustments.

7.3 We have assessed the ability to project beyond one year's costs and sought to learn lessons from the changes from 2011/12 Financial Plan to that proposed for 2012/13. The current economic climate makes the prediction of inflation and demand harder given the wider variation of professional views. Projections around adult and child care demand have been strengthened to reflect better analysis of care data and trends, and higher levels of inflation have been assumed to be prudent. Thus the investments are felt justified and reasonable.

8. The consequences of Charges, Capital, Housing and School budget decisions

• *Fees and Charges*

8.1 Cabinet's proposals at Section 6 (see Appendix 1 of this report) set out in detail the changes to fees and charges. In the main most fees have been frozen and will remain at 2011/12 levels. As a result, demand assumptions in the main have remained unchanged. This is felt prudent but will continue to be reviewed in year and an element of reserves has been set aside to cover for this. Other fees and charges proposed are assessed as deliverable at this stage but will also be monitored.

• *Capital*

8.2 Cabinet's proposals at Section 9 (see Appendix 1 of this report) set out in detail the proposed Capital Programme for 2012-15 and the sources of funding. The assumed additional cost of borrowing for 2012/13 (£3.084m) arising therefore of this has been built into the general fund expenditure. No other costs arising from projects have been identified. The programme will be monitored and reported to the Cabinet Capital Assets Committee during 2012/13.

• *Housing Revenue Account (HRA)*

8.3 Cabinet's proposals at Section 8 (see Appendix 1 of this report) set out in detail the proposed change to funding for the HRA and the consequences of additional capital spend.

8.4 In addition the paper identifies a 6.4% increase in dwelling rents in line with governments rent formula calculation. However, it proposes no other increase in related fees and charges. As such no assumptions around demand for services or properties such as garages have been changed.

• *Schools*

8.5 Cabinet's proposals at Section 7 (see Appendix 1 of this report) set out in detail the likely Dedicated Schools Grant (DSG). The Schools Forum have recommended an overall schools budget of £294.760 million, before any academy recoupment. In order to set a balanced budget Schools Forum have agreed a reduction of 0.19% across all budgets, including the schools delegated budget, and utilised £1 million from the projected underspend against the 2011/12 DSG. This budget therefore requires no additional funding from the Council and is in line with the Council's established policy not to top up DSG

9. Level of savings

9.1 The Council's Financial Plan has identified and classified £32.634m of savings, and the Cabinet's proposals set these out in detail at Section 4 (see Appendix 1 of this report). In summary they are:

Management and harmonising staff pay	0.400
Workplace transformation	0.830
Commissioning & Procurement	4.757
Service harmonisation & efficiencies	11.723
Transformation / systems thinking	10.494
Re-profiling investment	3.782
Income (paragraph 8.1 of this report)	<u>0.648</u>
	<u>32.643</u>

9.2 These savings have been assessed and considered deliverable. There are a small number of target savings contained within the Plan:

- Efficiency Target - £1.640m
- Administration review - £1m
- Buildings review - £1m
- Procurement - £2m

9.3 In all cases work has begun to deliver these savings, so for example phase 1 of the Administration review is currently out for consultation to save circa £0.150m; and an analysis of procurement on spend below £5,000 has identified potential options to reduce costs in excess of £1m but detailed proposals still need to be finalised. An element of provision for non-delivery has therefore been provided for in the General Fund Reserves discussed in more detail at Section 11 of this report.

10. Council Tax calculation

10.1 The overall position for 2012/13, excluding schools, reflected in this report is therefore:

	<u>£m</u>	<u>£m</u>
2011/12 Revised Base Budget		329.847
Plus		
<i>Investment built into initial medium term financial plan</i>		
- Net demand and inflation (paras 7.1)	29.442	
Additional spending requirements		359.289
Less		
<i>Savings (as set out at Section 9):</i>		
Management and harmonising staff pay	(0.400)	
Workplace transformation	(0.830)	
Commissioning & Procurement	(4.757)	
Service harmonisation & efficiencies	(11.723)	
Transformation / systems thinking	(10.494)	
Re-profiling investment	(3.782)	
Income (section 8.1 of this report)	(0.648)	
		(32.634)
Net budget requirement		326.655
Financed by		
• Formula Grants (paragraphs 6.3 to 6.6)		(92.732)
• Council Tax Freeze Grant		(10.958)
• Collection Fund		(1.695)
Amount to be found from the Collection fund		(221.270)

10.2 The Local government Finance Act 1992 (as amended by the 2003 Act) sets out the powers and duties of the Council in setting the annual council Tax. The key requirements under Part IV of the 1972 Act are that:

- Council Tax is set at Full Council – Section 33.
- Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year – Sections 32 and 33.
- The level of Council Tax is set before 11th March to enable circulation of Council Tax bills to enable people to pay on and after 1st April- Section 30(6).
- The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves – Section 25.

10.3 The Government, through Eric Pickles MP (the Minister of Local Government), reiterated in January 2012 that keeping Council Tax low remains a priority for the Government. As such Government has introduced new powers to enable referendums where a council sets its council tax at or greater than 3.5%. To encourage this, the Secretary of State has announced a further one year Council Tax freeze grant. The impact for Wiltshire is set out at Section 7 of this report, and equates to a grant of £5.479 million.

10.4 The assumptions employed in setting the 2011-12 to 2012-15 Financial Plan have been that Council Tax for Wiltshire Council is set as follows:

- 2011-12 0%
- 2012-13 0%
- 2013-14 2.5%
- 2014-15 2.5%

10.5 The proposals within Cabinet's proposals are in line with this for 2012/13. Cabinet has also identified that it wished to challenge future years. At this stage the Financial Plan has not been amended.

10.6 The Council is required to set a Council Tax sufficient to balance the Collection Fund account it maintains. Based on the projections at December Wiltshire Council's share of the net surplus is forecast to be £1.695 million and will be used in funding the 2012/13 budget provision. That results in a funding requirement in 2012/13 from Council tax of £221.270 million.

10.7 The Council has agreed that the Band D tax base of 181,007.02 for 2012/13. Given the calculated draw on the Collection Fund, as identified in section 9.1 of this report, to deliver a balanced budget, after assuming a £1.695 million contribution from the Collection Fund surplus is a net £221.270 million, The Band D Council Tax proposed for 2012/13 is thus frozen and is again £1,222.43 (£221.270 million divided by 181,007.02 tax base). That is unchanged from 2010/110 and across the bandings that equates to the following:

Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£
814.95	950.78	1,086.60	1,222.43	1,494.08	1,765.73	2,037.38	2,444.86

10.7 The precept for Wiltshire Police Authority and Wiltshire Fire and Rescue Service are still at this point in time to be proposed for 2012/13. Further details will thus be reported verbally to Cabinet on 15th February 2012, and in writing to Council on 28th February 2012.

10.8 In Wiltshire there are 253 parishes and Town Councils. Each of these bodies has precepting powers and we are currently awaiting to hear back from all of these bodies. Given the scale of the number of such councils, the detailed affect for each will be set out in an appendix to Council to show the movement for each body on top of that for Wiltshire Council, the Fire and Police authorities.

11. Assessment of reserves

11.1 The Authority has had for a number of years a Strategic Risk Register and developed a Risk Framework to identify and monitor risks going forward. This register has continued to be updated during 2011/12, and has formed the platform in preparing the Section 151 Officer's assessment of risk. Appendix 2 of this report summarises the significant financial risks arising from this assessment. The total potential reserves required from this assessment across the next three years to the Council are estimated as follows:

	31 st March		
	2013 £ million	2014 £ million	2015 £ million
General Fund Reserve	12	16	16

11.2 The Authority's General Fund estimated reserve at 31 March 2012 based on the forecast outturn, at Section 3 of this report from the current forecast outturn is £11.6 million. This includes the affects of a review of potentially available earmarked reserves, and these are set out in the following paragraphs in more detail.

11.3 As such, based on the assessment at Appendix 2 there is no further call on reserves in 2012/13, nor a requirement to contribute to the reserves. However, Members should note that, as the external environment of both the public sector and Wiltshire itself changes rapidly, so the number of risks being identified and the likelihood of risks occurring is also increasing. This is reflected in the financial risk assessments for later years of the plan which, at this stage, identify potential risks adding up to £16 million in 2013-15, but will be kept under review. There is therefore no need for the Medium Term Financial Plan to provide for increases in the General Fund Reserve from 2012/13 onwards as follows:

	31 st March		
	2013 £ million	2014 £ million	2015 £ million
General Fund Reserve	11.6	16	16
Contribution to / (from) reserves	0	4	0

11.4 The "growth" assumption in the General Fund Reserve position will be kept under continual review as part of the budget monitoring process.

11.5 An analysis of the earmarked reserves has also been undertaken and the proposed movements and purpose of each is set out below. This identifies a small net change in the total for 2012/13 in line with the Financial Plan set out last year, and a small increase in 2013 to 2015. This again is provided for in the four year Financial Plan.

Earmarked Revenue Reserves	31 st March						Purpose
	2010 £m	2011 £m	2012 £ m	2013 £ m	2014 £ m	2015 £ m	
PFI	2.5	3.0	4.0	3.0	3.0	3.0	To continue the forecast gap in future funding on the existing schools PFI schemes and to fund set up and bid costs for Housing and Adult Care Homes
Other	0.3	0.2	0.2	0.1	0.1	0.1	Includes operating reserve for Libraries and funding of future Workplace Transformation Project management costs
Insurance	4.0	4.3	4.6	4.9	5.2	5.5	To provide for continued increases in costs arising from claims brought against the Council.

11.6 Following this review and proposed transfer from earmarked reserves plus annual contribution from revenue, the level of reserves overall are considered to be sufficient to meet potential risks and demonstrate a prudent level.

12 The impact on 2013-15 and future years

12.1 In setting a four year financial plan covering 2011-15 the Council took account of the coalition government's Comprehensive Spending Review announcement in October 2010 that planned a 28% reduction in our central grant funds over that period.

12.2 Subsequent announcements identified that the majority of this reduction was in the first two years. Since then the Government have issued new grants that have reduced the scale of the funding fall. Looking forward another three years there are two key events that we know will impact significantly on Wiltshire Council's funding:

- A new funding formula will be announced in the autumn / winter 2012; and
- There will be a national election by May 2015.

12.3 In relation to the new funding formula the current Secretary of State for Communities and Local Government has announced that the changes will mean no council is worse off. As such at this stage we have made only minor changes to our assumed longer term financial plan (2013-15) other than to amend it for changes noted in this update. In respect of then extending the Plan to cover 2015/16 we have taken the decision not to do until the funding formulae is announced and consider further any impact a national election may have on subsequent years.

13 Legal advice

13.1 The Monitoring Officer considers that the proposals fulfil the statutory requirements set out below with regard to setting the amount of Council Tax for the forthcoming year and to set a balanced budget:-

- S30 (6) Local Government finance Act 1992 (the 1992 Act)
This section requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set.
- S32 the 1992 Act
This section sets out the calculations to be made in determining the budget requirements, including contingencies and financial reserves.
- S33 the 1992 Act
This section requires the Council to set a balanced budget.
- S25 (1) Local Governance Act 2003 (the 2003 Act)
The Chief Finance Officer of the Authority must report to it on the following matters:-
 - (a) the robustness of the estimates made for the purposes of the calculations; and
 - (b) the adequacy of the proposed financial reserves.
- S25 (2) the 2003 Act
When the Council is considering calculations under S32, it must have regard to a report of the Chief finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

- The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended)

These Regulations set out what are to be the respective functions of Council and of the Cabinet. With regard to the setting of the budget and Council Tax for the forthcoming year, Regulations provide that the Leader formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under S32 of the 1992 Act. However, the adoption of any such plan or strategy/calculations is the responsibility of (full) Council.

13.2 This report meets those requirements.

13.3 The legislation that governs local government is changing significantly and the business plan will be kept under review to see if changes are needed as the changes in legislation are made available and clarified.

14 **HR advice**

14.1 The Service Director for HR & OD has been involved in the process surrounding savings in the service areas and with human resource implications arising from the proposals. This has included consultations with the trade unions in relation to the restructuring of services to deliver savings. Where restructuring of services proposes more than 20 redundancies an HR1 form for each service review has been completed and sent to both the recognised trade unions and the Insolvency Service. Savings from service reviews are realised once consultation on each review is completed. There are processes in place to carry out further consistent consultations arising from other service saving proposals over the next 12 months where there are human resource implications.

14.2 Negotiations with the trade unions to achieve a reduction in staffing costs of £12m over the next 4 years from changes to terms and conditions have so far achieved savings of £8.9m. The shortfall will be found from further savings from staff costs, which may include further redundancies.

15 **Equalities assessment**

15.1 The business plan sets out Wiltshire's approach to stronger and more resilient communities, to our customers and access to services and information. It contains specific investment to support vulnerable adults and children in Wiltshire. The equalities implications of the long term strategies already approved were considered as part of the development of those strategies. For other proposals in the business plan, services have either carried out equalities impact assessments or where appropriate are doing so as part of developing the detailed arrangements for those proposals

16 Environmental and climate change considerations

16.1 The plan and budget have been developed to support stronger and more resilient communities in Wiltshire. The additional investment in Energy Efficiency to help reduce our carbon footprint will be funded from external income.

17 Risk Assessment

17.1 The financial risk assessment that supports the 2012/13 budget is discussed below. Services have considered risk in developing the proposals for investment and savings shown in the financial plan and these will be reflected in their usual risk management arrangements.

17.2 The changes that have been made by the coalition government since May 2010 are significant, and further changes to the public sector are expected over the next few years. During 2012/13, we will need to consider whether further changes are needed to our structures and arrangements once the full details of legislative changes have been disclosed by the government.

17.3 Also, we have only received a two year financial settlement and the business plan may need to change once the settlement for 2013/14 and 2014/15 is known.

18 Financial Implications

18.1 In accordance with Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, this section of the report sets out the Section 151 Officer's assessment of the major areas of risk in the 2011-12 to 2014-15 base budgets / Medium Term Financial Plan, and recommended budget options. It is presented in order to provide Members with assurances about the robustness of assumptions made, and to assist them in discharging their governance and monitoring roles during the forthcoming year.

18.2 Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.

18.3 Section 25 of the Act also covers budget monitoring and this is a procedure which also helps to confirm the robustness of budgets. Current financial performance is taken into account in assessing the possible impact of existing pressures on the new year budgets. It also provides early indications of potential problems in managing the current year budget so that appropriate action may be taken. Members are asked to note therefore that the balanced budget forecast, has been included in our risk based assessment for balances. Budget monitoring is reinforced through close financial support to managers and services. These processes and controls will continue to be built upon for 2012/13, to maintain tight financial control.

18.4 In assessing the assumptions in the setting of the 2012/13 Council Tax I note that the Chief Officers have provided details of their service responsibilities and aims, together with explanations of current pressures and other issues. These narratives were set alongside each Service Director & Head of Service's base budget calculations, so as to put the figures in context and to help inform the formulation of this budget and the Council's proposed Business Plan. My assessment of all this information, following the risk assessment set out, is that the budget calculations are fair and robust, and reserves are adequate to reflect known circumstances.

- Assumptions around the base budget

18.5 2012/13 will be the fourth budget set for the new unitary Wiltshire Council. The economic downturn continues to mean that original assumptions around income growth in areas such as car parking have been amended to reflect the latest known position.

18.6 The financial assumptions are set out in detail in Appendix D to the financial plan 2011-15 update presented by Cabinet. These take account of key factors such as demographic and inflation rates of change.

19 Conclusions

19.1 The Council's business plan, supported by its financial plan 2011/15 and the budget for 2011/12 sets a clear direction for the next four years.

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Date of report: 1st February 2012

Background Papers:

The following unpublished documents have been relied on in the preparation of this report:

Various budget working papers in services
Business & Financial plans 2011-15

Appendices

- 1 – Cabinet's Updated Business & Financial plans 2012-15, which includes budget proposals for 2012/13
- 2 – General Fund Reserves assessment

Cabinet proposed update to the 2011-15 Business and Financial Plan

<http://www.wiltshire.gov.uk/budgetsandspending.htm>

General Fund Reserve Risk Assessment

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
1	2011-12	Potential use of reserves in previous year based on this risk assessment	Low	0%	-	-			
	2012-13		Medium	26%	1,000		260		
	2013-14		Medium	26%	11,705			3,043	
	2014-15		Medium	26%	15,645				4,068
2	2011-12	The future years funding settlement is even worse than anticipated	Low	0%	-	-			
	2012-13		Low	0%	-		-		
	2013-14		High	60%	5,000			3,000	
	2014-15		High	60%	5,000				3,000

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
3	2011-12	System thinking transformational savings not delivered	Low	10%	500	50			
	2012-13		Medium	26%	10,400		2,700		
	2013-14		Medium	40%	4,000			1,600	
	2014-15		Medium	30%	-				-
3	2011-12	Procurement savings not delivered	Low	15%	6,400	960			
	2012-13		Low	10%	4,757		475		
	2013-14		Medium	26%	14,000			3,640	
	2014-15		Medium	26%	800				208

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
4	2011-12	Above inflationary increases in non-pay and utilities greater than already provided for in the medium term plan	Low	10%	1,000	100			
	2012-13		Medium	30%	2,000		600		
	2013-14		Medium	30%	1,000			300	
	2014-15		Medium	30%	1,000				300
5	2011-12	Increase in pay costs above pay settlement / assumptions	Low	10%	1,600	160			
	2012-13		Low	5%	1,600		80		
	2013-14		Medium	30%	1,600			480	
	2014-15		Medium	30%	1,600				480

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
6	2011-12	Social care costs increase due to greater than forecast demand or complexity	Low	25%	2,000	500			
	2012-13		Medium	40%	2,000		800		
	2013-14		Medium	40%	2,000			800	
	2014-15		Medium	50%	2,000				1,000
7	2011-12	Harmonisation costs insufficient / fund harmonisation team	Medium	30%	2,000	600			
	2012-13		Low	10%	1,000		100		
	2013-14		Low	10%	2,000			200	
	2014-15		Low	10%	2,000				200

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
8	2011-12	Service savings not delivered	Medium	26%	14,757	3,837			
	2012-13		Medium	30%	11,723		3,500		
	2013-14		Low	10%	-			-	
	2014-15		Low	10%	-				-
9	2011-12	Partnership liability gives rise to grant clawback guarantees	Low	5%	1,000	50			
	2012-13		Low	10%	1,000		100		
	2013-14		Low	10%	1,000			100	
	2014-15		Low	5%	1,000				50

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
10	2011-12	Insurance liability/claims premiums /level of deductibles rise above provision	Medium	26%	500	130			
	2012-13		Medium	30%	2,000		600		
	2013-14		Medium	30%	500			150	
	2014-15		Medium	30%	500				150
11	2011-12	The level of funds within the self insurance fund is unable to cover a catastrophic incident affecting our buildings, including schools.	Medium	30%	2,500	750			
	2012-13		Medium	30%	2,500		750		
	2013-14		Medium	30%	2,500			750	
	2014-15		Low	15%	2,500				375

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
12	2011-12	H & S breaches resulting in legal action. New legislation means increased monitoring and requirements. A new reporting system will help identify trends.	Low	10%	200	20			
	2012-13		Low	10%	200		20		
	2013-14		Low	10%	200			20	
	2014-15		Low	10%	200				20
13	2011-12	Employment tribunal action	Medium	30%	1,000	300			
	2012-13		Medium	30%	1,000		300		
	2013-14		low – 20%	15%	1,000			150	
	2014-15		low – 20%	15%	1,000				150

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
14	2011-12	Levies from partner organisations could exceed increases in matched funding	Low	10%	400	40			
	2012-13		Low	10%	450		45		
	2013-14		Low	10%	500			50	
	2014-15		Low	10%	550				55
15	2011-12	MTFP provides for additional revenue funding to meet additional costs arising from capital investment but costs may be understated	Low	2%	1,500	23			
	2012-13		Low	15%	1,500		225		
	2013-14		Medium	30%	3,000			900	
	2014-15		Medium	30%	5,000				1,500

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
			High = 51% - 100%						
16	2011-12	Major fraud	Low	5%	100	5			
	2012-13		Low	5%	100		5		
	2013-14		Low	5%	100			5	
	2014-15		Low	5%	100				5
17	2011-12	LG Pension Scheme – employer contribution increase above budget	Low	0%	2,000	-			
	2012-13		Low	0%	2,000		-		
	2013-14		Low	0%	2,000			-	
	2014-15		Medium	50%	8,000				4,000

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000
			High = 51% - 100%						
18	2011-12	Failure to collect debt beyond provision	Low	10%	1,000	100			
	2012-13		Low	10%	1,000		100		
	2013-14		Low	10%	1,000			100	
	2014-15		Low	10%	1,000				100
19	2011-12	Adverse winter increases call on operational costs	Medium	30%	2,000	600			
	2012-13		Medium	30%	2,000		600		
	2013-14		Low	15%	2,000			300	
	2014-15		Medium	30%	2,000				600

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement						
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000		
20	2011-12	Unforeseen events / contingency	Low	10%	2,000	200						
	2012-13		Low	10%						2,000	200	1,500
	2013-14		Medium	50%						3,000		
	2014-15		High	75%						4,000		
21	2011-12	Fluctuation in borrowing costs/interest receipts.	Low	10%	-1,000	-100						
	2012-13		Medium	50%						-1,000	-500	
	2013-14		Medium	50%						-1,000		-500
	2014-15		Medium	50%						-1,000		-500

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
22	2011-12	The Council is unsuccessful in securing PFI credits for housing Phase 2 and funds from prudential borrowing.	Low	50%	1,000	500			
	2012-13		Low	20%	2,000		400		
	2013-14		Low	20%	4,000			800	
	2014-15		Low	20%	5,000				1,000
23	2011-12	Waste recycling performance does not improve resulting in Landfill Allowance Tax liabilities above budget	Low	15%	1,000	150			
	2012-13		Low	10%	1,000		100		
	2013-14		Low	5%	2,000			100	
	2014-15		Low	5%	2,000				100

No.	Year	Risk Event	Low = 0% - 25%	Risk %	Potential Net Financial Impact £000	Reserve Requirement			
			Medium = 26% - 50%			High = 51% - 100%	2011-12 £000	2012-13 £000	2013-14 £000
24	2011-12	Equal Pay claims required to settle around 'unlawful' protection payments.	Low	10%	-	0			
	2012-13		Low	10%	1,000		100		
	2013-14		Low	10%	12,000			1,200	
	2014-15		Low	10%	5,000				500
		TOTALS				8,974	11,560	15,645	16,293

Wiltshire Council

Cabinet

15 February 2012

Subject: Formation of a School Company

Cabinet member: Cllr Lionel Grundy - Children's Services

Key Decision: No

Executive Summary

This report outlines a proposal from the Trowbridge Cluster of Schools to establish a company limited by guarantee with charitable status to deliver a number of services across the Trowbridge area and proposes that the local authority become the supervising authority for maintained schools who join the company.

Under section 11 of the Education Act 2002 governing bodies of maintained schools are able to form companies on their own. Schools are able to set up companies to undertake activities for the purchasing of goods and services, providing services or facilities, or for exercising functions which an LA is able to contract out.

The DfE has published detailed guidance as to the procedures to be followed in establishing, operating and supervising school companies. In particular, maintained schools need permission from their LA to form a company. This is in order to ensure that schools have the managerial and financial capability required to take part in a school company.

All school companies must have supervising authorities and this will normally be the LA within which the member schools are based. The supervising authority has no role in relation to Academies which may be members of the company.

Proposal(s)

It is proposed that:

- a) The local authority (LA) approve the formation of a schools company Collaborative Schools Ltd.
- b) The LA become the supervising authority for the company
- c) The LA instruct the Clarendon College that it must not become a formal member of the company whilst it is in Special Measures.

Reason for Proposal

The Trowbridge schools have proposed the establishment of a school company as the most effective method for ensuring the continued delivery of extended services and collaboration between schools.

The company must have a supervising authority which would normally be the local authority in whose area the schools are located.

Carolyn Godfrey
Corporate Director

Wiltshire Council

Cabinet

15 February 2012

Subject: Formation of a School Company

Cabinet member: Councillor Lionel Grundy - Children's Services

Key Decision: No

Purpose of Report

1. To formally approve that the maintained schools within the Trowbridge cluster be able to join a school company, Collaborative Schools Ltd, where the criteria for membership are met.
2. To formally establish the local authority (LA) as the supervising authority for those maintained schools in the company.

Background

3. Under section 11 of the Education Act 2002 governing bodies of maintained schools are able to form companies on their own. Schools are able to set up companies to undertake activities for the purchasing of goods and services, providing services or facilities, or for exercising functions which an LA is able to contract out.
4. The DfE has published detailed guidance as to the procedures to be followed in establishing, operating and supervising school companies. In particular, maintained schools need permission from their LA to form a company. This is in order to ensure that schools have the managerial and financial capability required to take part in a school company. The circumstances in which a LA can refuse to give permission are limited and prescribed in part 3 of the regulations. They are where a school:
 - a. Is subject to special measures or has serious weaknesses;
 - b. Is thought likely to become subject to special measures or be assessed as having serious weaknesses within the next year;
 - c. Has a deficit budget;
 - d. has been at fault for a previous insolvency of a school company;
 - e. has belonged to a school company which failed to act in accordance with the regulations within the last 3 years.

5. Section 12 of the act also prevents a school from forming a school company if its school's delegated budget has been suspended. A school that has been refused permission to form a company and thinks this decision is unfair can complain to the Secretary of State using the rights of complaint that schools already have against LA acting unreasonably.
6. All school companies must have supervising authorities and this will normally be the LA within which the member schools are based. The supervising authority has defined powers over companies, some of which can only be exercised in certain circumstances:
 - a. it may direct the company to provide such information about the company's finances, management and contracts to which the company is a party, as the supervising authority think necessary;
 - b. it may direct the company to take certain specified steps in order to comply with Regulations;
 - c. it may direct a governing body of a maintained school, which is a member of the company, to reduce its involvement in the management of the company; and
 - d. it may direct the governing body of a maintained school, which is a member of the company, to resign as a member of the company.

Main Considerations for the Council

7. The Trowbridge Cluster comprises 21 schools, listed in Appendix 1 to this report. The group of schools is a mixture of maintained schools and academies and the supervising authority is established in respect of the maintained schools only.
8. It is proposed to establish a company limited by guarantee with charitable status comprising these schools. The aims of the Company are to promote and advance the education of children, young people and their families especially within the wider Trowbridge community by:
 1. Supporting the development and maintenance of a sustainable, self-improving and progressive school system
 2. Supporting positive personal achievements and outcomes
 3. Reducing barriers to learning, enhancing health and well-being and raising aspirations
 4. Promoting such other charitable purposes that may on occasion be determined
9. The services to be provided are listed in appendix 2 to this report.
10. It is possible that additional maintained schools will wish to join the company as provision expands and further reports will be brought to Cabinet to seek permission for these schools to join the company. Any schools from outside Wiltshire who wish to join the company would need permission from their own LA.

11. In setting up the company the schools have consulted with all governing bodies within the 21 schools.
12. The company is limited by guarantee and has yet to finalise its internal structures in respect of numbers of Directors on the Board, etc. This is a matter on which the company will be required to obtain its own independent advice. Subject to Cabinet approval, the Council's legal team will advise the LA in its role as supervising authority.
13. In considering whether to give permission for the schools to join the company the LA needs to consider the criteria outlined in paragraph 4 above and can only refuse permission if any of these criteria are met. Currently:
 - a. One of the schools, the Clarendon College, is in special measures.
 - b. The schools have not been at fault for any previous insolvency of a school company nor been involved with a company that has failed to act in accordance with the regulations.
 - c. A number of the schools are currently members of an existing company, West Wilts Learning Futures Ltd, and Wiltshire Council is the supervising authority for those maintained schools who are members of that company.
 - d. One of the schools within the proposed company is in financial deficit and has an agreed recovery plan.
14. The LA should instruct the Clarendon College that it cannot become a member of the school company at this stage.
15. Should any of these circumstances occur in other maintained schools who are members of the company in the future the Regulations state that the LA as the supervising authority must direct the school either to reduce its involvement in the company or to resign as a member of the company. There is a process through which any school in such a position will be issued a notice by the LA. In such circumstances the LA would review with the school and the company the level of involvement in the company that is appropriate.

Environmental and climate change considerations

16. None identified

Equalities Impact of the Proposal

17. The aims and objectives of the company are outlined in paragraph 8 above. In fulfilling these objectives the Company will be acting to ensure that access to education and training is available to all groups of young people across the Trowbridge area.

Risk Assessment

18. Members of a school company need to make important decisions regarding the structure of the company, its aims, how it is to be funded, terms and conditions for the employment of staff and how any profits are to be applied. As the supervising authority the LA will not intervene in the day to day running of the company and should only exercise its powers of direction if there is evidence that a company is approaching or is in financial trouble.
19. As stated in a previous paragraph one of the schools involved in the Company is currently in financial deficit. The school has worked with the LA to resolve its financial position and has an agreed recovery plan in place. The Company requires a low level of investment from individual schools and a risk assessment of the implications of the deficit position of the school indicate that it should not negatively affect that school's involvement in the company. This situation would need to be kept under review and the processes in paragraph 12 would apply if the LA had concerns over the ability of this or any other maintained school to manage its finances.
20. Should the company get into financial difficulties the DfE guidance states that it will either have to borrow money to pay its creditors or trade its way out of difficulties. A company that cannot pay its debts will be wound up.

Financial Implications

21. The company is to be accounted for outside of the school accounts and the finances of the company are not part of the LA's funds.
22. The sources of income to the company are the subscriptions paid by the member schools, balances of Extended Schools funding held by the Trowbridge cluster and income from other services purchased by schools outside of the subscription.

Legal Implications

23. This proposal is within the statutory framework provided by sections 11-13 of the Education Act 2002 and regulations made under those provisions enabling governing bodies of maintained schools to form companies for certain purposes, including the provision of services or facilities for any schools.
24. The role and responsibilities of the LA as supervising authority are outlined earlier in this report. The LA will have no formal participation in the company except in its role as supervising authority.
25. Collaborative Schools Ltd is a company limited by guarantee, which means that it does not have a share capital, but has members who are guarantors instead of shareholders. Under the company's memorandum of association the liability of its members is limited to a nominal amount (£ 1) which they undertake to contribute towards any shortfall in the event of the company being wound up.

26. Regulation 26 of the School Companies Regulations provides that a supervising authority has a duty to monitor the management and finances of the school company; and notify members of the company and relevant local education authorities if it considers that the company is poorly managed or there is a risk of the company becoming insolvent.
27. The income and property of the company must be applied solely towards the promotion of its objects.
28. There are significant responsibilities imposed upon company directors under company law. Directors of the company will need to ensure that they are aware of the nature and extent of these responsibilities.

Options Considered

29. The Trowbridge cluster of schools have consulted governing bodies in all of the schools and have concluded that a limited company is the most effective vehicle for the delivery of services and continued collaboration of schools in the current framework of schools in Wiltshire. An alternative method of delivery could be for the schools to act as a less formal collaboration for the delivery of these services but this has been rejected by the schools.

Conclusions

30. That a School Company be formed to facilitate the development and delivery of extended schools and other development services for schools and young people in Trowbridge.
31. That as supervising authority the LA must direct Clarendon College not to become a member of the company at this stage.

Carolyn Godfrey
Corporate Director

Report Author:

Liz Williams, Head of Finance

12 January 2012

Background Papers

DCSF Guidance on School Companies, issued 20/1/03
The School Companies Regulations 2002

Appendices

Appendix 1 – List of schools within the Trowbridge cluster
Appendix 2 – Services to be delivered by Collaborative Schools Ltd

Appendix 1 – Schools within the Trowbridge Cluster

Secondary Schools

The John of Gaunt School

The Clarendon College

St Augustine's Catholic College

Special School

Larkrise Special School

Primary Schools

Grove Primary School

Walwayne Court School

Staverton C of E.V.C Primary School

Hilperton C of E.V.C Primary School

Bellefield Primary School

Holbrook Primary School

Studley Green Primary School

Newtown Community Primary School

Holt V.C Primary School

The Mead Community Primary School

Paxcroft Primary School

St John's Catholic School

Southwick C of E Primary School

West Ashton C of E Primary School

North Bradley C of E Primary School

Keevil C of E Primary School

Trowbridge Longmeadow Primary School

Appendix 2 – Services to be delivered by Collaborative Schools Ltd

These services are provided as part of the core offer to member schools at no additional cost other than the annual member contribution:

Activity	Detail
*Continuing Professional Development (CPD) for staff of member schools	Local in-house development of a CPD programme to meet needs
Transfer & Transition programme	Ongoing development of a 'local offer'
*Student and family counselling service	Access to in house counselling service
*Leadership and Development Advisor	Provision to support school leadership and development
*Parenting Support	Local in-house delivery of a varied programme of support for parents to meet local need
Multi- Agency Health & Well Being Drop-Ins for young people	An on-site confidential health & well being advice service for young people at all three secondary schools
The Youth Parliament	Student forum which discusses and actions local issues of importance to children and young people
Multi-Agency Forum (MAF)	A multi-agency collaborative partnership ensuring all schools access to children's services, identifying and seeking ways to fill local gaps in provision
Free Time Disadvantage subsidy scheme	Enabling student access to school and community based clubs and activities by removing the financial barriers to engagement
*The Hub	A purpose built facility with meeting rooms and office accommodation playing host to a variety of member school and community functions.
*Adult learning programmes	Local in-house development of adult learning programmes to compliment other local provision to meet needs
*Service procurement	A procurement and contract management service which will allow member schools to purchase additional services
School Sports Co-ordinator	Provision of sports advice, consultancy and activities for member schools

*Activities that will be traded as income generation

**Wiltshire Council
Cabinet**

15 February 2012

Subject: Business Plan Scorecard Report

Cabinet Member: Cllr John Brady - Finance, Performance and Risk

Purpose of Report

1. This is a report to provide a summary of progress against Wiltshire Council's Business Plan. It provides:
 - Performance indicators for Community Results and Council Performance for the period April to December 2011.
 - The status of the Council's main programmes.

Background

2. Wiltshire Council's four year Business Plan sets out what will be achieved between now and 2015. It highlights the business model for the next five to 10 years. The changes from where we are now are phased so that the first four years sets the foundation to make the council as efficient as possible and equipped for the future. Progress reports are intended to give a rounded picture, covering performance against targets, progress on major programmes and where possible information about the Council's workforce.
3. The performance indicators show results available at December 2011. Results only available at year end will be included in the report in June 2012.
4. The status of the Council's main programmes is provided by the Programme Office and shows whether each programme is on track.
5. The HR Workforce Report to the end of December will be reported to the Staffing Policy Committee on 7 March. It is not available in time for circulation to this meeting, but HR information will be included in our Year End report to Cabinet in June.

Main Considerations for the Council

6. Progress against the Business Plan is summarised below.
7. **Community and Council Scorecards** – Most indicators are expected to hit or be very close to their targets by year end. Eight indicators are flagged as 'red':
 - **2001** 5% increase in children in care receiving high quality local placements
 - **V2** Reduce health inequalities – males
 - **V2** Reduce health inequalities - females
 - **2005** More children in care get A*-C GCSEs (or equivalent)
 - **2007** Care leavers in suitable education, jobs or training
 - **2008** Timely adoptions
 - **5001** Customer telephone call connection rates and
 - **6001** Alcohol related hospital admissions.

8. Information about action being taken on these is provided in **Annex 1**.
9. **Council's Programmes** – Most of the programmes are progressing as expected.

Environmental Impact of the Proposal

10. This is a scorecard so the proposal has no direct environmental impact, although there are measures on Recycling, Waste Management and Energy Efficiency.

Equalities Impact of the Proposal

11. As this is a progress report the proposal has no direct impact on equalities.

Risk Assessment

12. The Council's risk management arrangements apply across the Council's services and risk is overseen by the Corporate Risk Management Group (CRMG), which reports on significant risks to CLT and to the Audit Committee. No risks arise as a result of this report, but it does highlight any difficulties relating to achieving targets and delivering the Council's main programmes.

Financial Implications

13. This is a scorecard report so has no direct financial implications.

Legal Implications

14. As this is a scorecard report there are no direct legal implications.

Options Considered

15. As this is a scorecard report there are no 'options to consider'.

Proposal

16. Cabinet is asked to note progress against the Business Plan.

Sharon Britton

Service Director Policy, Performance and Partnership

Report Author: Claire Small, Policy and Partnership Officer

claire.small@wiltshire.gov.uk

Date of report: 19 January 2012

Background Papers

The following unpublished documents have been relied on in the preparation of this report: detailed performance management information held within services.

Appendices

Annex 1: Business Plan Scorecards

Annex 2: Programme Status

Business Plan Scorecard Results to December 2011

Index

- Community Results Scorecard
- Council Performance Scorecard

Scorecard Key:

H = High (good performance if actual is higher than target); L = Low (good performance if actual is lower than target)

3 yr trend: I = Improving; W = Worsening

On target (by end of year): Y = Yes; N = No; A = Amber (some concern)

Community Results Scorecard to December 2011

MEASURES TO DECEMBER												
Ref	Wiltshire's Business Plan 2011-15 COMMUNITY RESULTS SCORECARD	high/low	2008/09 Actual	2009/10 Actual	2010/11 Actual	3 yr trend	2011/12 Target (year)	2011/12 Target to December	2011/12 Actual to December	On target?	2014/15 target	Lead officer
Protect and Safeguard Vulnerable Children												
2001	5% increase in children in care receiving high quality local placements: use of in-house foster carers (proportion nights)	H	56.3	60.9	62.8	I	67.4	67.4	59.9	N	68	Sharon Davies
Invest in: Children's Attainment												
2003	5% more 11 year olds will get Key Stage 2 L4+ by 2015 (Maths and English)	H	73	71	75	I	75.2	75.2	75	Y	79.2	Stephanie Denovan
2004	5% more young people will get 5 A*-C at GCSE by 2015 (including English and Maths)	H	53.2	55.4	55.8	I	56.6	56.6	60.0 (prov)	Y	60.6	Stephanie Denovan
Protect and Safeguard Vulnerable adults												
3001	14% increase in the number of older people receiving our services - advice and services for the rising number of older people	H			8,720	-	9,069		7,346	Y	2014 + 2.6%e	James Cawley
Invest in: Housing												
3004	1,800 new affordable homes by Mar 2015 (ave 450 pa)	H	583	554	648	I	450	400	430	Y	450	James Cawley
Economy and Unemployment												
4001	Help create 6,000 additional jobs by Mar 2015	H			455	-	1,500		611 (cumulative)	Y	1,000	Alistair Cunningham
4002	Help safeguard 8,000 existing jobs by Mar 2015	H			370	-	2,000		2,719 (cumulative)	Y	1,500	Alistair Cunningham
Invest in: Waste Management												
4004	Recycle 50% of our waste by Mar 2015	H	40.5%	40.5%	41.1%	I	41.5%	41.5%	43.6%	A	50%	Tracy Carter
4005	Reduce waste being landfilled to 25% by Mar 2015	L	56.0%	47.2%	37.5%	I	37%	37%	36%	A	25%	Tracy Carter
Invest in: Energy Efficiency												
4006	Lower our carbon emissions from April 2010 to March 2015 by 11,823 tCO2	H		baseline	742 reduction	-	no annual targets		1,035 reduction	A	11, 823 tCO2 reduction	Alistair Cunningham

MEASURES TO DECEMBER												
Ref	Wiltshire's Business Plan 2011-15 COMMUNITY RESULTS SCORECARD	high/low	2008/09 Actual	2009/10 Actual	2010/11 Actual	3 yr trend	2011/12 Target (year)	2011/12 Target to December	2011/12 Actual to December	On target?	2014/15 target	Lead officer
Public Health measures												
V1	Life expectancy - males	H	79.3	79.3	79.5	I	79.9		79.6	Y		Maggie Rae
V1	Life expectancy - females	H	83.1	83.3	83.5	I	83.7		83.7	Y		Maggie Rae
V2	Reduce health inequalities - males	L	4.6	5.1	5.8	W	4.56		6.6	N	4.47	Maggie Rae
V2	Reduce health inequalities - females	L	3.3	3.4	3.9	W	2.96		3.8	N	2.84	Maggie Rae

Comments on Community Results Scorecard

Results that are not on target (No)

Ref 2001 – 5% increase in children in care receiving high quality local placements: use of in-house foster carers (proportion nights)
Target: 67.4, Actual: 59.9

Reason not on target and what we are doing:

We are increasing the number of approved fostering households, overall bed capacity and filled beds, and decreasing the number of vacant and unavailable beds. Formally deregistering non active carers and retirement of some long established carers (carers now in their 70s) has seen a loss of mainstream carers/beds. The % of LAC accommodated in-house is being maintained rather than increased. There continues to be a lack of vacant capacity within in-house provision. There is currently a campaign to recruit more foster carers and this is proceeding well. The total number of inquiries from people interested in becoming foster carers over the past 3 months was 61 and 13 fostering households were approved with others still in the process.

Ref V2 – Reduce Health Inequalities – males, Target: 4.56, Actual: 6.6

Ref V2 – Reduce Health Inequalities – females, Target: 2.96, Actual: 3.8

Reason not on target and what we are doing:

Although Wiltshire is generally not a deprived area, it has pockets of deprivation including five local areas that lie amongst the 20% most deprived in England. In addition, aspects of rural deprivation are difficult to quantify yet are of particular relevance in this county. Life expectancy is 6 years lower for men and 4 years lower for women in the most deprived areas of Wiltshire than in the least deprived areas. This is low compared to other areas (both within the SW and nationally) but, nevertheless, represents clear inequalities in health outcomes within the local population.

Many major conditions are strongly correlated to deprivation as are the lifestyles that contribute to them. Among the interventions that are evidenced to reduce the life expectancy gap are smoking cessation; statin therapy, use of anti hypertensives and early detection of cancer. The transfer of Public Health responsibilities to Wiltshire Council in April 2013 and ring fenced budgets will keep a focus on health inequalities.

We have recently produced health inequality data at community area level and included this within the new JSAs for community area. This has increased the awareness of health inequalities in communities and each community is in the process of agreeing priorities to improve the health of the local population.

Results with some concern (Amber)**Ref 4004 - Recycle 50% of our waste by Mar 2015****Target: 41.5% Actual: 43.6%****Reason for concern and what we are doing:**

Although we're currently above target for the year, we expect the results for the rest of the year to show a seasonal dip in recycling and have therefore specified an amber rating to our current recycling performance. This is due to green waste composting collections traditionally reducing significantly over the winter. We are currently above target for the year due in part to warmer autumn weather maintaining a healthy composting tonnage and also a very encouraging start to the new plastic bottle and cardboard collections started in November.

Ref 4005 - Reduce waste being landfilled to 25% by Mar 2015**Target: 37% Actual 36.1%****Reason for concern and what we are doing:**

2011-12 results to date show effect of the Energy from Waste (EfW) plant's planned and unplanned shutdowns in April and September. Deliveries are on target for year and the average is now falling. Although we are encouraged by this reduction and expect to meet our target level at this stage, being only just within the target we've set performance at an amber rating. It's also hoped the new plastic bottle and cardboard collections started November, will further divert recyclable waste from landfill further boosting the target by the end of the year.

Ref 4006 - Lower our carbon emissions from April 2010 to March 2015 by 11,823 tCO2**Target: no annual target, Actual: 1,035 reduction****Reason for concern and what we are doing:**

As reported last quarter there is currently a recognised shortfall in achieving the target by 2014, and Cross-Directorate work is underway (eg with the ECO Team, Property Services, Transformation Programme, ICT, Streetlighting, Fleet) to identify further projects. A capital investment project will be considered in January 2012, which would make a significant contribution to the target if approved.

Interesting information relating to Economy and Employment**Ref 4001: Help create 6,000 additional jobs by Mar 2015**

A total of 50 jobs have been created for Westbury during Q3 with the decision by Wales & West Utilities to invest in the town. However, the enquiries received during the quarter have the potential to create 2,508 jobs (including 90 which could relocate from other areas). Overall, discussions with 8 companies are well advanced and the expectation is that a commitment to investment will be achieved by the end of the reporting year securing a minimum of an additional 1,000 jobs.

Ref 4002: Help safeguard 8,000 existing jobs by Mar 2015

A total of 12 jobs have been safeguarded during the quarter, building on the 2,707 safeguarded to September. The jobs safeguarded in Q3 are primarily as a result of the provision of hardship rate relief to a number of small businesses. A further 250 are expected to be safeguarded by the end of Q4 within companies that the Economy & Enterprise Service is supporting.

Council Performance Scorecard to December 2011

MEASURES TO DECEMBER												
Ref	Wiltshire's Business Plan 2011-15 COUNCIL PERFORMANCE SCORECARD	high/low	2008/09 Actual	2009/10 Actual	2010/11 Actual	3 yr trend	2011/12 Target (year)	2011/12 Target to December	2011/12 Actual to December	On target?	2014/15 target	Lead officer
Protect and Safeguard Vulnerable Children												
2005	More children in care get 5 A*-C GCSEs (or equivalent)	H	11.4	14.3	16	I	20	20	4	N	32	Sharon Davies
2006	Care leavers in suitable accommodation	H	81.8%	76.5%	97.1%	I	95%	95%	95%	Y	95%	Sharon Davies
2007	Care leavers in suitable education, jobs or training	H	54.4%	41.2%	65.7%	I	68%	68%	45%	N	72%	Sharon Davies
2008	Timely adoptions	H	65.2%	92.9%	100%	I	90%	90%	67% (10 adoptions)	N	90%	Sharon Davies
2009	Safeguarding: initial assessments done in 10 days	H		65.1%	63.6%	-	70%	70%	88%	Y	80%	Sharon Davies
2010	Safeguarding: child protection plan reviewed on time	H	100%	97.9%	100%	-	100%	100%	99%	Y	100%	Sharon Davies
Invest in: Our Communities												
3007	Number of volunteers in the library service	H	new	new	new	-	325	325	670	Y	325	Niki Lewis
	Opening hours (per week) supported by volunteers at Level 2 libraries	H	new	new	new	-	94	94	134	Y	94	Niki Lewis
	Opening hours (per week) supported by volunteers at Level 3 libraries	H	new	new	new	-	34	34	44.75	Y	34	Niki Lewis
3008	Satisfaction with area boards	H	n/a	n/a	45%	-	50%	50%	52%	Y	65%	Niki Lewis
Economy and Unemployment												
4009	Number of businesses assisted	H				-	625		671	Y	625	Alistair Cunningham
4010	Number of people helped with skills (T) or placed into work (W)	H	133 (T)	669 (T)	1046 (T) 435 (W)	I	Awaiting govt. funding decision		550 (T) 130 (W)	-	tbc	Alistair Cunningham
Invest in: Leisure Services												
4012	The number of visits to our leisure centres (000)	H	3,315	3,431	3,364	I	3,040	2,280	2,312	Y	3,585	Mark Smith
Invest in: Highways												
4011	The average days taken to repair a pothole	L	31	13	5.2	I	10	10	7.5	Y	10	Mark Smith
Other												
1004	The percentage of budgeted savings achieved	H				-	100%	95%	92%	Y	100%	Michael Hudson

MEASURES TO DECEMBER												
Ref	Wiltshire's Business Plan 2011-15 COUNCIL PERFORMANCE SCORECARD	high/low	2008/09 Actual	2009/10 Actual	2010/11 Actual	3 yr trend	2011/12 Target (year)	2011/12 Target to December	2011/12 Actual to December	On target?	2014/15 target	Lead officer
5001	Customer telephone call connection rates of 95%+	H			92.6%	-	95%+	95%	87.7%	N	95%+	Jacqui White
Public Health measures												
6001	Hospital admissions - alcohol related (/100,000)	L	1338	1390	1621	W	1,400		1,613	N		Maggie Rae
6002a	Proportion 4-5 year olds with healthy weight	H	77.5% (CI +/- 1.2%)	78.9% (CI +/- 1.2%)	76.8% (CI +/- 1.2%)	-	Not yet profiled		78.2% (CI +/- 1.2%)	-		Maggie Rae
6002b	Proportion 10-11 year olds with healthy weight	H	69.5% (CI +/- 1.4%)	70.5% (CI +/- 1.4%)	68.9% (CI +/- 1.4%)	-	Not yet profiled		68.7% (CI +/-1.4%)	-		Maggie Rae

Comments on Council Performance Scorecard

Results that are not on target (No)

Ref 2005 – More children in care get 5 A*-C GCSEs (or equivalent)

Target: 20, Actual: 5

Reason not on target and what we are doing:

Of the 5 young people with potential to achieve 5 A*-C inc. English & Maths, 1 has achieved. Of the remaining 4, 1 is only in year 10 and will sit exams in 2012; 1 had a personal crisis just prior to exams and avoided permanent exclusion; and the remaining 2 each narrowly missed a grade 'C' in English and Maths respectively. All are currently in EET. The Academic Mentoring programme is to be relaunched in 2011/12 to target Year 11 in the lead up to exams.

Ref 2007 – Care leavers in suitable education, jobs or training

Target: 68%, Actual: 45%

Reason not on target and what we are doing:

We have increased the frequency of tracking and contacting those disengaged (now monthly). The LAC EET Monitoring Group meets monthly to discuss all cases and highlights issues and actions. A mentoring programme starts in January 2012. Apprenticeships and work based training programmes are coming on-line over the next few weeks. Future plans include the proposed dedicated LAC centre which will be a base for a wide range of activities and training opportunities for young people.

Ref 2008 – Timely adoptions

Target: 90%, Actual: 67%

Reason not on target and what we are doing:

The reason for the delays has been due to highly specific and complex issues which mean that the process is taking longer to complete.

Ref 5001 – Customer telephone call connection rates of 95%**Target: 95%, Actual: 87.7%****Reason not on target and what we are doing:**

We have improved results from November and work is continuing to manage the volume of calls coming in and we are focussing on training more staff to deal with specific queues where peaks are affecting the overall % rate.

Ref 6001 - Hospital admissions - alcohol related (/100,000)**Target: 1400, Actual: 1613****Reason not on target and what we are doing:**

Both nationally and locally, alcohol related admissions (which are measured using modelled data applied to actual patient numbers) are rising year on year. Wiltshire has an alcohol strategy currently in its 3rd year which contains a wide range of actions, all of which it is hoped will contribute to changing attitudes to alcohol, preventing some alcohol problems from occurring and ensuring early intervention and treatment is available to those who need it. This includes actions around education, prevention, awareness raising, support and treatment, and managing the night time economy. The Department of Health has identified high impact changes and resources to fund the following:







- Increase delivery of brief interventions in the community
- Strengthen community specialist services and referral
- Acute trust based alcohol liaison







































































Interesting information relating to Our Communities**Ref 3007: Volunteers in library service**, 670 is the total of the following:

360 Home Library; Computer Buddy & Rhymetime volunteers; Summer Reading Challenge Volunteers


310 Community Library Volunteers

Annex 2: Cabinet / CLT Programme Status

Key	
	Red - major issue for escalation
	Amber - major issue, mitigation plan in place
	Green - on time, to quality and budget
	Blue - Project complete
	Grey - Suspended
	White - Project not started

Programme	On Time	On Quality/ Performance	On Budget	Resource in place	Overall Status
Economy & Employment (Investment - Action for Wiltshire)					
Local Development Framework (LDF) (Investment)					
Wiltshire Online (Super-fast broadband) (Investment)					
Campus (Transformation)					
Capital Maintenance Programme (Transformation)					
Hubs and Depots (Transformation)					
Information Services (Transformation)					
Knowledge Management (Transformation)					
Localism (Transformation)					
Procurement (Transformation)					
Strategic Partner and Employee Engagement (Transformation)					
SAP Development (Transformation)					
Service Reviews and Systems Thinking (Transformation)					
Waste Transformation (Transformation)					

Summary of red issues – there are no red issues for this period

	Programme	Project	Issue
			

Dr Carlton Brand
 Corporate Director, Transformation & Resources
 Status: January 2012

Wiltshire Council

Cabinet

15 February 2012

Subject: Salisbury Central Car Park and Maltings

Cabinet Member: Cllr Fleur de Rhé Philipe - Economic Development and Strategic Planning

Key Decision: No

Executive Summary

Following the approval by Cabinet in December 2010, the Council has undertaken a process, in accordance with European Procurement Regulations, to identify its preferred development partner for the retail led mixed development project at Salisbury Central Car Park and Maltings.

Members are now invited to consider whether to award 'Preferred Bidder' status to the highest scoring bidder.

Proposals

- (i) To award 'Preferred Bidder' status to the shortlisted bidder with the highest score against the evaluation criteria.
- (ii) That the Council enters into a Development Agreement with the Preferred Bidder.
- (iii) That the Preferred Bidder embarks on a public consultation programme at the earliest opportunity.

Reason for Proposals

The award of 'Preferred Bidder' will enable a scheme to be worked up in detail, in full consultation with the public and stakeholders, which will meet the objectives of the Core Strategy and Salisbury Vision.

Alistair Cunningham

Service Director – Economy & Enterprise

Wiltshire Council

Cabinet

15 February 2012

Subject: Salisbury Central Car Park and Maltings

Cabinet Member: Cllr Fleur de Rhé Philipe - Economic Development and Strategic Planning

Key Decision: No

Purpose of Report

1. To seek authority to award 'Preferred Bidder' status to the shortlisted bidder with the highest score against the procurement evaluation criteria in the Salisbury Central Car Park and Maltings retail led mixed use development.

Background

2. In December 2010 Cabinet considered a report on the Salisbury Central Car Park and Maltings and resolved:
 - (i) *That the Council offers the Maltings and Central Car Park (MCCP) to the market via an OJEU procurement process.*
 - (ii) *That the MCCP be taken to the market in spring 2011 with a target date of March 2011.*
 - (iii) *To delegate authority to the Director, Economy and Enterprise, in consultation with the Cabinet Member for Economic Development, Planning and Housing and Director of Resources to approve the OJEU procurement process, the minimum project requirements (on the basis referred to in paragraph 16 of the report presented) and the evaluation criteria prior to marketing the MCCP.*
 - (iv) *That Cabinet notes that the existing library may be demolished and replaced as part of the MCCP redevelopment or may be demolished and replaced elsewhere in the city in an alternative suitable location.*
 - (v) *To delegate authority to the Director, Economy and Enterprise, in consultation with the Cabinet Member for Economic Development, Planning and Housing and Director of Resources, for the acquisition of opportunity land interests in and around the MCCP that would enhance the likelihood of delivering a retail-led mixed use development on the site.*

- (vi) *That Cabinet notes that there may be a reduction in car parking income during or as a result of the carrying out of the redevelopment on the MCCP although this may be offset by a combination of capital receipt and rental income arising out of the redevelopment. The provision of Park and Ride space around Salisbury will ensure minimal impact to parking for the city.*
 - (vii) *That Cabinet approves the principle of proceeding with a compulsory purchase order at the successful developer's expense in the event that this is in the public interest and where the chosen scheme cannot proceed without acquiring third party interests.*
 - (viii) *That all interests in the ownership of the Council within the area of land shown edged red on Plan A attached to the report presented (not being public open space or already held for planning purposes) be appropriated for planning purposes at the date the Council allows the successful developer to enter onto such land for the purposes of carrying out development in accordance with a planning permission granted for the development of the MCCP.*
3. The Council has offered the opportunity for the award of 'Preferred Bidder' to the open market in accordance with European Procurement Regulations. Three companies, Harvest, Henderson Investors and Stanhope were invited to submit their Best and Final Offers which were received in December 2011.
 4. These have been scored in accordance with the bid evaluation criteria which reflected the objectives of the Council's Core Strategy and Salisbury Vision.

Main Considerations for the Council

5. Members will be well aware that there are strict protocols associated with the European Procurement Regulations with punitive damages if these are not adhered to.
6. As such, the evaluation of the bids has been undertaken by senior officers of the Council, supported by its consultant legal and property advisors, and moderated by Sir Christopher Benson, Chairman of Salisbury Vision.
7. Accordingly, Members are not being asked to assess the merits of each bid but to decide whether to award 'Preferred Bidder' status to the company which has the highest score or to 'do nothing'.
8. The identity of the Preferred Bidder, together with the financial implications, will be set out in a separate report that will be found as a confidential report for consideration at this meeting of Cabinet.
9. It should be noted that at this stage in the process the bidders have been asked to submit their 'concepts' for a retail led mixed use development of the site.

10. The concept will evolve into detailed proposals only after the preferred bidder has undertaken full public consultation, including stakeholders such as the Area Board, City Council, Chamber of Commerce, etc.
11. However, officers firmly believe that the highest scoring Bidder's proposals meet the key objectives of the Council's Core Strategy and those of the Salisbury Vision which can very briefly be summarised as providing a quality sustainable development which will not have a negative impact on the existing city centre retail offer and will mitigate against the leakage to nearby competing town centres.
12. Accordingly, it is recommended that the highest scoring company is awarded Preferred Bidder status.
13. The alternative of 'do nothing' will mean that the economic vitality of the city centre will decline. There are already retail developments taking place or planned for Winchester and Southampton, which will increase those towns' attraction to shoppers.
14. This will lead to the existing city centre shops losing trade and deter new operators from investing in the city.
15. In addition, if Members decide against proceeding with the development of this site, the Council's Planning Committee will find it harder to resist 'out of town' development proposals on the Southampton and London Roads.
16. In both scenarios outlined above, not only would the city centre lose significant amount of trade, it is anticipated that there would be a substantial negative impact on the amount of revenue the Council receives from the city's car parks and Park and Ride service.

Environmental and Climate Change Considerations

17. There are no environmental or climate change considerations arising from the recommendation. However, the eventual development will have an impact and this will be considered at the planning application stage.
18. Last year there was public concern that the Listed Facade to the library/Market Walk might be demolished. It is confirmed that all the Bidders intend retaining the facade.

Equalities Impact of the Proposal

19. There is no equalities impact arising from this report.

Risk Assessment

20. There is a risk that the Council, in awarding Preferred Bidder status, will be challenged by one or both of the under-bidders.

21. However, this is considered low as the Council has adhered strictly to the European Procurement Regulations protocols, taking expert advice at all times during the process.
22. There is a risk that even after awarding Preferred Bidder status that development does not take place on the site.
23. Whilst any development will be subject to planning consent, the Preferred Bidder has an excellent track record in public consultation, working up planning applications that are sympathetic to Planning Policies and delivering development projects. Accordingly, this risk is considered to be low.

Financial Implications

24. The financial implications are set out in the confidential report.

Legal Implications

25. The Council has followed the legal requirements of the European Procurement Regulations.
26. The Council will be entering into a Development Agreement with the Preferred bidder.
27. In both matters the Council has been advised by consultant lawyers who are experts in these fields.

Options Considered

28. The only alternative option is to 'do nothing' the disadvantages of which are explained earlier in this report.

Conclusions

29. That the award of Preferred Bidder status meets the recommendations of the Cabinet decision in December 2010.

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The following unpublished documents have been relied on in the preparation of this report:

None