

COUNCIL MEETING

Wednesday, 16th November,
2016

at the conclusion of the Special
Meeting in the

Council Chamber - Civic Centre

This meeting is open to the public

Members of the Council

The Mayor – Chair

The Sheriff – Vice-chair

Leader of the Council

Members of the Council (See overleaf)

Contacts

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WARD	COUNCILLOR	WARD	COUNCILLOR
Bargate	Bogle Noon Dr Paffey	Millbrook	Denness Furnell Taggart
Bassett	L Harris Hannides B Harris	Peartree	Houghton Keogh Lewzey
Bevois	Barnes-Andrews Burke Rayment	Portswood	Claisse O'Neill Savage
Bitterne	Jordan Letts Murphy	Redbridge	McEwing Pope Whitbread
Bitterne Park	Fuller Inglis White	Shirley	Chaloner Coombs Kaur
Coxford	Morrell D Thomas T Thomas	Sholing	J Baillie Hecks Wilkinson
Freemantle	Moulton Parnell Shields	Swaythling	Mintoff Painton Vassiliou
Harefield	P Baillie Fitzhenry Laurent	Woolston	Mrs Blatchford Hammond Payne

PUBLIC INFORMATION

Role of the Council

The Council comprises all 48 Councillors. The Council normally meets six times a year including the annual meeting, at which the Mayor and the Council Leader are elected and committees and sub-committees are appointed, and the budget meeting, at which the Council Tax is set for the following year.

The Council approves the policy framework, which is a series of plans and strategies recommended by the Executive, which set out the key policies and programmes for the main services provided by the Council. It receives a summary report of decisions made by the Executive, and reports on specific issues raised by the Overview and Scrutiny Management Committee. The Council also considers questions and motions submitted by Council Members on matters for which the Council has a responsibility or which affect the City.

PUBLIC INVOLVEMENT

Questions:- People who live or work in the City may ask questions of the Mayor, Chairs of Committees and Members of the Executive. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.8)

Petitions:- At a meeting of the Council any Member or member of the public may present a petition which is submitted in accordance with the Council's scheme for handling petitions. Petitions containing more than 1,500 signatures (qualifying) will be debated at a Council meeting. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.1)

Representations:- At the discretion of the Mayor, members of the public may address the Council on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda.

Deputations:- A deputation of up to three people can apply to address the Council. A deputation may include the presentation of a petition. (See the Council's Constitution ref Part 4 Council Procedure Rules 10.7)

MEETING INFORMATION

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or training purposes. The meeting may be recorded by the press or members of the public.

Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so.

Details of the Council's Guidance on the recording of meetings is available on the Council's website.

Mobile Telephones – Please switch your mobile telephones to silent whilst in the meeting.

Southampton City Council's Priorities:

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

Access – Access is available for disabled people. Please contact the Council Administrator who will help to make any necessary arrangements

Smoking policy – The Council operates a no-smoking policy in all civic buildings

Fire Procedure – In the event of a fire or other emergency, a continuous alarm will sound and you will be advised by Council officers what action to take.

Proposed dates of meetings (Municipal year 2016/17)	
2016	2017
20 July	15 February (Budget)
21 September	15 March
16 November	17 May (AGM)

CONDUCT OF MEETING

FUNCTIONS OF THE COUNCIL

The functions of the Council are set out in Article 4 of Part 2 of the Constitution

RULES OF PROCEDURE

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

BUSINESS TO BE DISCUSSED

Only those items listed on the attached agenda may be considered at this meeting.

QUORUM

The minimum number of appointed Members required to be in attendance to hold the meeting is 16.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship: Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
- (iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.
- (iv) Any beneficial interest in land which is within the area of Southampton.
- (v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.
- (vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.
- (vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:
 - a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
 - b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

Service Director, Legal and Governance
Richard Ivory
Civic Centre, Southampton, SO14 7LY

Tuesday, 8 November 2016

TO: ALL MEMBERS OF THE SOUTHAMPTON CITY COUNCIL

You are hereby summoned to attend a meeting of the COUNCIL to be held on WEDNESDAY, 16TH NOVEMBER, 2016 in the COUNCIL CHAMBER CIVIC CENTRE at the conclusion of the Special Meeting when the following business is proposed to be transacted:-

1 APOLOGIES

To receive any apologies.

2 MINUTES (Pages 1 - 18)

To authorise the signing of the minutes of the Council Meeting held on 21st September, 2016 and the Extra Ordinary Council Meeting held on 19th October, 2016, attached.

3 ANNOUNCEMENTS FROM THE MAYOR AND LEADER

Matters especially brought forward by the Mayor and the Leader.

4 DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

To receive any requests for Deputations, Presentation of Petitions or Public Questions.

5 EXECUTIVE BUSINESS (Pages 19 - 28)

Report of the Leader of the Council detailing the Council's Executive Business since the last Council meeting, attached.

6 MOTIONS

(a) Councillor T Thomas to move:

Southampton City Council welcomes the opportunity, in response to a request to their ward councillors from Southampton members of Solent WASPI, the local branch of Women Against State Pension Inequality, to support their call upon the Government to make fair transitional state pension arrangements for all women born on or after 6th April 1951, who have unfairly borne the burden of the increase to the State Pension Age with lack of appropriate notification.

Hundreds and possibly thousands of Southampton women, and hundreds of thousands nationally, had significant pension changes imposed on them by the Pensions Acts of 1995 and 2011 with little or no personal notification of the changes. Some women had only two years notice of a six-year increase to their state pension age.

Many women born in the 1950's are now living in hardship. Retirement plans have been shattered with devastating consequences. Many of these women are already out of the labour market, caring for elderly relatives, providing childcare for grandchildren, or suffer discrimination in the workplace so struggle to find employment.

Council therefore instructs the Leader to write to the Secretary of State for Work and Pensions accordingly.

(b) Councillor Noon to move:

This Council greatly values and appreciates the important contribution of primary care to the City's health and wellbeing. An essential part of the primary care system is provided by community pharmacies. This Council is alarmed, therefore, at plans by central government to drastically reduce funding for community pharmacy in 2016/17 (a 12% cut) and subsequent years.

Council, therefore, urges the Health & Wellbeing Board to seek assurances from Government Ministers that no community pharmacies in Southampton will be placed at risk of closure as a result of the national strategy and to work in partnership with the Hampshire & Isle of Wight Local Pharmaceutical Committee and the City's GPs to vigorously protect and promote the City's valuable primary care services.

(c) Cllr Keogh to move:

This Council believes that a key principle underpinning the Brexit negotiations and agreement should be the achievement and maintenance of a strong and stable national economy because this supports the growth and development of local economies such as Southampton, ensuring our residents have the best outcomes in terms of employment opportunities, disposable incomes and access to reliable public services. It will intrinsically affect major employers in the City such as the University Hospital Southampton NHS Trust, our two Universities and ABP.

This Council asks that the Leader of the Council write to the Secretary of State for Exiting the European Union requesting that he sets out the economic tests that will underpin our Brexit negotiations and agreement.

(d) Cllr Fitzhenry to move:

Council calls on the Executive to quickly implement an action plan to address the falling standards of our City's appearance and reinvigorate the energy to deliver our City's long term ambitions to be the cultural and economic powerhouse on the south coast.

Continually residents, visitors and businesses are complaining about the appalling state of our city centre car parks, the lack of enforcement and growing problem of begging, the dreadful state of our broken pavements and the filthy state of our streets, green spaces and parks.

Council urges the Executive to take action now to ensure our ambitions as a City are supported by real commitment of this Authority.

(e) Cllr Moulton to move:

Full Council expresses its concern about the way the City Council is making it extremely difficult for residents of Southampton to get in contact. Council regrets the fact that the current approach seeks to force rather than encourage residents to use online services and that inadequate provision is made for those without computer skills or for those who have queries which do not fit the prescriptive online processes. Full Council calls on the Executive to urgently review its approach to customer services and to ensure that the needs of all Southampton residents are catered for.

7 QUESTIONS FROM MEMBERS TO THE CHAIRS OF COMMITTEES OR THE MAYOR

To consider any question of which notice has been given under Council Procedure Rule 11.2.

8 APPOINTMENTS TO COMMITTEES, SUB-COMMITTEES AND OTHER BODIES

To deal with any appointments to Committees, Sub-Committees or other bodies as required.

9 REVISION TO THE CONSTITUTION - PARTNERSHIPS CODE (Pages 29 - 38)

Report of the Service Director, Legal and Governance reviewing and updating the Partnerships Code in the Council's Constitution, attached.

10 REVISION TO THE CONSTITUTION - QUESTIONS AT COUNCIL (Pages 39 - 44)

Report of the Leader of the Council reviewing the current process and criteria for submitting Questions by Members at full Council, attached.

11 LOCAL APPOINTMENT OF EXTERNAL AUDITORS (Pages 45 - 58)

Report of the Service Director Finance and Commercialisation summarising changes to the arrangements for appointing External Auditors at conclusion of the 2017/18 audits, attached.

12 TREASURY MANAGEMENT STRATEGY AND REVIEW OF PRUDENTIAL LIMITS MID YEAR REPORT 2016/17 (Pages 59 - 88)

Report of the Service Director Finance and Commercialisation detailing the Treasury Management activities and performance for 2016/17 against the approved Prudential Indicators for external debt and Treasury Management and to approve any changes as a result of activity to date and updates to the Capital Programme, attached.

13 OVERVIEW AND SCRUTINY - SUMMARY OF CALL IN ACTIVITY

To note that there has been no use of the call-in procedure since last reported to Council.

NOTE: There will be prayers by Reverend Roy Hemmings in the Mayor's Reception Room at 1.45 pm for Members of the Council and Officers who wish to attend.

A handwritten signature in black ink, appearing to read 'Richard Ivory', with a horizontal line underneath.

Richard Ivory
Service Director, Legal and Governance

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Minutes of Council Meetings:

- 21 September 2016
- 19 October 2016 – Extraordinary meeting

SOUTHAMPTON CITY COUNCIL

MINUTES OF THE COUNCIL MEETING HELD ON 21 SEPTEMBER 2016

Present:

The Mayor, Councillor McEwing
The Sheriff, Councillor L Harris
Councillors P Baillie, J Baillie, Barnes-Andrews, Mrs Blatchford, Bogle, Burke, Chaloner, Claisse, Coombs, Denness, Fitzhenry, Fuller, Furnell, Hammond, Hannides, B Harris, Hecks, Houghton, Inglis, Jordan, Kaur, Keogh, Laurent, Letts, Lewzey, Minto, Morrell, Moulton, Murphy, Noon, O'Neill, Dr Paffey, Panton, Parnell, Payne, Pope, Rayment, Savage, Shields, Taggart, D Thomas, T Thomas, Vassiliou, Whitbread, White and Wilkinson

40. MINUTES

RESOLVED that the minutes of the Council meeting held on 20th July 2016 be approved and signed as a correct record.

41. ANNOUNCEMENTS FROM THE MAYOR AND LEADER

- (i) Members stood in a minute's silence in memory of former Councillor Holden-Brown (Swaythling ward) who passed away on 14th September, 2016.
- (ii) The Mayor informed Members that SVS will no longer be running the Annual Toy Appeal. SCRATCH will be accepting donated new toys for Christmas present and the Mayor's Office will arrange for the delivery of presents to them.
- (iii) The Mayor announced that she would be attending an event following Council meeting to mark International Peace Day.
- (iv) Former Mayor John Martin attended Council to present the Mayor with gifts from a recent delegation to the Port from Turkmenistan.
- (v) The Mayor informed Members that the Leader had called for an Extra Ordinary Council meeting to be held on Wednesday 19th October at 6pm.
- (vi) The Mayor was escorted into the Chamber by Abel Sea Cadet Jack Cozens to commemorate Merchant Navy Day on 3rd September.

42. DEPUTATIONS, PETITIONS AND PUBLIC QUESTIONS

The Council received and noted deputations from:

- (i) Mr Shane Dickson representing the Southampton and Winchester group of the Motor Neurone Disease Association; and
- (ii) Mr Ray Beare regarding traffic accidents, pollution and congestion on the major roads in and out of the City on the west side.

43. EXECUTIVE BUSINESS

The report of the Leader of the Council was submitted setting out the details of the business undertaken by the Executive.

The Leader and the Cabinet made statements and responded to questions.

The following questions were submitted in accordance with Council Procedure Rule 11.1.

1. Loose paving slabs

Question from Councillor Moulton to Councillor Rayment

Why are so many paving slabs loose and dangerous in London Road, Guildhall Square and Shirley Precinct?

Answer

1. Loose paving

The HSP contract does not require paving repairs if loose / rocking. It does, however, oblige intervention if causing a danger / hazard.

2. Dangerous paving

To reduce Council revenue spend, the HSP contract does not require repairs unless causing a raised trip hazard greater than 20mm (as Category 2 criteria for all pedestrianised areas). However, BBLP consider case-by-case – i.e. occasionally, loose slabs through exposed location, potential for imminent failing or the nature of the hazard presented, get repaired notwithstanding the trip height.

3. Site specifics

All 3 sites are routinely walked monthly. Between programmed visits, the HSP relies on reports from members of the public, etc. All 3 sites will have repeat visits shortly:

3.1 London Road

Certain areas have been subject to successfully defended claims. These are subject to additional deterioration monitoring - i.e. to trigger refurbishment rather than reactive repairs.

3.2 GHS

West Marlands Rd / GHS boundaries have this year undergone significant paving replacement. A revisit will ensure no residually defective areas remain.

3.3 Shirley Precinct

Particular attention to possible damage from the weekly market operator is made. If damage is directly attributable, then liability for repairs will be passed to the operator.

2. Shirley Depot/Police Station

Question from Councillor Moulton to Councillor Letts

Will you agree to produce a Planning Development Brief for the Shirley Depot/Police station site, to set out acceptable criteria such as usage, access and building heights? Will you ensure that residents are engaged in this process?

Answer

The Council has jointly marketed this site with Hampshire Police. The marketing has been robust and terms are now agreed and well advanced in legal hands. The contract is not conditional on planning.

If the purchaser comes forward with a planning application in the short term that will be the appropriate time for matters such as usage, access and building heights to be considered. If no proposal is forthcoming these matters are best considered as part of the local plan process.

3. Fallen Trees on the Common

Councillor Claisse to Councillor Rayment

It is noticeable that when trees fall over in high winds on Southampton Common, unless they block paths, they are simply left to decay. Do we not have a contractor to remove these?

Answer

The Council have had a working practice across the whole city for a number of years whereby they leave fallen trees if they are safe and not blocking footpaths or roads. Wherever possible cord wood and larger logs are left on site as "habitat" piles and only cleared where they may pose a risk to health and safety.

NB – We do currently have contractors who clear trees when they pose a risk and we will have an in house tree surgery team in place within the next few weeks who will take over this work. We also use logs for restricting access to motorbikes on some sites and as seats and informal play.

4. Poor Air Quality

Councillor Pope to Councillor Rayment

Successive administrations of this Council have failed to adequately address Southampton's poor air quality. Traffic chaos and industrial development are making air quality worse. Can you please explain how and why large warehouse and industrial developments have been given planning permission at Lidl, at Test Lane and how it was that the Council did not object to the large number of developments in Barker-Mill land just north of Brownhill Way? Can you also please explain why officers in your department have failed over months to manage extra traffic arising from these developments, leading to repeated traffic chaos? And why would residents trust performance under your "leadership" would be any better in the future?

Answer

Planning;

- 1) The planning system allocates site for development through Local Plans following public consultation. In the case of Test Lane, the site was allocated for business and warehousing development in 2006. The Adanac Park development is within Test Valley Borough Council and is a long standing development allocation in the TVBC Local Plan. These allocations establish the principle of development: the subsequent planning applications deal with the detail which include air quality and transport issues.
- 2) At the planning application stage, air quality and transport issues were addressed and the applications for both Test Lane and the Lidl Distribution Centre were found by members of the Council's Planning and Rights of Way Panel to be acceptable.
- 3) Various planning applications were submitted to TVBC for different parts of Adanac Park in 2015. The Council was consulted as an adjoining authority. Responses are made under the officer scheme of delegation. Although there was general support for development of business employment on these sites, in accordance with policy and a previous permission, officers did question and did not support large scale office development on this site as we encourage such uses within Southampton City Centre. However, TVBC are the decision maker for development of these sites and are not obliged to follow the Council's comments.

On the Lidl Distribution Centre, important material considerations were the economic development/employment benefits. We also considered the wider environmental issues. Lidl are an expanding business. At present their entire network of stores in the South of England are served by distribution centres in South London or Weston Super Mare. The new facility will reduce vehicle movements on the wider network.

On a wider sustainability scale, the proposed development would result in a significant reduction in heavy goods vehicle movements on the road network in Southern England. The existing distribution centres are some distance away which is inefficient when compared to the current proposal. The applicants estimate that the new facility would result in a total of 4,678 miles 'saved' per day, the equivalent of approximately 1.7 million miles per year. This is an important material consideration in favour of the development.

Transport;

For the development sites outside of SCC administrative area such as Lidl, Hampshire County Council as highway authority are responsible for liaising with the developer to ensure the traffic associated with the construction of these development sites and the associated off-site highway works are managed effectively and have a construction management plan in place.

SCC transport officers continue to liaise with HCC to ensure the impacts on the city road network are managed and to minimise disruption for local residents and businesses.

Air Quality;

Air Quality is a material planning consideration that has been given due consideration in the decision making process relating to these developments. Air quality assessments for the Test Lane and Lidl Depot developments were submitted to SCC as part of the applications and were considered to be suitable and sufficient. The assessments demonstrated that the majority of traffic movements would use the M271 northwards and air quality impacts in the Redbridge area would be negligible in terms of current planning guidance. Subsequently, refusal of either application on air quality grounds was difficult to justify. However, SCC did accept that recent developments in the M271 corridor did present a risk from cumulative effects. Therefore, the Test Lane approval included requirements to mitigate air quality impacts through a s.106 agreement. These measures include the need to develop a sustainable travel plan and installation of electric vehicle charging infrastructure.

5. Arts Complex

Councillor Pope to Councillor Letts

In the Daily Echo in April, responding to questioning from Redbridge campaigner Denise Wyatt on the sale of Test Lane to pay for the Arts Complex, you were quoted as saying that sale proceeds were "not being spent on the arts complex, that's already been paid for." Then at Full Council in July, you asked for yet another £2million for the project, to add to over £14million including millions added last year. Why did you lie to Southampton residents about the Arts Complex already being paid for?

Answer

We are not spending the receipt from Test Lane on the arts complex. The additional resource needed to close the gap in fund raising was already in our plans, the report in July formalised where that funding would come from.

6. Southampton Cultural Development Trust

Councillor Pope to Councillor Kaur

Given the failure of the Southampton Cultural Development Trust to generate the latest extra £2m for the Arts Complex that Full Council then had to be asked to approve, the resultant total cost to this Council is over £16million for this over-time and over-budget project. Please give the reasons for the failure of the Trust to generate these funds whilst Councillor Burke was Labour's appointed representative for the Council? Please also explain why the project is over-time and over-budget.

Answer

The Cultural Development Trust was formed in 2010 to support fundraising efforts for projects including the Arts Complex. Activity has taken place throughout this period and under the direction of a number of different Administrations. Generating funding for projects that are underwritten by the Local Authority was always going to be challenging, and this has proven to be the case. As I understand officers have advised you, Full Council approved the fundraising targets, and the underwriting by the Council, in March 2007 and September 2009.

The project is particularly complex and has been subject to the vagaries of the overall economic climate, the subsequent impact on construction sector inflation and challenging site conditions. Officers can provide a written brief if that would be helpful.

The Council's investment in Studio 144 will deliver more than a building – the creation and delivery of participation opportunities in cultural activity will benefit all residents. Tenants of Studio 144 already work with residents from across the City and successful city's communities, and neighbourhoods rely on vibrant cultural opportunities for all.

7. Brownhill House

Councillor Pope to Councillor Payne

The Labour Administration closed Brownhill House in Redbridge earlier this year, against residents wishes and making staff redundant. Yet August Cabinet reports an estimated overspend up to £700,000 on "reablement", a key function of Brownhill House. Your Administration's actions have directly led to this overspend. Could you please explain this? Further, letting agents have been advertising lets in Brownhill House to "professionals". Would you agree that not only is this inadvisable given the ongoing reablement and "bed blocking" problems in the Cabinet Report, it is also "immoral" in the words of residents?

Answer

Although there are bed blocking problems at the hospital (University the figure of £620k overspend quoted in the Cabinet report is not attributable to the closure of Brownhill House. The majority of this overspend (over £420k) is due to staffing costs elsewhere in the Reablement and Hospital Discharge Team associated with achieving Care Act compliance (7 day working) and changes to existing staff terms and conditions. A smaller element of the overspend does relate to Brownhill but only in as much as it is the residual costs of the service being operational for the first 2 months of this year and ongoing salaries relating to staff notice periods (the budget was removed for the whole of 2016/17).

Since being vacated, Capita have been managing the building through a guardian service on site pending a Council decision on re-use or disposal. Options being considered for the future use of the building and have yet to be decided.

Hospital Southampton NHS Foundation Trust), these are not due to reablement services. Brownhill House provided a residential reablement unit for short term periods of up to 6 weeks. Since its closure on 1 June 2016 reablement services for this client group have continued to be provided, and, for most people in their own homes. A key aim of the original proposal was to promote recovery and independence by enabling more people to receive reablement in their own homes. National research has consistently demonstrated the significant benefits of home based reablement for clients. This is being provided by the internal domiciliary care provision within the integrated rehab and reablement service as well as by external reablement domiciliary care providers on Lot 5 of the domiciliary care framework. Additional therapy provision has also been recruited as part of the new integrated rehabilitation and reablement team to support this.

8. Hate Crime

Councillor P Baillie to Councillor Kaur

What is your definition of a Hate Crime?

Answer

Any crime that is motivated by hostility on the grounds of race, religion, sexual orientation, disability or transgender or identity.

9. Anti Jewish Feeling

Councillor P Baillie to Councillor Kaur

When will you be writing to Jeremy Corbyn asking him to stop the anti-Jewish feeling emanating from the higher regions of the Labour Party?

Answer

I am disappointed at the cheap political point scoring. There is no place for any type of hate crime in any political party. I'm pleased Jeremy Corbyn launched an enquiry into anti-semitism which found that it is not an endemic problem, but will be tackled effectively if it arises.

Hypocritical of the Conservatives to talk about hate crime when there are plenty of examples where their policies and actions are deemed racist by many of our communities in Southampton (examples were given).

10. HRA Stock Survey

Councillor Baillie to Councillor Letts

When will the HRA stock survey / valuation be finished?

Answer

Our HRA Stock is surveyed and valued on an ongoing rotation basis.

We are currently undertaking a specific exercise to identify the buildings and types of building that will require the highest pro rata regular expenditure on repairs and maintenance over the next 5, 10 and 15 years and identify the most cost effective (based on a lifetime cost approach) major refurbishment and/or redevelopment options.

We expect to have a first draft with recommendations on which projects should be progressed first by the end of October.

11. Renewal/Refurbishment of Walk-up Blocks

Councillor Baillie to Councillor Letts

Would you explain the process for the renewal / refurbishment of the walk-up blocks including the level of public consultation you would expect to take place for each block?

Answer

As Councillor Ballie will be aware from our discussions at Overview and Scrutiny Management Committee last week we are now adopting an approach to regeneration that prioritises the buildings and types of building that will require the highest pro rata regular expenditure on repairs and maintenance over the next 5, 10 and 15 years and identifies the most cost effective major refurbishment and/or redevelopment options (based on a lifetime cost).

Opportunities to develop infill sites and the potential to improve local facilities and infrastructure as part of programmes of work will also be addressed as will opportunities to increase density and the mix of housing.

It is proposed that new homes will be designed to be low energy, low maintenance, healthy homes that are cost effective to heat and built to last whilst providing a healthy living environment. Major refurbishment projects will have similar aims.

We will engage residents from existing tenant's groups and the Peoples Panel in looking at best practice and emerging technologies in housing design to develop and evolve our specifications for new homes.

Where buildings are identified for major works, tenants and leaseholders of those buildings will be advised of the proposals as well as the proposed timetable. They will then be supported through any home move in accordance with our agreed policies.

Wider consultation on the mix and design of new development will be undertaken as part of the planning process.

12. Townhill Park Phase 3

Councillor P Baillie to Councillor Letts

What is the new finishing date for Townhill Park Phase 3?

Answer

The regeneration of Townhill Park will now be delivered in a series of smaller phases that will overlap rather than three larger phases that run one after the other.

We are currently well advanced with proposals to deliver Plots 1 and 2 with a start on site for Plot1 planned in Spring 2016 and Plot 2 later that year with the first new homes available for occupation in Spring 2019.

As you will be aware from our discussions at Overview & Scrutiny Management Committee we are developing new funding models to bring forward regeneration more

quickly and we are already in discussions with proposed partners to bring forward the next two plots on Townhill Park as soon as possible thereafter. We are already planning for the necessary decanting of tenants and acquisition of leasehold interests.

A detailed programme for all 13 plots at Townhill Park will be finalised shortly.

13. Housing Repairs

Councillor Laurent to Councillor Payne

Could the Cabinet Member tell me what is the normal reaction time for a plumbing issue?

Answer

The repair categories are as follows and it would depend on the type of plumbing fault as to which response time it would fit into:

Same day; Average response time 1.8 Hrs

24 Hour; Average response time 3.4Hrs

Non-urgent (within 10 days, appointment or floating); Average response 8 days

14. Itchen Bridge

Councillor Fuller to Councillor Rayment

Will the Council commit to installing contactless payment points on the Itchen Bridge toll booths?

Answer

We already have a contactless payment system that provides an efficient and cost effective means of cashless payment. Users apply for a smartcard which allows them to top up their account on line, pay for bridge crossings and obtain if appropriate resident or business concessions.

There are no plans at this stage to change the existing system but when the bridge systems are upgraded all potential payment systems will be considered.

15. School Deficits

Councillor Fuller to Councillor Paffey

How many schools in Southampton are currently expecting deficit for this financial year?

Answer

Of the 52 Southampton City Council maintained schools, there are 18 schools forecasting a deficit in 2016/17.

Schools funding is currently subject to a freeze by central government, with further changes proposed from 2018/19, and the role that local authorities will play in allocation of funds to schools will change accordingly.

The Schools Forum, which is independent of the Council, agreed to revised policies for surplus and deficit budgets on 14th September. These policies were approved by Heads and Representatives, and will be operational from 1st October 2016.

At present, the School Improvement and Finance teams are working with schools to ensure balanced budgets are set, and to put together Deficit Recovery Plans where a deficit is expected.

16. New Council Houses

Councillor Fuller to Councillor Payne

How many new Council houses does the Council expect to have built by the end of the year?

Answer

Since additions to the HRA stock were last discussed at Full Council, a further 54 units have been completed at the newly-built extra care scheme at Erskine Court, Lordshill, which opened in July.

44. MOTIONS

(a) Armed Forces Covenant

Councillor Fuller moved and Councillor Moulton seconded

Southampton City Council recognises the important role that the Armed Forces, both Regular and Reserve, play in protecting the security, independence and interests of the United Kingdom both at home and abroad. As such, we re-affirm our commitment to the Armed Forces Covenant and will undertake any actions needed to achieve a Bronze Award in the Defence Employer Recognition Scheme in the coming year. We will also commit to meeting all the criteria required to achieve Silver and Gold Awards in the same scheme which will enable us to be nominated for those awards in future years.

UPON BEING PUT TO THE VOTE THE MOTION WAS DECLARED CARRIED

RESOLVED that the motion be approved.

45. QUESTIONS FROM MEMBERS TO THE CHAIRS OF COMMITTEES OR THE MAYOR

1. Hate Crime

Councillor P Baillie to The Mayor, Councillor McEwing

Would you explain why you refused to allow my motion regarding Hate Crime in the form of anti-Jewish sentiment which appears to be coming from the higher regions of

the Labour Party? Have you allowed your own political ideals to cloud your judgement? And why do you feel that this type of Hate Crime doesn't affect Southampton? and why seemingly you can't be bothered to try and do anything about it?

Answer

Councillor Baillie, I do not need to justify myself to you or anyone in this Chamber. However, my reasoning being for disallowing your Motion was on the grounds that we voted unanimously against the Hate Crime Motion at July's full Council.

I am disappointed that you think I am party politicking on such an evil offence.

We had legislation against Racism, Race Relations Act 1976, amended 2001 repealed 2010 and incorporated into the Equality Act. However, that did not stop derogatory comments about Scots and Welsh and I have been subjected to that on many occasions. Scots and Welsh are not minority groups in England. Irish people are and were protected under the Race Relations Act 1976 and 2001 as they were a minority group at those times. Most people treat it as friendly banter and it is, however, there are some who still continue to use derogatory comments and do not understand that their language is offensive and I treat them accordingly.

You suggest that I am not bothered and do not want to do anything about this – this is as far from the truth as you can get.

You all know my background as a Trade Union activist. I have responsibility for Equality monitoring in my workplace and in my Union Branch. I am offended that you are so base to suggest party politics.

Your Motion was not directly related to Southampton so there had no justification for being on the agenda.

At the start of full Council I mentioned the United Nations Peace vigil, you are most welcome to join me for this meeting.

46. APPOINTMENTS TO COMMITTEES, SUB-COMMITTEES AND OTHER BODIES

It was noted that Overview and Scrutiny Management Committee have approved this years' Scrutiny Inquiry topic as 'Combating Loneliness in Southampton' the following Councillors have been appointed to the inquiry, Councillors Burke, Coombs, Furnell, Laurent, Murphy, Parnell and T Thomas.

47. SOUTHAMPTON CITY COUNCIL WORKFORCE STRATEGY 2016

The report of the Leader of the Council was submitted seeking approval of the Workforce Strategy 2016.

RESOLVED

- (i) To approve the proposed Workforce Strategy and draft Action Plan (attached at Appendix 1); and

- (ii) To delegate authority to the Chief Strategy Officer, following consultation with the Leader, Chief Executive, Chief Operating Officer and the HR Strategy Managers to finalise the Strategy and Action Plans and take necessary action for implementation. This will include the Children and Adult Social Care Workforce Development Plan, following consultation with the relevant Cabinet Members and Service Directors.

48. SOUTHAMPTON CITY COUNCIL STRATEGY 2016-2020

The report of the Leader of the Council was submitted seeking approval of the Council Strategy 2016-2020.

RESOLVED

- (i) To approve the draft Council Strategy 2016-2020, attached as Appendix 1; and
- (ii) To delegate authority to the Chief Strategy Officer, following consultation with the Leader of the Council, to finalise the draft Council Strategy 2016-2020, including incorporating any changes made at the meeting, and to make any in-year changes and to refresh relevant sections of the Strategy in 2017, 2018 and 2019 so that it aligns with any new budgetary or policy developments which will impact on the council's activities.

49. LOCAL GOVERNMENT FINANCE SETTLEMENT - FOUR YEAR FUNDING SETTLEMENT 2016/17 TO 2019/20

The report of the Cabinet Member for Finance was submitted seeking approval of the Local Government Finance Settlement, Four Year Funding Settlement 2016/17 to 2019/20.

RESOLVED

- (i) To approve the efficiency plan for Southampton City Council as detailed in Appendix 1; and
- (ii) To approve to accept the Government's offer of a four year funding settlement 2016/17 to 2019/20.

SOUTHAMPTON CITY COUNCIL

MINUTES OF THE COUNCIL MEETING HELD ON 19 OCTOBER 2016

Present:

The Mayor, Councillor McEwing
The Sheriff, Councillor L Harris
Councillors P Baillie, J Baillie, Barnes-Andrews, Mrs Blatchford, Bogle,
Burke, Chaloner, Coombs, Denness, Fitzhenry, Fuller, Furnell, Hammond,
B Harris, Hecks, Houghton, Inglis, Jordan, Kaur, Keogh (except items 50-
52), Laurent, Letts, Lewzey, Minto, Morrell, Moulton, Murphy, Noon,
O'Neill, Dr Paffey, Parnell, Payne, Pope, Rayment, Savage, Shields,
Taggart, D Thomas, T Thomas, Vassiliou, Whitbread, White and Wilkinson

50. APOLOGIES

Apologies for absence were submitted on behalf of Councillors Claisse, Hannides and Painton.

51. ANNOUNCEMENTS FROM THE MAYOR AND LEADER

(i) Apprenticeship Scheme

The Mayor announced that she had recently attended an awards ceremony recognising those who had completed an apprenticeship. The Mayor encouraged employers across the City to take up the Apprenticeship Scheme within their own organisations in order to realise mutual benefits and opportunities for themselves and those taking up the apprenticeships.

(ii) Francis Benali

The Mayor recognised the achievements of Francis (Franny) Benali who had spent the previous fortnight running and cycling around 100 miles every day visiting all 44 Premiership and Championship football clubs in a bid to raise money for Cancer Research UK. At the time of the meeting his fund raising achievement stood at £381,000.

52. MOTIONS

(a) Local Poll – Devolution Deal with other Local Authorities

Councillor Pope moved and Councillor P Baillie seconded:

Council agrees that a local poll under S.116 of the Local Government Act 2003 of Southampton residents will be held on any agreed or imposed devolution deal with other local authorities, once the details are known – particularly the financial redistribution and governance elements.

UPON BEING PUT TO THE VOTE THE MOTION WAS DECLARED LOST

RESOLVED that the motion in the name of Councillor Pope be declared lost.

53. SOLENT COMBINED AUTHORITY GOVERNANCE REVIEW AND SCHEME

The report of the Service Director, Legal and Governance in relation to the Solent Mayoral Combined Authority proposal, was submitted as a consultation item prior to decision by Cabinet

As part of the discussion Council received and noted a deputation from Denise Wyatt.

Council agreed the following amendments:

a) Revised appendix 2 – Mayoral Combined Authority Scheme, appended to these minutes.

b) Recommendation (iv) for Cabinet was approved:

(iv) Resolve that if a deputation is made to make a submission to the Secretary of State, that Cabinet approve the Governance Review (appendix 1), revised scheme (appendix 2), and the consultation responses and the Motion presented today and include these as part of the submission to the Secretary of State.

RESOLVED with the above amendments, Council recommends the report to Cabinet to consider and approve.

54. EXCLUSION OF THE PRESS AND PUBLIC - CONFIDENTIAL PAPERS INCLUDED IN THE FOLLOWING ITEM

RESOLVED that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the confidential appendix referred to in minute number 55 below.

Appendix 1 is considered to be confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of the Council's Access to information Procedure Rules. In applying the public interest test this information has been deemed exempt from publication due to confidential sensitivity.

55. PROCUREMENT OF HOUSING RELATED SUPPORT FOR YOUNG PEOPLE AND VULNERABLE ADULTS

The report of the Cabinet Member for Housing and Adult Care was submitted seeking approval for the procurement of Housing Related Support for Young People and Vulnerable Adults.

RESOLVED:

- (i) To approve the recommendation to proceed with a procurement of a range of housing related support (HRS) services for young people and single adults.
- (ii) To delegate authority to the Director of Quality & Integration to carry out a procurement process for the provision of HRS services as set out in this report and to enter into contracts in accordance with contract procedure.
- (iii) To delegate authority to the Director of Quality & Integration following consultation with the relevant Cabinet Members to decide on the final model of commissioned services for HRS and all decision making in relation to this re-commissioning.

DECISION-MAKER:		COUNCIL	
SUBJECT:		EXECUTIVE BUSINESS REPORT	
DATE OF DECISION:		16 NOVEMBER 2016	
REPORT OF:		LEADER OF THE COUNCIL	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Felicity Ridgway, Service Lead – Policy, Partnerships and Strategic Planning	Tel: 023 8083 3310
	E-mail:	felicity.ridgway@southampton.gov.uk	
Service Director	Name:	Emma Lewis, Service Director – Intelligence, Insight and Communications	Tel: 023 8091 7984
	E-mail:	emma.lewis@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
This report outlines the executive business conducted since the last Executive Business Report to Council on 21 September 2016.			
RECOMMENDATIONS:			
	(i)	That the report be noted.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	This report is presented in accordance with Part 4 of the Council’s Constitution.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	Not applicable		
DETAIL (Including consultation carried out)			
3.	I am pleased to announce that a formal application for a Solent Combined Authority has been submitted to the Government after plans were approved by Southampton, Portsmouth and Isle of Wight councils. It comes after a public consultation saw 71% of respondents stating they were in favour of moving power and funding for the economy, transport and jobs from central government to groups of local councils working together. Secretary of State for Communities and Local Government, Sajid Javid, will receive the application and make a decision on whether to progress it. Should it go ahead, the next step would be to agree the details of the proposal to be put before Parliament. I am delighted that we led the consultation process on behalf of the three councils and that it was done to extremely high standards in very challenging timescales. Significant additional work of a very high standard was undertaken by a small team of officers across all three councils		

	including Legal, Economic Development, Communications and Policy. I would like my thanks to them to be noted.
4.	I am sure you will join me in congratulating the Emergency Planning and Business Continuity Team, who have been named as runner up for the Resilience Team of the Year in the Emergency Planning Society's National Resilience Awards 2016. This is particularly commendable as the team received two nominations from partner organisations within the Hampshire and Isle of Wight Local Resilience Forum. They have integrated both flood management and Public Health emergency planning responsibilities into a central Emergency Planning function, and are the only team to have included both disciplines.
5.	The Council's Communications Team has won the Creative Use of Citizen Engagement Award for its work in developing and delivering a pilot for digital statutory notices. The results of the pilot are now under review by the Department of Communities and Local Government; if taken forward, publishing statutory notices digitally has the potential to save the Council tens of thousands of pounds every year. This is not the only success for the team, however; although pipped to the post, Senior Communications Officer Lee Tillyer was shortlisted for the Communicator of the Year in the same awards. I would like to extend my congratulations to the whole team for their excellent work on behalf of the Council.
6.	The Council has also received the Highly Commended Award at the Federation of Small Businesses event for the Most Innovative Small Business programme. This award reflects the Council's commitment to ensure that small businesses have a share in the major opportunities being created as a result of the good growth in the city.
7.	The Department for Communities and Local Government did a spot check of Payments by Results claims for our Families Matter (Troubled Families Programme) and we got great feedback! The national Troubled Families Team Director noted that: "the officials conducting the spot check met with four key workers – all of whom were very impressive." The letter goes on to say that "these conversations really brought to life the fantastic work the team are doing with some very complex families" and "it is clear that there is a lot of dedicated work going on in Southampton to transform the lives of your most complex families." The full letter is on Good Stuff. Well done to all our staff in the Families Matter (Troubled Families) Programme.
8.	As part of our strategy to reward staff, we have launched 'Good Stuff' on the intranet (Staff Stuff) on 7 October 2016. On these pages, staff achievements will be highlighted and will include opportunities for staff to nominate colleagues for Staff Awards and to send an online 'thank you.'
	STRONG AND SUSTAINABLE ECONOMIC GROWTH
9.	Southampton City Council is adopting a new commercial approach by establishing a property investment portfolio. Like many other councils, we will look to underpin our financial security by making investments that will generate income which can be used to reduce the financial impact of some of the ongoing budget savings. Investing in commercial property offers us an independent stream of income that does not have any negative effect on any of the services that the Council already provides. Since borrowing rates are low the council can use fixed interest loans to strengthen our property

	investment portfolio. The money we receive in rent adequately covers the money we are borrowing, which also provides money which we will use to support some council services.
10.	So far we have secured three properties with combined deals worth £20.1M. These include two retail warehouse properties in Southampton on Winchester Road, currently occupied by Wickes and Halfords, and a modern office building in Cambridge, with technology giants Nokia and Virgin Media Ltd already in-situ as long-term tenants. The existing businesses will be unaffected by the change in commercial landlord. Plans for further investments are already being considered, with more deals expected to be completed in the coming months.
11.	A £386,000 council grant to West Itchen Community Trust (the successor body to the Inner City Regeneration Programme) has helped replace 12 dilapidated Victorian houses in Empress Road with 30 new light industrial workshops, each with superfast broadband, bicycle and car parking and disabled access. The total cost of the rebuild was £1.5M and is the latest in a line of physical improvements in the priority neighbourhood. Five businesses are already operating from the new Acorn Business Centre, with others due to move in.
12.	The Solent Jobs Programme, funded by City Deal and the European Social Fund, has made significant progress in recent months and is already supporting 120 long-term unemployed people with a health condition back into work. The programme is delivered in Southampton by the Council's Employment Support Team and Wheatsheaf Trust, working in close partnership with Jobcentre Plus. It aims to integrate employment and health-related support and as such it is at the forefront of national policy in this area. The programme was presented at the Annual Public Health England Conference in September 2016.
13.	The Council has now exchanged contracts with Radian Housing on the sale (subject to planning permission) of the former Woolston School site on Portsmouth Road. Radian is applying for planning consent for 50 new homes, of which 22 will be affordable.
	CHILDREN AND YOUNG PEOPLE GET A GOOD START IN LIFE
14.	I am pleased to be able to share the improvements in our early years settings. The Early Years Foundation Stage Profile (EYFSP) assessment of all five year olds tests their communication, literacy, numeracy and social skills, which are an indicator of future success in school. In 2016, 70% of Southampton's children attained 'a good level of development', exceeding the national average and marking a ten year high.
15.	As part of the improvement journey in Children and Families' Services, Southampton City Council recently commissioned an extensive review of arrangements around the 'front door' of Children's Safeguarding, in the Multi-Agency Safeguarding Hub (MASH). This found that these arrangements were safeguarding children well. Following the review the decision has been taken to introduce an arrangement to get people through directly to a dedicated team of skilled and experienced social workers, who will be able to respond to those raising concerns about children. It is intended that this approach will continue to improve the MASH decision-making process to ensure the best outcome for children.

16.	At its meeting on 19 October 2016, Cabinet approved proposals from Children and Families' Services to commission services to work intensively and therapeutically with children who are on the edge of being taken into care. The aim of the Edge of Care project is to effect positive change and safely maintain these children within their families over a sustained period of time, thus improving outcomes for them and preventing unnecessary escalation of need and cost in the longer term. Southampton has a significant number of children in care and the proposed service will provide rapid and intensive support for children and young people to prevent them from coming into care, enabling them to live safely and providing the support they need.
17.	The 'Get Inspired' Careers Fair was held at the O2 Guildhall on 15 October 2016. Over 50 local organisations showcased opportunities in their sector, from logistics and technology to retail, hospitality and healthcare, and 655 visitors attended this event, exceeding the expected 500 attendees. The event was informative and aimed to show young people some of the exciting employment opportunities available to them in the city as well helping them to understand the routes they could take into their chosen careers.
18.	The Apprenticeship Awards Ceremony was held on 17 October 2016, which showcased the achievements of Southampton's apprentices. 200 people who successfully completed their apprenticeships attended this event, which was supported by local further education colleges and training providers.
19.	I am delighted to report that on 1 November 2016, Councillor Paffey and Councillor Hammond presented the Silver STARS award to Sholing Junior School at their celebration assembly. STARS stands for: 'Sustainable Travel, Active, Responsible, Safe' and schools presented with the award must, within two academic years, have completed 30 travel activities, from 'Walk to School' weeks to cycling clubs. Pupils must be actively involved in the planning and running of the activities, and be able to demonstrate a shift away from car use. Swaythling Primary and Valentine Primary have also received silver medal awards, while St Monica Primary has won bronze. Well done to all the schools for the hard work that has gone into this!
	PEOPLE IN SOUTHAMPTON LIVE SAFE, HEALTHY, INDEPENDENT LIVES
20.	At their meeting on 19 October 2016, Cabinet agreed the principle of a more unified approach to the Council's investment in the voluntary sector. As I am sure you will agree, the voluntary sector in Southampton is thriving and diverse and is an essential partner within the city. The Council invests over £20 million a year towards our priority outcomes. The Council wants to encourage collaborative bids from the voluntary sector which will bring additional external funding into the city to support our priority outcomes.
21.	At their meeting on 19 October 2016, Cabinet agreed to a range of proposals which will enable us to develop a more effective and outcomes-based housing related support service based on a review of need within the city. It also provides an opportunity for more overarching work to explore the link between health and housing, the core offer for local people and the link between homelessness and substance misuse. Recommendations agreed include to: <ul style="list-style-type: none"> • Continue to commission four hostel-based homelessness services providing assessment, intensive support and life skills and one dedicated alcohol accommodation service.

	<ul style="list-style-type: none"> • Combine a range of community-based housing-related support into one flexible support service. • Commission an accommodation-based housing support service to people with alcohol-related housing and support needs. • Continue to support the accommodation-based support services for young people, including care leavers, homeless young people and pregnant teenage mothers. • Develop and increase the offer of supported lodgings for young people. • Combine resources and expertise to ensure efficiencies but also appropriate support for those most in need.
22.	<p>Cabinet also agreed to extend the current successful model of participatory budgeting in Thornhill to enable local communities to decide how money in their area is spent in order to meet local needs. The new areas identified were:</p> <ul style="list-style-type: none"> • Thornhill Plus You, the Harefield estate, Merryoak (rolled out from 2019-20 when the current funding ends) and a defined area of Sholing around Sullivan Road. • A defined area within the Bevois and Bargate wards to include Northam and Golden Grove. • The SRB areas covering specific parts of Millbrook, Redbridge, Maybush and Coxford.
23.	<p>After extensive upgrading, both inside and out, work has finished on Rozel Court in Lordshill. The communal lounges and kitchens have been transformed, encouraging residents to be active, volunteer and join in more. The supported housing complex also now has:</p> <ul style="list-style-type: none"> • A new mobility scooter storage area. • Improved drying rooms. • Landscaping to the outside areas. • New emergency alarm systems. • New innovations, such as fall detectors, temperature sensors and bed and chair exit monitors. <p>These improvements enable the residents to be safer and more independent for longer, and will help transform their lives for the better.</p>
24.	<p>Residents at the Council's Bisley and Bowman Court in Sholing now have a brand new summerhouse in which to enjoy social activities. It is wheelchair accessible, which means that all residents have the opportunity to use it, leading to greater levels of activity and less social isolation.</p>
25.	<p>We are currently working in partnership with the Department of the Environment, Food and Rural Affairs (DEFRA) to develop our Clear Air Strategy. The Strategy sets out our vision and plan to improve air quality in the city and is being presented to Cabinet in November. The Strategy responds to the Government's Air Quality Plan of 2015 which identified Southampton as one of five cities which must introduce a Clean Air Zone (CAZ) by no later than 2020. It is expected that Southampton will introduce our CAZ as early as 2017 and it will consist of a programme of measures to promote and incentivise actions that will reduce emissions.</p>

26.	We are working with our partners to support those who are affected by mental illness. Whilst one in four people will be affected during their life-time, many people feel unable to speak about their symptoms or seek help, leaving them feeling isolated. On World Mental Health Day on 10 October 2016, the Council joined with the local NHS and mental health charities to help beat the stigma associated with mental health. Online activities were accompanied by an outreach event at the station to encourage people to speak up about mental health.
	SOUTHAMPTON IS AN ATTRACTIVE AND MODERN CITY WHERE PEOPLE ARE PROUD TO LIVE AND WORK
27.	I am pleased to be able to report that the Council was actively involved in raising the profile of National Hate Crime Awareness Week, which ran from 8 -15 October 2016. Southampton Connect members, along with other city leaders, collectively pledged to raise awareness of hate incidents and hate crime to make it easier for victims to report. Our Chief Executive Dawn Baxendale and Cabinet Member for Communities, Culture and Leisure, Councillor Satvir Kaur, signed the city-wide pledge against hate on behalf of the Council. We are using social media to raise awareness of hate crime and to give people the tools they need to report it.
28.	I am delighted to be able to confirm that the popular Christmas Festival will return to Southampton this December, complete with the 'Flying Santa' and chalets selling a wide range of Christmas fare. The Festival will take place on the Above Bar pedestrian precinct from Saturday 12 November 2016 to Friday 23 December 2016.
29.	The British Art Show launch in the city in October was a great success, with nearly 900 people attending over the course of the day and another 200 at the Bargate. As part of the day's events, the Council led on a 'hard hat' tour of Studio 144 with John Hansard Gallery; a number of VIPs attended, including the Chair of Arts Council England. He declared that Southampton was "the place to be to see contemporary art". There was also significant positive social media activity around British Art Show 8, including a tweet from Phil Gabby, south-west director of Arts England stating that, "The support offered to culture in #Southampton by @SouthamptonCC @unisouthampton and @solentofficial is an example to cities everywhere". It was followed by a tweet from the Minister of State responsible for digital policy at the Department for Culture, Media and Sport, Matt Hancock, who declared, "Tonight @_britishartshow opens in #Southampton – chance to see UK's most exciting artists in a great cultural city."
30.	<p>Southampton continues to be a popular destination for a diverse range of activities and events for all. Over the last two months, the city has hosted a wide range of events, including the following:</p> <ul style="list-style-type: none"> • Southampton Boat Show: 16-25 September 2016 – this was, once again, a roaring success, attracting thousands of visitors, including many of GB's Olympic team, and offering a superb day out for visitors and locals alike. • Music in the City: 1-2 October 2016 – thousands of people enjoyed a wide range of free live music in 19 venues across the city, many of which are not generally open to the public, such as the Castle and Lancaster Vaults and the Shieldhall. All the venues were linked

	<p>together with wonderful heritage buses.</p> <ul style="list-style-type: none"> • Southampton Jobs Fair: 7 October 2016 – this was a great success, with 67 exhibitors, compared with 32 in May 2016, and 900 visitors attending, nearly double the number in May 2016. • British Art Show 8 and Southampton Fringe: 8 October 2016 -14 January 2017 – this iconic art event features exhibitions and events across the city, including a bespoke exhibition at the City Art Gallery and an installation in the Bargate monument. The Show features over 40 artists, 26 of whom have produced new works for the exhibition. • Black History Month: 1 October 2016 – 3 November 2016 – this was, once again, characterised by a wide range of activities, from the Love Soul Choir singing in West Quay Shopping Centre to the One World Fair at Solent University. • Active Warrior: 15 October 2016 – Active Nation’s 7.5K Obstacle Course race was held at the Outdoor Sports Centre and provided a gruelling physical challenge for the daring. Around 500 people competed, some of whom were raising money for charity. Next year’s event is already booked in for 1 July and there will be a Little Warrior event for children aged six and above. • Hampshire Farmers’ Market: 23 October 2016 – this again proved to be a popular event. • Southampton Film Week: 4 - 13 November 2016 – presented by City Eye and now in its ninth year, this popular event offered a range of interesting films, workshops and events around the city. • Mayflower Park Fireworks: 5 November 2016 – presented by Southampton Round Table No.4, this annual firework display attracted thousands of spectators. Complimented by live entertainment, all monies raised went to local charities to help residents in need. • Remembrance Day Service: 13 November 2016– this year’s ceremony was led by the Rector of Southampton, the Reverend Julian Davies, assisted by local churches and other faith groups.
	MODERN, SUSTAINABLE CITY
31.	<p>It is now even easier to get online in Southampton since we have teamed up with Arqiva to provide a free Wi-Fi network in key areas of the city. The network, which offers 30 minutes of free access to local residents, businesses and visitors, can be accessed in the following areas:</p> <ul style="list-style-type: none"> • East Street – between High Street and Queensway • Portwood Road – between St Denys and Brookvale Roads • London Road – between Bellevue Road and Waterloo Terrace • Shirley Road/Shirley High Street – between Anglesea Road and Malmesbury Road • Above Bar – between Commercial Road and Civic Centre Road <p>There is also the option to sign up for 24 hours of access for £5 a day. This exciting development helps to serve Southampton’s community more effectively and reflects the vibrant 24/7 lives we are now leading.</p>

32.	<p>The Council's Service Cost Recovery programme has developed a series of proposals to realise savings to enable and create the conditions to generate future savings. One aspect of these proposals is to transfer the Housing Concierge Service to the Balfour Beatty Living Places, along with the staff delivering the service. Other services identified for transfer include:</p> <ul style="list-style-type: none"> • Oversight of all Housing CCTV. • City Depot security – monitoring of CCTV. • Itchen Bridge Help Point additional hours monitoring. • Back-office Bus Lane Enforcement ('Phase 1' monitoring). <p>The aims of the proposal are to protect the provision of the CCTV services, allow the Council to achieve the savings already included in the 2016/17 budget and run new and existing services in a cost-effective manner. The proposals were agreed and consultation with the affected staff has now begun.</p>
33.	<p>As part of our Digital Transformation Programme, we have now provided over 300 mobile devices to colleagues from Children and Families', Adults' Services and the Environment teams. This is helping us to develop more streamlined internal systems with less reliance on paper forms, which is enabling us to work in a more efficient and professional manner. Staff will be able to action service requests, access emails and client information and make updates onto databases whilst out of the office, which is saving time and enabling them to make more informed decisions, as well as reducing travel time.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
34.	N/A
<u>Property/Other</u>	
35.	N/A
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
36.	As defined in the report appropriate to each decision.
<u>Other Legal Implications:</u>	
POLICY FRAMEWORK IMPLICATIONS	
37.	The report outlines activity supporting the delivery of Council Strategy 2014-2017.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All

<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
	None	

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DECISION-MAKER:		GOVERNANCE COMMITTEE COUNCIL	
SUBJECT:		REVISION TO THE CONSTITUTION: PARTNERSHIP CODE	
DATE OF DECISION:		14 NOVEMBER 2016 16 NOVEMBER 2016	
REPORT OF:		SERVICE DIRECTOR: LEGAL AND GOVERNANCE	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Felicity Ridgway Service Lead: Policy, Partnerships and Strategic Planning	Tel: 023 8083 3310
	E-mail:	Felicity.ridgway@southampton.gov.uk	
Director	Name:	Richard Ivory Service Director: Legal and Governance	Tel: 023 8083 2308
	E-mail:	richard.ivory@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
NOT APPLICABLE			
BRIEF SUMMARY			
The current Partnership Code has not been reviewed in a number of years. Since the Code was last agreed relationships with key partners have evolved and changed. As a result it is considered appropriate to revise the Code to ensure it remains fit for purpose and of value.			
RECOMMENDATIONS:			
Governance Committee			
	(i)	To consider and recommend the revised Partnership Code, attached at Appendix A, to Council for adoption.	
Council			
	(i)	To agree the changes to the Constitution relating to the Partnership Code, as set out in this report;	
	(ii)	To authorise the Service Director: Legal & Governance to finalise the arrangements as approved by Full Council and make any further consequential or minor changes arising from the decision of Council.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	It is appropriate, as a core tenet of good governance, for the Council to keep its Constitution under regular review and to amend it to reflect experience and		

	changing circumstances.
2.	The Partnership Code was not reviewed with other sections of the Constitution in May 2016, but has now been identified as requiring updating.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	An alternative option is to not update the Partnership Code. This option is not recommended as the existing Code is out of date and no longer fit for purpose.
DETAIL (Including consultation carried out)	
4.	The Partnership Code sets out processes and expectations with regards to the Council's partnerships – both partnerships set up and by the Council, and partnerships which representative of the Council (Members or officers) sit on.
5.	<p>The purpose of the Code is to ensure that Members and Council officers involved in establishing, managing or contributing to a partnership are able to:</p> <ul style="list-style-type: none"> • Demonstrate a clear rationale for the partnership and the Council's involvement • Obtain appropriate approval for setting up or being involved in a new partnership • Understand the Council's role, and their role, in a partnership • Apply clear standards for partnership working • Ensure time and resources invested in the partnership contributes to the Council's priority outcomes and is (and will continue to be) worthwhile in terms of adding value.
6.	The updated document provides a clear process for officers and Members to follow with regards to setting up, reviewing or dissolving a partnership, as well as setting out standards and expectations for officers or Members representing the Council on a Partnership.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
7.	None
<u>Property/Other</u>	
8.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
9.	The Executive Arrangements and Constitution are required under the Local Government Act 2000 (as amended) and the Localism Act 2011. Whilst the Partnership Code is not a core requirement best practice dictates that it includes relevant documents, codes and protocols that are central to the Council's decision making and policy documents
<u>Other Legal Implications:</u>	
10.	None

POLICY FRAMEWORK IMPLICATIONS		
11.	None	
KEY DECISION?		N/A
WARDS/COMMUNITIES AFFECTED:		None
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Partnership Code (updated)	
Documents In Members' Rooms		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Existing Partnership Code: https://www.southampton.gov.uk/policies/18-Policies-and-Strategies/18-Partnership-Code_tcm63-363593.pdf	

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PARTNERSHIP CODE

INTRODUCTION

1. Partnership working can bring significant benefits, including improved outcomes and more efficient and integrated services for people who live, work and visit the city. However, partnerships need to be properly established and well managed if they are to deliver benefits and value for money.
2. This Partnership Working Code outlines the minimum requirements for establishing, managing and reviewing partnerships, as well as expected conduct of Council officers and Councillors who are a member of a partnership. The Code should be read in conjunction with other Council documents including the Council's Constitution [Members' Code of Conduct](#), [Officer Code of Conduct](#) and [Code for dealing with Joint Arrangements with Third Parties](#).

PURPOSE

3. The purpose of this Code is to ensure that Members and Council officers involved in establishing, managing or contributing to a partnership are able to:
 - Demonstrate a clear rationale for the partnership and the Council's involvement
 - Obtain appropriate approval for setting up or being involved in a new partnership
 - Understand the Council's role, and their role, in a partnership
 - Apply clear standards for partnership working
 - Ensure time and resources invested in the partnership contributes to the Council's priority outcomes and is (and will continue to be) worthwhile in terms of adding value.

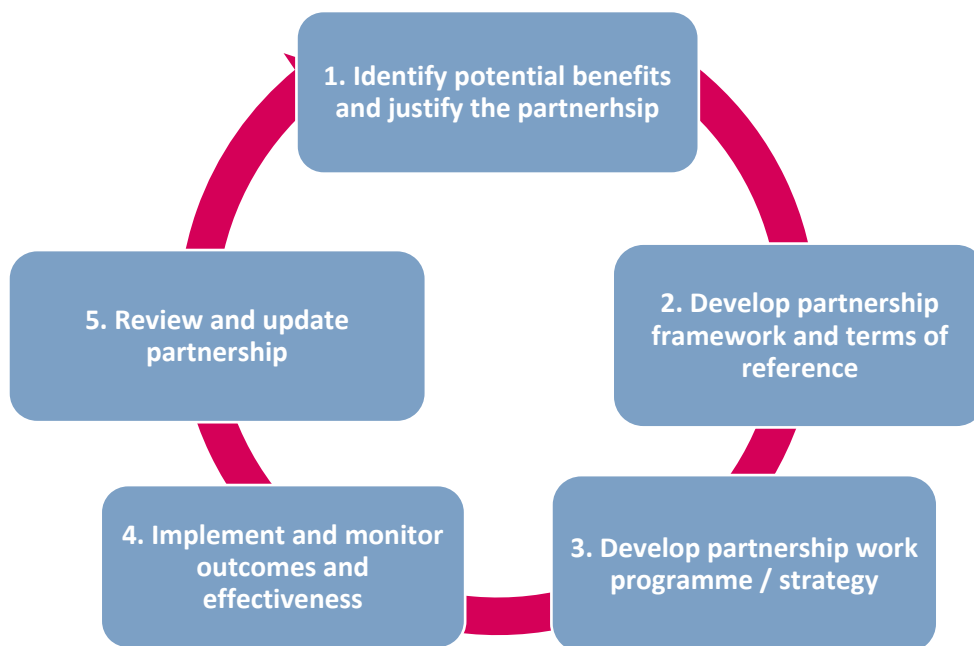
WHAT IS A PARTNERSHIP?

4. In its broadest sense, a partnership can be defined as: '*an agreement between two or more independent bodies to work collaboratively to achieve an objective*'. The key characteristic is that the partners aim to achieve something they could not do alone, by pooling skills and other resources. For the purpose of this Code, these are two main types of partnerships. They are:

Formal or strategic partnerships	Informal or non-strategic partnerships
<p>The partnership meets one or more of the following:</p> <ul style="list-style-type: none"> • It is critical to the delivery of key Council objectives or level 1 strategies • It meets or delivers one of the Council's statutory obligations e.g. Crime and Disorder Act 1998 • The Council's reputation could be damaged if the partnership fails to deliver 	<p>The partnership meets one or more of the following:</p> <ul style="list-style-type: none"> • It supports the delivery of an operational strategy or objective • It is established around a specific issue which will benefit from a range of partners being involved

IF THE COUNCIL IS ESTABLISHING OR LEADING A PARTNERSHIP

5. If you are establishing or leading a partnership on behalf of the Council you will need to give consideration and resources to its development, delivery and review and follow the **Partnership Cycle** obtaining appropriate approvals at each stage. The below sections provide detail as to the actions you will need to take.



STEP 1: Identify potential benefits and justify the partnership

6. You should contact the Intelligence, Insight and Communications team as early as possible for an initial discussion about the proposals to establish a partnership. This will focus on identifying the need for the partnership, and the resources, timeline and approval route to establish and continue a partnership that is effective and value for money.
7. It is critical that partnership, whether formal or informal, provides value for money, and has clear outcomes that meet the strategic aims of the Council, as outlined in the priorities and outcomes in the [Southampton City Council Strategy 2016-2020](#). A formal or significant partnership should only be established if it is critical to the delivery of a key Council outcome or statutory obligation.
8. The Intelligence, Insight and Communications team will support you to:
 - Review the requirement for a new partnership
 - Identify whether the partnership is formal/strategic or informal/non-strategic
 - Agree appropriate governance routes to obtain approval to proceed with establishing the partnership
9. The proposal to develop a new partnership must be agreed with the Intelligence Insight and Communications team, and approved by the CMT sponsor and lead Councillor before you can proceed with establishing the partnership and developing the terms of reference for both formal and informal partnerships.

STEP 2: Develop the partnership framework and Terms of Reference

10. Partnership arrangements can be complicated and could become overly bureaucratic. It is important to achieve a balance between having sufficient clarity about the purpose, benefits and role of the partnership, and ensuring any resources input into its development and monitoring are appropriate.
11. You will need to consider and document the following issues in the partnership's 'terms of reference':
 - Aims and objectives
 - Membership
 - Proportionate and effective governance arrangements

- Protocol for dealing with conflicts.
12. You should also refer to the Council's constitution for the '[Code for Dealing with Joint Arrangements with Third Parties](#)'. This provides recommended procedures to avoid conflicts of interest for the Council, its employees and consultants engaged in any joint arrangements involving public funds, or transfer of public assets.
 13. You must also consider if establishing the partnership has any equality implications against the Equalities Act 2010 and ensure that the partnership considers and promotes its statutory Equality Duty. [The Equalities guidance and Equality and Safety Impact Assessments](#) provide a framework to ensure the decisions, strategies and policies of the partnership comply with their duties and ensure any potential negative impacts are mitigated and followed up as appropriate.
 14. You should also consider whether the lifetime of the partnership is expected to be long-term or temporary. Some informal/non-strategic partnerships established to support a particular project or in response to a particular issue may only be required for a fixed period of time.
 15. Arrangements for the partnership should then be documented in a formal written agreement or Terms of Reference, and this should be published on the Council's website. The Intelligence, Insight and Communications team can provide example Terms of Reference.
 16. The draft Terms of Reference must be submitted to the Intelligence, Insight and Communications team and distributed to key stakeholders for review. As a minimum, this should include the partnership's CMT sponsor, Cabinet portfolio holder or lead Councillor for an informal partnership. Once a final draft is agreed, approval of the Terms of Reference should be sought from CMT and Cabinet for a formal / strategic partnership.

STEP 3: Develop the Partnership Work Programme

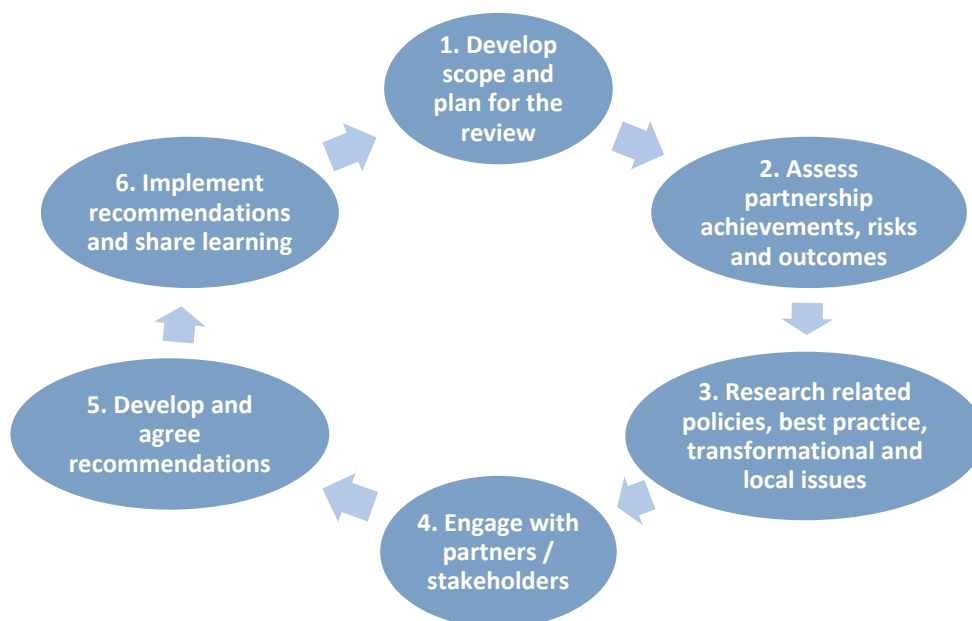
17. Once the partnership's Terms of Reference are approved, the objectives and aims of the partnership will need to be translated into an agreed work programme. This will outline how the partnership will achieve its objectives and set out the actions and outcomes that the partnership's success will be measured against.
18. Southampton City Council has an agreed Strategy and Policy Framework, which forms a key part of our 'one council' approach to strategy and policy development. If a new strategy requirement is identified as part of the development of the partnership work programme, you must contact the Intelligence, Insight and Communications team and follow the agreed strategy development process.

STEP 4: Implement and monitor the partnership

19. The owner of the partnership will oversee and be responsible for implementing and monitoring the success, risks and outcomes of the partnership, and will need to ensure that the following issues are agreed and addressed on an ongoing basis:
 - Agree resources to deliver objectives
 - Agree clear accountability, monitoring and reporting processes
 - Establish communication mechanisms
 - Undertake risk assessments
 - Reporting outcomes and performance – reports should be shared and discussed regularly with the CMT sponsor and lead Member
 - Establish ongoing governance arrangements, including any sub groups.

STEP 5: Review and update the partnership

20. During their lifetime, partnerships need to adapt to changing circumstances. As a minimum, an annual review should be undertaken of the outcomes achieved, including targets, performance, risk management, financial controls, value of the partnership (in terms of the partnership's and Council's objectives) and whether it is still fit for purpose and providing value for money. The review should be sufficiently robust and challenging, whilst remaining proportionate and appropriate to the working arrangements of the partnership.
21. The review of the partnership may be led by the partnership, however, independent input should be sought through the involvement of the Intelligence, Insight and Communications team.
22. The following steps should form part of the review:



23. At the end of the review, a report must be produced including recommendations. This should be cleared by the Intelligence, Insight and Communications team to ensure there are no significant implications for other partnerships, and that best practice opportunities, gaps and duplications have been identified. It should also be cleared by the partnership chair, and must be approved by the CMT sponsor and lead Member, as well as the partnership itself.

DISSOLVING THE PARTNERSHIP

24. If you are considering dissolving the partnership, you should contact the Intelligence, Insight and Communications team as early as possible for advice on the process to follow.
25. You will need to prepare a briefing paper, with the Chair of the partnership, for approval by the CMT sponsor and lead Councillor for both formal/strategic and informal partnerships. This paper should clearly set out the following issues, in relation to dissolving the partnership:
 - The rationale for dissolving the partnership
 - Implications for the Council's priorities or statutory duties
 - Any unmet need of the Council and partners
 - Continued risks to the Council if the partnership no longer exists
 - Costs or funding implications
 - Proposals for resolving any outstanding issues
 - Overall learning and outcomes of the partnership

- Views of the partnership members
- Timeline and process for dissolving the partnership.

COMMITTING RESOURCES TO A PARTNERSHIP WHERE THE COUNCIL IS NOT THE LEAD AUTHORITY

26. Where the Council is not leading a partnership, but there is a clear benefit in contributing or attending it, there will still be resource and reputational implications to be considered. It is important that the Council understands the potential benefit and outcomes that the partnership can offer to support the Council's objectives and priorities.
27. If you are proposing to commit Council resources to a partnership, contact the Intelligence, Insight and Communications team to have an initial discussion about the partnership aims and objectives, to ensure the potential benefits of the partnership fit with the Council's priorities and strategies, and do not duplicate other partnerships.
28. The relevant CMT member and lead Councillor should be briefed on the aims and objectives of the partnership, the expected input and commitment from the Council and potential impact on the Council's priorities.

IF YOU ARE A MEMBER OF A PARTNERSHIP

29. It is important that members of a partnership understand their own role and responsibilities. When committing Council resources (including employee time and money) to a partnership, your first and foremost duty is to the Council. As a Councillor or Council officer, you must adhere to the '[Code of Conduct for Members](#)' and '[Officer Code of Conduct](#)' in the Council's Constitution.
30. As a member of a partnership, you should consider if the partnership is following good practice, that it is contributing to the Council's values and priority outcomes and that it adds value, by actively engaging in any review of the partnership and ensuring that all the appropriate frameworks are in place.
31. Individually, as a representative of the Council on a partnership you should:
 - Represent the Council's views within the partnership
 - Act as the key link back to the Council to promote success of the partnership and inform / engage others in the decisions and activity of the partnership through effective communication
 - Be an active participant in meetings, develop issues for consideration by the partnership and execute additional activity in relation to delivering the partnership's objectives
 - Provide professional advice and expertise as appropriate to the partnership
 - Behave with honesty and integrity at all times, act in good faith and not take advantage, misrepresent or conceal anything pertinent to the partnership
 - Avoid and work to resolve conflicts
 - Highlight any personal interests, if they arise.
32. If you are concerned about anything to do with the partnership activity, contact the Intelligence, Insight and Communications team in the first instance who will offer support and advice on the matter, including whether it is appropriate to escalate the concern to the partnership chair, CMT sponsor or lead Councillor.

Contact:

Intelligence, Insight and Communications team: strategy.unit@southampton.gov.uk

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DECISION-MAKER:		GOVERNANCE COMMITTEE COUNCIL	
SUBJECT:		MEMBERS QUESTIONS AT COUNCIL	
DATE OF DECISION:		14 th NOVEMBER 2016 16 th NOVEMBER 2016	
REPORT OF:		LEADER OR THE COUNCIL	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Richard Ivory	Tel: 023 80832794
	E-mail:	Richard.ivory@southampton.gov.uk	
Director	Name:	Suki Sitaram	Tel: 023 80
	E-mail:	Suki.sitaram@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
In view of the consistently high number of formally tabled Questions at Council and the significant reduction in officer resource to administer and answer them, at the request of the Leader of the Council, a review has been undertaken to seek options on streamlining/reducing the process.			
RECOMMENDATIONS:			
	(i)	That Governance Committee consider the review options and recommend to Council accordingly	
	(ii)	That Council resolves to revise the Council Procedure Rules (paragraph 11) in the Constitution as appropriate	
REASONS FOR REPORT RECOMMENDATIONS			
1.	As detailed in the Brief Summary above the Leader of the Council has requested a review in light of the volume of Questions regularly tabled.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	To leave the Constitution as it currently stands.		
DETAIL (Including consultation carried out)			
3.	<p>The principle of permitting questions at Council by members is a long established one going back to the Widdicombe Report in 1986. Four detailed principles emerged:-</p> <ul style="list-style-type: none"> * there should be a reasonable time limit; 30 minutes was suggested * questions should be addressed to the Leader, Cabinet Member or Chairman * a reply should be given unless there is good reason to the contrary 		

* a right to at least one supplementary question

Currently the Constitution states as follows:-

QUESTIONS BY MEMBERS

11.1 On reports of the business of the Executive

Subject to Rule 11.4, a Member of the Council may ask the Leader or Cabinet Member any question on notice during the Report of the Executive when that item of business is under consideration by the Council.

11.2 Questions to the Mayor or Chairs

Subject to Rule 11.4, a Member of the Council may ask:

- i. the Mayor;*
 - ii. the Chair of any committee or sub-committee*
- a question on any matter related to their role, responsibilities and/or office.*

11.3 Questions on notice at committees and sub-committees

Subject to Rule 11.4, a Member of a committee or sub-committee may ask the Chair of it a question on any matter in relation to which the Council has powers or duties or which affect the area and which falls within the terms of reference of that committee or sub-committee.

11.4 Notice of questions

A Member may only ask a question under Rule 11.1, 11.2 or 11.3 if:

- a. the question is given in writing to the Service Director: Legal & Governance by 12:00 noon on the Thursday of the week preceding the Council meeting (of if the Council meeting is held on a day other than a Wednesday, by 12:00 noon three Clear Days before the meeting). The Service Director: Legal & Governance will acknowledge receipt of such questions; or*
- b. if the question relates to urgent matters, they have the consent of the Mayor and the content of the question is given to the Service Director: Legal & Governance prior to the commencement of the meeting*

The Council Procedure Rules as above currently permit a very wide range of Questions from Members at Council as below. There is no maximum that can be asked and little consistent criteria to adhere to. In relation to Cabinet Members, Members can ask “any” question as currently defined. As a result the position is unclear as to the parameters given that Council’s role is about the governance of the city and whether it is reasonable for the Council to debate such matters if they are not directly related to the city. Interpretation is currently required by the Mayor and Service Director: Legal and Governances to ensure that those tabled are related to the city, its residents, interests etc.

In relation to questions to the Mayor or Committee Chairmen the Constitution is clearer in that questions must be about their role, responsibility or office. It is suggested that wording be added to the Cabinet Member CPR 11.1 to ensure clarity and consistency.

	<p>In the past 6 cycles, excluding the AGM and budget setting meetings, a total of 126 Questions have been tabled at Council, split as follows:-</p> <p>Sept 2016 – 16 July - 28 March - 24 November 2015 - 17 September - 19 July – 22</p> <p>As can be seen there are an average of 21 formally tabled Questions from Members at each Council meeting. The necessary administration to ensure each question is dealt with and an answer given after agreement with the Cabinet Member is significant and within a very concerted timescale. Much of this falls to Democratic Services but other senior officers and Business Support teams across the organisation are inevitably involved in compiling what can be quite complex answers at very short notice given the lead in times. Accordingly, in the run up to Council there is realistically only limited time that can be given over to this specific task given the sheer volume.</p> <p>The Leader of the Council has requested a review due to this high number, the subject matters of the questions tabled and the ability to manage the process properly given the significant reduction in resources, not only in Democratic Services which has been reduced by 50% since March, but across the Council.</p> <p>What do other peer authorities do?</p> <p>At the outset it needs to be said that there is nothing wrong in the way the Council deals with Questions. However, it is clear that the volume of questions tabled is peculiar to Southampton. Peer unitaries have been canvassed and whilst their rules and criteria are generally no more prescriptive than ours, save in many cases members are limited to submitting one question each per meeting generally it is the case that far fewer tend to be tabled at each Council meeting. Additionally, common practice is that written answers are given, handed out to members at the end of the meeting, no time is given over to further debate as part of the agenda, supplementary questions are rare and answers are not recorded.</p> <p>What are the resources involved?</p> <p>It is not possible to compile a detailed calculation across all officers that contribute each cycle but it is fair to say that with 21 diverse questions being administered taking, say, an hour and a half for each one from start to finish including liaison with the Cabinet Member at a mean rate of £75 per hour</p>
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equates to £2360 per meeting or £9440/126 hours per year. This is probably on the low side.

As members will be aware Democratic Services administer the initial process and finalise responses. Business Support and senior officers in the discrete teams compile the answers. All teams have been significantly reduced and therefore there is difficulty in coping with such volumes in a very tight lead in time to the meeting.

What can we do differently if Members wish?

Members obviously have a legitimate and fundamental right and expectation to hold the Administration to account. This is achieved through numerous formal ways, the scrutiny function being the most obvious. Tabled Questions at Council are an important aspect and cover a wide range of matters, both significant in policy terms, delivery of key projects by the Administration down to operational or single issue or ward items. However, some questions tabled have already been answered by officers, could easily be answered by officers as business as usual or are relatively minor matters.

Possible revised criteria

Currently, the Constitution is open to interpretation. There are few limits on what can be tabled. In order to better manage the process and ensure that Council is used to focus on significant matters such as Council policy and strategy, budgets, major projects and city wide issues the following possibilities are worthy of consideration.

- (i) A limit on the number of Questions tabled at each meeting
- (ii) A limit of the number of Questions tabled by any political group or individual member
- (iii) That no single ward or minor issues should be raised unless they are major projects or of significant policy concern
- (iv) That no question can be tabled which has previously been asked and answered by officers
- (v) That no question (or similar question) can be tabled that has been asked at Council in the last 6 months
- (vi) That no service or operational matters are raised which can easily be answered outside of this process by officers or Cabinet Members
- (vii) Lengthen the “cut off” period before Council for submission of Questions to allow more officer time to respond

RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
4.	None, save for logistical and opportunity costs stated elsewhere in this report.		
<u>Property/Other</u>			
5.	None		
LEGAL IMPLICATIONS			
<u>Statutory power to undertake proposals in the report:</u>			
6.	Local Government Acts 1972 and 2000		
<u>Other Legal Implications:</u>			
7.	None		
POLICY FRAMEWORK IMPLICATIONS			
8.	None		
KEY DECISION?		No	
WARDS/COMMUNITIES AFFECTED:		none	
<u>SUPPORTING DOCUMENTATION</u>			
Appendices			
1.	None		
Documents In Members' Rooms			
1.	None		
Equality Impact Assessment			
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.			No
Privacy Impact Assessment			
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.			No
Other Background Documents			
Equality Impact Assessment and Other Background documents available for inspection at:			
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None		

DECISION-MAKER:		GOVERNANCE COMMITTEE COUNCIL	
SUBJECT:		LOCAL APPOINTMENT OF EXTERNAL AUDITORS	
DATE OF DECISION:		14 NOVEMBER 2016 16 NOVEMBER 2016	
REPORT OF:		SERVICE DIRECTOR FINANCE AND COMMERCIALISATION	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk	
Director	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	mel.creighton@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
Not Applicable			
BRIEF SUMMARY			
<p>This report sets out the proposals for appointing the external auditor to the Council for the 2018/19 accounts and beyond, noting that the current arrangements only cover up to and including the 2017/18 audits. The Council will need to implement new arrangements in respect of the appointment of external auditors from 1st April 2018 and these arrangements will need to be in place in time to make a first appointment by 31 December 2017.</p>			
<p>Regulations made under the Local Audit and Accountability Act 2014 ('the Act') allow authorities to opt in for their external auditor to be appointed by an 'appointing person'. Public Sector Audit Appointments ('PSAA') has been specified by the Secretary of State as an 'appointing person' (or 'sector led body'). PSAA has now formally invited the Council to opt in, along with all other authorities, so that they can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's external auditor from 1st April 2018.</p>			
RECOMMENDATIONS:			
Governance Committee			
	(i)	To consider and recommend to Council that it accepts PSAA invitation to 'opt in' to the sector led option for the appointment of external auditors.	
Council			
	(ii)	That Council accepts PSAA invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.	

REASONS FOR REPORT RECOMMENDATIONS		
1.	Whilst the Council has until December 2017 to appoint its' external auditors, PSAA has formally invited the Council to opt in to the national sector led body. Details relating to PSAA's invitation are provided in Appendices 1 and 2 of this report. If the Council is to take advantage of this national scheme for appointing external auditors then it needs to take the decision to enable it accept the invitation by early March 2017.	
2.	The Local Audit (Appointing Person) Regulations 2015 ('the Regulations') require that a decision to opt in must be made by a meeting of the Council (meeting as a whole). The Council then needs to formally respond to PSAA's invitation in the form specified by PSAA.	
3.	PSAA will commence the formal procurement process after this date. It expects to award contracts in summer 2017 and consult with authorities on the appointment of auditors so that it can make an appointment by the statutory deadline of December 2017.	
4.	<p>It is considered that sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally. More specifically:</p> <ul style="list-style-type: none">a) The audit costs are likely to be lower than if the Council sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;b) The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector;c) Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;d) Without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;e) PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;f) Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector in the medium and long term.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
5.	<p>There are three options open to the Council under the Act. In summary, these comprise:</p> <ul style="list-style-type: none">a) Setting up an independent Auditor Panel and undertaking an individual external auditor procurement and appointment exercise;b) Joining with other councils to set up a joint independent Auditor Panel and undertaking a joint audit procurement and appointing exercise; orc) Opting-in to a national sector led body that will negotiate contracts and	

	make the appointment on behalf of councils.
6.	If the Council chooses not to opt in then there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.
7.	Alternatively the Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
8.	Neither of these options are recommended. Both these options would be more resource-intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.
9.	It should also be noted that currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that any local procurement exercise, as described above, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.
DETAIL (Including consultation carried out)	
10.	The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. The Council's current external auditor is Ernst & Young LLP, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract was novated to PSAA
11.	PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State. PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA.
12.	The transitional arrangements come to an end on 31 March 2018 at which time the council is able to move to local appointment of the external auditors. The Act sets out the arrangements for the appointment of auditors for subsequent years, with the opportunity for authorities to make their own decisions about how and by whom their auditors are appointed. Regulations made under the Act allow authorities to 'opt in' for their auditor to be

	appointed by an 'appointing person'.
13.	The Act requires that a local auditor is appointed not later than 31 December in the financial year preceding the financial year of the accounts to be audited. So for the audit of the accounts of the 2018/19 financial year, there must be a local auditor appointed by 31 December 2017.
14.	In July 2016 PSAA were specified by the Secretary of State as an 'appointing person' under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. PSAA will make auditor appointments to relevant principal local government bodies that choose to opt-in to the national appointment arrangements for audits of the accounts from 2018/19.
15.	<p>The principal benefits in choosing to opt-in to the sector led body are as follows:</p> <ul style="list-style-type: none"> a) PSAA will run the tendering exercise, evaluate bids and award contracts and will consult on individual auditor appointments. b) PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together; c) PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements; d) It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition; e) The overall procurement costs would be lower than an individual smaller scale local procurement.
16.	PSAA consider the optimal length of contract between PSAA and firms as being 5 years.
17.	The scope of the audit will still be specified nationally with the National Audit Office responsible for writing the Code of Audit Practice which all firms appointed to carry out the council's audit must follow.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
18.	Current external fees levels are anticipated to increase when the current contract ends on 31 st March 2018. Over recent years authorities have benefited from a reduction in fees in the order of 55% compared with fees in 2012. This has been the result of a combination of factors including new contracts negotiated nationally with the audit firms and savings from closure of the Audit Commission. The Council's external audit fees for 2016-17 are £161,720.
19.	The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms however opting-in to a national scheme will provide maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale

	collective procurement arrangement.
20.	The audit fee under the sector led arrangement will reflect the size, audit risk and complexity of the work required. PSAA is to establish a system for setting the fee which is fair to all opted-in bodies noting that, as a not-for-profit organisation, PSAA will be able to return any surpluses to participating bodies after all costs have been met.
21.	If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2018/19.
<u>Property/Other</u>	
22.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
23.	Section 7 of the Act requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment which is reserved to full Council.
24.	Section 12 of the Act makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
25.	Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Regulations (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.
<u>Other Legal Implications:</u>	
26.	None
POLICY FRAMEWORK IMPLICATIONS	
27.	None
KEY DECISION	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	PSAA Invitation – Southampton City Council
2.	Form of notice of acceptance of the invitation to opt in
Documents In Members' Rooms	
1.	None

Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

27 October 2016

Email: appointingperson@psaa.co.uk

Dawn Baxendale
Southampton City Council
Civic Centre
Southampton SO14 7LY

Copied to: Mel Creighton, Deputy Chief Financial Officer, Southampton City Council
Richard Ivory, Head of Legal Services, Southampton City Council

Dear Ms Baxendale

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- | | |
|---|-------------------------|
| • Invitation to opt in issued | 27 October 2016 |
| • Closing date for receipt of notices to opt in | 9 March 2017 |
| • Contract notice published | 20 February 2017 |
| • Award audit contracts | By end of June 2017 |
| • Consult on and make auditor appointments | By end of December 2017 |
| • Consult on and publish scale fees | By end of March 2018 |

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your authority's formal notice of acceptance of the invitation to opt into the appointing person arrangements)

To: appointingperson@psaa.co.uk

Subject: [Name of authority]

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 27 October 2016 to become an opted-in authority for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that [name of authority] has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: [Name of signatory]

Title: [Role title] (authorised officer)

For and on behalf of: [Name of authority]

Date:

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DECISION-MAKER:	GOVERNANCE COMMITTEE COUNCIL			
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS MIDYEAR REVIEW 2016			
DATE OF DECISION:	14 NOVEMBER 2016 16 NOVEMBER 2016			
REPORT OF:	SERVICE DIRECTOR FINANCE AND COMMERCIALISATION			
<u>CONTACT DETAILS</u>				
AUTHOR:	Name:	Sue Poynter	Tel:	023 80 4153
	E-mail:	Sue.Poynter@southampton.gov.uk		
Director	Name:	Mel Creighton	Tel:	023 80 4897
	E-mail:	mel.creighton@southampton.gov.uk		

STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to inform the Governance Committee and Council of the Treasury Management activities and performance for 2016/17 against the approved Prudential Indicators for External Debt and Treasury Management and to approve any changes as a result of activity to date and updates to the capital programme.

The core elements of the 2016/17 strategy are :

- To continue to make use of short term variable rate debt to take advantage of the current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock into longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
 - Security of invested capital
 - Liquidity of invested capital
 - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.

With overall annual expenditure in excess of £600M and an extensive capital programme, the Council is required to actively manage its cash-flows on a daily basis. The requirement to invest or to borrow to finance capital programmes, and to

cover daily operational needs is an integral part of daily cash and investment portfolio management.

RECOMMENDATIONS:

GOVERNANCE COMMITTEE

It is recommended that Governance Committee:

	i)	Note the current and forecast position with regards to these indicators and endorse any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	Endorse the increase in the investment limit for both unspecified investments and for counterparties as detailed in paragraph 30.

COUNCIL

It is recommended that Council:

	i)	Note the current and forecast position with regards to these indicators and approve any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	Continue to delegate authority to the Chief Financial Officer, Finance following consultation with the Cabinet Member for Resources to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. For example increase the percentage for variable rate borrowing to take advantage of the depressed market for short term rates. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to this strategy;
	iv)	Approve the increase in the investment limit for both unspecified investments and for counterparties as detailed in paragraph 30.

REASONS FOR REPORT RECOMMENDATIONS

1.	The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and now, as a minimum, formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the TM function to scrutinise and assess its effectiveness and compliance with policies and objectives.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	No alternative options are relevant to this report
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DETAIL (Including consultation carried out)

	CONSULTATION
3.	Not applicable
	BACKGROUND
4.	The Local Government Act 2003 introduced a system for borrowing based

	largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.
5.	The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).
6.	The Authority's Treasury Management Strategy for 2016/17 was approved by full Council on 10 February 2016 which can be accessed as Item 6 on the Council Meetings Agenda found via the following web link: Prudential Limits and Treasury Management Strategy 2016/17 to 2018/19
7.	Overall responsibility for treasury management remains with the Council. No TM activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
8.	<p>This report:</p> <ul style="list-style-type: none"> a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code; b) presents details of capital financing, borrowing, debt rescheduling and investment transactions; c) reports on the risk implications of treasury decisions and transactions; d) gives details of treasury management transactions in 2016/17 to date together with outturn forecast; and e) confirms compliance with treasury limits and Prudential Indicators.
9.	Appendix 1 summarises the Authority's financial adviser's (Arlingclose) assessment of the economic outlook and events in the context of which the Council operated its treasury function.
	BORROWING REQUIREMENT AND DEBT MANAGEMENT
10.	The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with balances and useable reserves, are the core drivers of TM Activity. This was estimated at £523M as at the 10/02/2016 when the TM strategy was approved and has been increased to £529M following a revision of the capital programme and adjusting for 2015/16 actual position, as detailed in Table 3 of Appendix 3.
11.	At 30/9/2016 the Authority held £235M of loans, a decrease of £6M on 31/3/2016, as part of its strategy for funding previous years' capital programmes, however the Authority expects to have to borrow up to £107M in 2016/17 to finance the current capital programme, which includes the £40M which has been allocated for the purchase of property for income generation (£59M General Fund and £47M for HRA) and to replace maturing debt, which will increase long term borrowing by £113M as shown in tables 1 and 2 below.
	Table 1

Movement on Estimated Long Term Borrowing Requirement	2016/17 Forecast GF £M	2016/17 Forecast HRA £M	2016/17 Forecast Total £M
Capital Programme	59.2	47.4	106.6
Maturing Debt	5.9	5.6	11.5
Movement in Internal Borrowing	5.0	0.0	5.0
Less Repayment of Debt Principal	(4.7)	(5.6)	(10.3)
Total Debt	65.4	47.4	112.8

Table 2

<u>Long Term Borrowing</u>	
	£M
Balance brought forward 1st April 2016	240.8
New debt raised in year	112.8
Maturing debt	(11.5)
Estimated debt at 31 March 2017	342.1

12. The Authority's chief objective when borrowing continues to be striking an appropriately prudent balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
13. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. Post referendum, the fall in yields and PWLB rates was more pronounced as evidenced in Tables 2 and 3 in Appendix 1. As short-term interest rates have remained, and are likely to remain for a significant period, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources where funds permit and to borrow short-term loans instead.
14. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has remained affordable and attractive. Although we had no requirement for the period of this report, we have since borrowed £30M of such loans at an average rate of 0.40% and an average life of 12 months which includes the replacement of maturing loans and to provide financing for the capital programme.
15. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Our advisors, Arlingclose, assists the Authority with this 'cost of carry' and breakeven analysis.
16. The forecast movement in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years and is shown in tables 3 and 4 below together with activity in the year.

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	reviewed and, if appropriate, reduced by switching into fixed rate loans.
	<u>Lender's Option Borrower's Option Loans (LOBOs)</u>
19.	The Authority holds £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during the half year, none of which were exercised by the lender, but if they were to be called during the remainder of this financial year it is likely that they would be repaid and replaced by alternative borrowing.
	<u>Internal Borrowing</u>
20.	Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio.
21.	As at the 31 March 2016 the Council used £106M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. The current Capital Programme indicates that the Council is expected to borrow up to £167M between 2016/17 and 2018/19. Of this £149M relates to new capital spend and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances and also the need to lock back into longer term debt prior to interest rate rises.
22.	However as short-term interest rates have remained lower than long-term rates, and are likely to remain so for the foreseeable future, the Authority has determined it is more cost effective in the short-term to continue the use of internal resources and to make use of short term debt.
	<u>Debt Rescheduling</u>
23.	The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.
	<u>INVESTMENT ACTIVITY</u>
24.	Both the CIPFA and DCLG's Investment Guidance requires the authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.
25.	The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2016/17 the Authority's investment balances have ranged between £62M and £106M and are currently £62M. Projected balances indicate that on present levels of spend we should have lower balances to last year, but this will be dependent on any borrowing decisions taken.
26.	Table 5 below summarises activity during the year:
	Table 5

	Balance on 01/04/2016	Investments Repaid	New Investments	Balance as at 30/9/2016	Increase/ (Decrease) in Investment for Year	Average Life / Average Rate %	
	£M	£M	£M	£M	£M	Life	%
Short Term Investments	0	0	0	0	0		
Money Market Funds & Call Accounts	34	(216)	199	17	(17)	1 Day	0.36
Notice Accounts	5		0	5	0	180 Day	0.90
Bonds	40	(14)	7	33	(7)	1.37 years	1.46
Local Authority Property Fund	7	0	0	7	0	Unspecified	5.12
Total Investments	86	(230)	206	62	(24)		1.46

27.

Security of capital has remained the Authority’s main investment objective. This has been maintained by following the Authority’s counterparty policy as set out in its TM Strategy Statement for 2016/17. The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio, which is supplied by our advisors. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Further details can be seen in Appendix 4.

	Target	Actual
Portfolio average credit rating	A-	AA

28.

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

29.

Given the increasing risk and continued low returns from short-term unsecured bank investments, and having estimated that £40M is available for longer-term investment, the Authority continued its investments in more secure and/or higher yielding asset classes such as covered bonds (which are secured on the financial institutions’ assets) and pooled funds which have the advantage of diversifying investment risks without the need to own and manage the underlying investments coupled with professional fund management.

30.

Counterparty limits were set as part of the TM strategy at no more than £10M per management group and with the following limits, however as part of the authority’s income generation remit, it is proposed to increase this limit in respect of externally managed funds (see paragraph 40 below) to £30M which will have an corresponding impact for both long-term investments and investments without credit ratings, to enable us to make an additional investment in the CCLA and other similar funds.

Table 6 – Non Specified Investment Limits 2016/17

	Strategy Cash Limit	Revised Cash Limit
Total long-term investments	£55M	£80M
Total investments without credit ratings or rated below A-	£10M	£30M
Total investments in foreign countries rated below AA+	£5M	£5M
Total non-specified investments	£70M	£115M

31.	Tables 7 and 8 below summarises the Council's investment portfolio at 30 September 2016 and confirms that all investments were made in line with the Council's approved credit rating criteria:																																																												
	<table><tr><td colspan="4">Table 7</td></tr><tr><td>Credit Rating</td><td>Long Term</td><td>Short Term</td><td>Total</td></tr><tr><td></td><td>£M</td><td>£M</td><td>£M</td></tr><tr><td>AAA</td><td>10.8</td><td>12.6</td><td>23.4</td></tr><tr><td>AA+</td><td>3.2</td><td>0.0</td><td>3.2</td></tr><tr><td>AA</td><td></td><td>0.1</td><td>0.1</td></tr><tr><td>AA-</td><td></td><td>4.1</td><td>4.1</td></tr><tr><td>A+</td><td></td><td>9.6</td><td>9.6</td></tr><tr><td>A</td><td></td><td>8.0</td><td>8.0</td></tr><tr><td>A-</td><td></td><td>7.0</td><td>7.0</td></tr><tr><td>Unrated pooled funds</td><td></td><td>7.0</td><td>7.0</td></tr><tr><td>Total Investments</td><td>14.0</td><td>48.4</td><td>62.4</td></tr><tr><td></td><td></td><td></td><td></td></tr></table>	Table 7				Credit Rating	Long Term	Short Term	Total		£M	£M	£M	AAA	10.8	12.6	23.4	AA+	3.2	0.0	3.2	AA		0.1	0.1	AA-		4.1	4.1	A+		9.6	9.6	A		8.0	8.0	A-		7.0	7.0	Unrated pooled funds		7.0	7.0	Total Investments	14.0	48.4	62.4												
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32.	Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.																																																												
33.	Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it																																																												

	assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.
34.	Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.
35.	There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.
36.	The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests gave a rather limited insight into how large banks might fare under a particular economic scenario. When the tests were designed earlier this year, a 1.7% fall in GDP over three years must have seemed like an outside risk. Their base case of 5.4% growth now looks exceptionally optimistic and the stressed case could be closer to reality. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised. The tests support our cautious approach on these banks.
37.	Fitch upgraded Svenska Handelsbanken's long-term rating from AA- to AA reflecting the agency's view that the bank's earnings and profitability will remain strong, driven by robust income generation, good cost efficiency and low loan impairments.
38.	Our advisors produce quarterly benchmarking which shows the breakdown of our investments and how we compare to their other clients and other English Unitary Authority's, this shows that on average we have a higher credit rating and have less exposure to Bail- in which reflects our change in strategy during 2015. Details can be seen in Appendix 4.
	Liquidity Management
39.	In keeping with the DCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.
	Externally Managed Funds
40.	The Council currently has £7M in property funds which offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term. These funds are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. As at the 30 September the sell price of our total investments were valued at £7.2M a notional "gain" of £0.2M against investments, this is lower than that

	<p>previously reported as following 'Brexit' CCLA have prudently adjusted the fund value downwards by approximately 4% for the end of September price, based on their valuer's advice. This is in line with the 4 or 5% adjustments being made by other property funds at this time. Our advisers Arlingclose have issued the following statement, 'We believe this is a prudent step taken by CCLA to protect continuing investors in the fund from anyone attempting to sell at "off-market" pre-referendum prices. After all, Brexit is a significant event with wide but largely unknown implications. We advise clients to invest in this fund with a rolling five year investment horizon, with the aim of collecting steady income and to see through price volatility. Our advice therefore continues to be that clients should not sell strategic investments at this time, and we are confident that income distribution will remain significantly higher than cash over the coming years'.</p> <p>The current quoted dividend yield on the fund is currently 4.89% (equates to 5% on our original investment) and is expected to return £0.34M for the year (based on the average return of the last 12 months 4.8%)</p>
	BUDGETED INCOME AND EXPENDITURE
	<u>Investments</u>
41.	The Council does not expect any losses from non-performance in relation to its investments by any of its counterparties. The UK Bank Rate had been maintained at 0.5% since March 2009 and until August 2016, when it was cut to 0.25%. It is now forecast to fall further towards zero but not go negative, as a consequence short-term money market rates have fallen and are expected to fall further following 'Brexit'. Investments in Money Market Funds and call accounts currently generated an average rate of 0.48%. Investments in bonds have performed better returning an average of 1.42% for the year to date. The average cash balances during the period was £90.5M (range between £108.5M to £61.7M); these are expected to fall as the incidence of government grant income and council tax income is skewed towards the earlier part of the year.
42.	As reported previously the Authority continues to review investments in suitable longer term financial instruments which will generate a better return, as it is envisaged that there be sufficient cash balances over the medium term.
	<u>Expenditure</u>
43.	The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost in 2016/17 of financing the Authority's loan debt is estimated to be £14.5M. As a result of variable interest rates being lower than those estimated, no new long term borrowing being taken the last two years, deferring any new borrowing to later in the year and a fall in long term interest rates following BREXIT and subsequent reduction in base rate it is expected that the cost of borrowing will be less than the estimated cost.
	COMPLIANCE WITH PRUDENTIAL INDICATORS
44.	The Council can confirm that it has complied with its Prudential Indicators for 2016/17, approved by Full Council on 10 February 2016, item 6. Prudential Limits and Treasury Management Strategy 2016/17 to 2018/19

45.	In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of TM activity during 2016/17 to date. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Table 9 below summarises the Key Indicators and performance to date further details can be found in Appendix 4. Table 9		
	Indicator	Limit	Actual at 30 September 2016
	Authorised Limit for external debt £M	£863M	£335M
	Operational Limit for external debt £M	£700M	£335M
	Maximum external borrowing in year		£249M
	Limit of fixed interest debt %	100%	81%
	Limit of variable interest debt %	50%	19%
	Limit for Non-specified investments £M	£50M	£30M
	<u>Investment Training</u>		
46.	The needs of the Authority’s treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff have attended a number of training courses provided by our advisors (Arlingclose).		
RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
47.	The revenue and capital implications are considered as part of ongoing monitoring which is reported to Cabinet each quarter and as part of the budget setting process.		
<u>Property/Other</u>			
48.	None		
LEGAL IMPLICATIONS			
<u>Statutory power to undertake proposals in the report:</u>			
49.	Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1) (a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.		
<u>Other Legal Implications:</u>			
50.	None		

POLICY FRAMEWORK IMPLICATIONS	
51.	This report has been prepared in accordance with the CIPFA Code of Practice on TM.

KEY DECISION?	Yes/No	
WARDS/COMMUNITIES AFFECTED:		
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Economic Background and Interest Rates	
2.	Current Investments	
3.	Compliance with Prudential Indicators	
4.	Southampton Benchmarking 30 th September 2016	
5.	Glossary of Treasury Terms	
Documents In Members' Rooms		
1.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Prudential Limits and Treasury Management Strategy 2016/17 to 2018/19	

1. External Economic Performance Q1 and Q2

The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.7% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23rd June 2016. The surprise result of the referendum on EU membership prompted forecasters to rip up previous projections and dust off worst-case scenarios. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of the risks and the subsequent political turmoil prompted a sharp decline in household, business and investor sentiment.

The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Our advisors Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'.

The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23rd November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment. Tax cuts or something similar cannot be ruled out.

Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.

Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly Inflation Report from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes, concentrating instead on the negative effects of Brexit on economic activity and, ultimately, inflation.

Market reaction: Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at

the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 2.

On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

Outlook for Q3 and Q4

Our advisors, Arlingclose, expectation is that the economic outlook for the UK has immeasurably altered following the popular vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access.

The short to medium-term outlook as been more downbeat due to the uncertainty generated by the result and the forthcoming negotiations. Economic and political uncertainty will likely dampen or delay investment intentions, prompting lower activity levels and potentially a rise in unemployment. The downward trend in growth apparent on the run up to the referendum may continue through the second half of 2016, although some economic data has held up better than was initially expected, perhaps suggesting a less severe slowdown than feared.

Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. Arlingclose's central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero.

Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Global interest rate expectations have been pared back considerably. There remains a possibility that the Federal Reserve will wait until after November's presidential election, and probably hike interest rates in in December 2016 but only if economic conditions warrant.

In addition, Arlingclose believes that the Government and the Bank of England have both the tools and the willingness to use them to prevent market-wide problems leading to bank insolvencies. The cautious approach to credit advice means that the banks currently on the Authority's counterparty list have sufficient equity buffers to deal with any localised problems in the short term.

Summary of investments as at 30 September 2016

The Authority manages internal investments amounting to £55.4M, with an average rate of return of 1.45% as detailed below:

Investments	At 30 September 2016 £000	Date of Maturity	Yield %	Rating
Cash				
Barclays Bank PLC	3,000	Call	0.30	A
Santander UK Plc	5,000	180 Day Notice	0.90	A
Aberdeen MMF	7,000	MMF	0.38	A+
Blackrock MMF	62	MMF	0.32	AA-
Deutsche MMF	62	MMF	0.32	AA-
Federated Prime MMF	3,900	MMF	0.37	AA-
Goldman Sachs MMF	41	MMF	0.30	AA
Insight MMF	40	MMF	0.30	A+
Invesco MMF	60	MMF	0.36	AA-
J P Morgan MMF	21	MMF	0.33	AA-
Standard Life MMF	2,600	MMF	0.37	A+
Total Cash	21,786		0.48	
Corporate Bonds				
Places for People Capital Markets	3,863	27/12/2016	1.32	A-
National Grid Gas plc	3,154	07/06/2017	0.87	A-
Total Corporate Bonds	7,017		1.11	
Other Short Term Bonds				

Bank of Scotland PLC Covered Bond	4,176	08/11/2016	0.74	AAA
Laneskreditbank Baden-Wuert	2,018	15/12/2016	0.72	AAA
Lloyds Bank Covered Bond	2,002	16/01/2017	0.60	AAA
Abbey National Treasury plc Covered Bond	3,001	20/01/2017	0.74	AAA
Nationwide Building Society Covered Bond	1,483	17/07/2017	0.62	AAA
Total Other Bonds	12,680		0.69	
Long Term Bonds				
Leeds Building Society Covered Bond	2,001	09/02/2018	0.62	AAA
Barclays Bank Covered Bond	1,001	12/02/2018	0.53	AAA
Yorkshire Building Society Covered Bond	3,156	12/08/2018	1.94	AA+
Nationwide Building Society Covered Bond	1,601	25/04/2019	0.98	AAA
Leeds Building Society Covered Bond	3,003	01/10/2019	0.89	AAA
European Investment Bank - Bond	1,069	15/04/2025	5.27	AAA
European Investment Bank - Bond	1,054	07/06/2025	5.16	AAA
European Investment Bank - Bond	1,039	07/06/2025	5.49	AAA
Total Long Term Bonds	13,924		2.15	
Total Bonds	33,621		1.45	
Total Internal Investments	55,407		1.45	

COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2016/17 Appendix 3

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

The Council complied with all of its Prudential Indicators. Details of the performance against key indicators are shown below:

1. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels. The Authority's planned capital expenditure and financing is summarised below. Further detail is provided in the Capital update which is being submitted to council on 16th November 2016.

Table 1

Capital Expenditure and Financing	Actual 2015/16 £M	Estimate 2016/17 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M
General Fund	37.1	111.2	98.5	50.3	1.5
HRA	38.8	58.9	81.8	38.9	25.4
Total Expenditure	75.9	170.1	180.3	89.2	26.9
Capital receipts	5.2	3.4	4.4	3.5	2.8
Capital Grants	23.7	31.2	29.3	11.8	0.0
Contributions	3.6	3.8	5.8	2.1	1.4
Council Resources	7.9	11.6	14.3	10.0	5.2
Major Repairs Allowance	19.8	19.9	19.9	20.3	16.2
Total Financing	60.2	69.9	73.7	47.7	25.6
Council Resources - borrowing	15.7	100.2	106.6	41.5	1.3
Total Funding	15.7	100.2	106.6	41.5	1.3
Total Financing & Funding	75.9	170.1	180.3	89.2	26.9

2. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. If in any of these years there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with gross external debt. The CFO reports that the Authority had no difficulty meeting this requirement in year nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of

its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment. The tables below details our expected debt position and the year-on-year change to the CFR:

Table 2

	Actual 2015/16 £M	Approved 2016/17 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M
Borrowing	93.8	197.7	185.3	200.3	201.4
Finance leases and Private Finance Initiative	64.8	61.7	62.3	60.4	58.3
Transferred debt	15.3	14.9	14.9	14.6	14.2
Total General Fund Debt	173.9	274.3	262.5	275.3	273.9
HRA	155.0	168.3	196.7	197.4	191.8
Total	328.9	442.6	459.2	472.7	465.7

Table 3

Capital Financing Requirement	Actual 2015/16 £M	Approved 2016/17 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M
General Fund	274.1	280.7	280.7	332.1	360.5
HRA	153.5	155.0	155.0	197.0	197.4
Balance Brought forward	427.6	435.7	435.7	529.1	557.9
Capital expenditure financed from borrowing (inc PFI)					
General Fund (GF)	9.7	75.7	59.2	35.2	1.3
HRA	6.0	24.5	47.4	6.3	0.0
HRA Voluntary Repayment of Debt	(5.2)	(5.2)	(5.6)	(5.6)	(5.6)
GF Revenue Provision for Repayment of Debt	0.0	(4.9)	(4.7)	(4.9)	(5.1)
Movement in Other Long term Liabilities	(2.4)	(2.8)	(2.9)	(2.2)	(2.4)
Capital Financing Requirement Carried Forward	435.7	523.0	529.1	557.9	546.1

3. Maturity Structure of Fixed Rate Borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period. Maturity date is based on final payment date and not adjusted for equal instalment payments made in year.

Table 4

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 30/09/2016 £M	Average Fixed Rate as at 30/09/2016 %	% of Fixed Rate as at 30/09/2016 %	Compliance with set Limit?
Under 12 Months	0	45	9.0	3.06	4.50	Yes
Over 12 Months but within 24 Months	0	45	-			Yes
Over 24 Months but within 5 years	0	50	52.2	3.23	26.10	Yes
Over 5 years but within 10 years	0	75	-			Yes
10 years and above	0	75	138.8	3.83	69.40	Yes
			200.0	3.57	100.0	

Please note: the TM Code Guidance Notes (Page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. 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". For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.

4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the approved capital programme adjusted for actual borrowing made in year.

This indicator is not so relevant for the HRA, especially since the introduction of self financing, as financing costs have been built into their 30 year business plan, including the voluntary payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years.

Table 5

Ratio of Financing Costs to Net Revenue Stream	Actual 2015/16 %	Approved 2016/17 %	Forecast 2016/17 %	Forecast 2017/18 %	Forecast 2018/19 %
General Fund	5.80%	8.47%	6.64%	7.45%	8.24%
HRA	14.07%	14.12%	14.84%	14.56%	14.91%
Total	9.18%	11.18%	10.18%	10.60%	11.33%

5. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the authority adopted the principles of best practice.

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management Code* on 19 February 2003 and has subsequently agreed further updates.

6. HRA Limit on Indebtedness

Local authorities are required to report the level of the HRA CFR compared to the level of debt which is imposed (or subsequently amended) by the DCLG at the time of implementation of self-financing.

Table 6

HRA Summary of Borrowing	Actual 2015/16 £M	Approved 2016/17 £M	Forecast 2016/17 £M	Forecast 2017/18 £M	Forecast 2018/19 £M
Brought Forward	153.5	174.6	155.0	196.7	197.4
Maturing Debt	(5.1)	(5.2)	(5.6)	(5.6)	(5.6)
Appropriation from General Fund	0.6				
New Borrowing	6.0	24.5	47.3	6.3	
Carried Forward	155.0	193.9	196.7	197.4	191.8
HRA Debt Cap (as prescribed by CLG)	199.6	199.6	199.6	199.6	199.6
Headroom	44.6	5.7	2.9	2.2	7.8

7. Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available within a rolling three month period with the view of looking to borrow short term if cash available in instant access accounts falls below £20M.

8. Summary

As indicated in this report none of the Prudential Indicators have been breached.



Investment Benchmarking

30 September 2016

Southampton
21 English Unitaries Average
138 LAs Average

Internal Investments	£55.4m	£62.9m	£64.4m
External Funds	£7.2m	£8.9m	£7.4m
TOTAL INVESTMENTS	£62.6m	£72.2m	£71.8m

Security

Average Credit Score	3.21	4.16	4.29
Average Credit Rating	AA	AA-	AA-
Average Credit Score (time-weighted)	1.53	3.77	4.03
Average Credit Rating (time-weighted)	AA+	AA-	AA-
Number of Counterparties / Funds	24	16	16
Proportion Exposed to Bail-in	39%	67%	66%

Liquidity

Proportion Available within 7 days	27%	44%	42%
Proportion Available within 100 days	43%	67%	68%
Average Days to Maturity	324	103	54

Market Risks

Average Days to Next Rate Reset	210	106	76
External Fund Volatility	4.1%	1.8%	3.1%

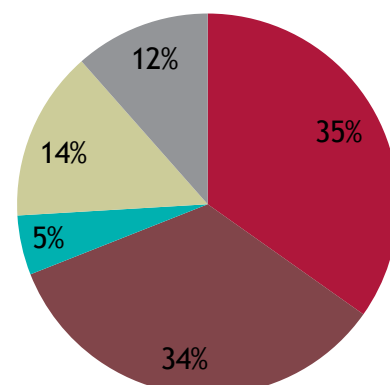
Yield

Internal Investment Return	1.02%	0.56%	0.60%
External Funds - Income Return	4.87%	3.82%	3.29%
External Funds - Capital Gains/Losses	-1.84%	-2.50%	-1.32%
External Funds - Total Return	3.03%	1.32%	1.98%
Total Investments - Income Return	1.46%	0.95%	0.88%
Total Investments - Total Return	1.25%	0.77%	0.86%

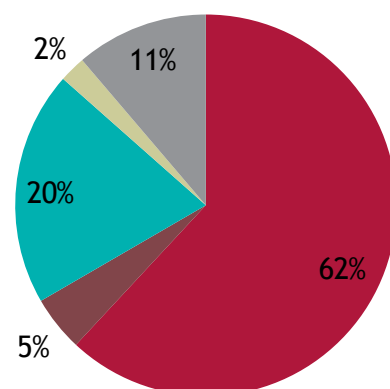
Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

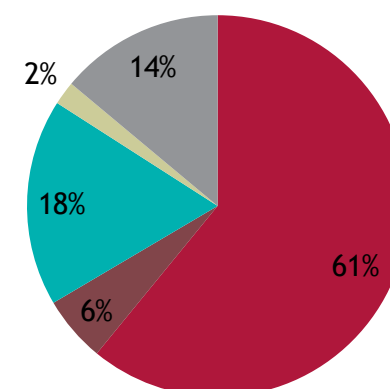
Southampton



All Arlingclose Clients



English Unitaries



- Bank Unsecured
- Bank Secured
- Government
- Corporate / RP
- External Funds

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GLOSSARY OF TREASURY TERMS

Amortised Cost Accounting:

Values the asset at its purchase price, and then subtracts the premium/adds back the discount linearly over the life of the asset. The asset will be valued at par at its maturity.

Authorised Limit (Also known as the Affordable Limit):

A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).

Balances and Reserves:

Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.

Bail - in Risk:

Following the financial crisis of 2008 when governments in various jurisdictions injected billions of dollars into banks as part of bail-out packages, it was recognised that bondholders, who largely remained untouched through this period, should share the burden in future by making them forfeit part of their investment to "bail in" a bank before taxpayers are called upon.

A bail-in takes place before a bankruptcy and under current proposals, regulators would have the power to impose losses on bondholders while leaving untouched other creditors of similar stature, such as derivatives counterparties. A corollary to this is that bondholders will require more interest if they are to risk losing money to a bail-in.

Bank Rate:

The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.

Basis Point:

A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in **interest rates** and **bond yields**. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%. In the bond market, a basis point is used to refer to the yield that a bond pays to the investor. For example, if a bond yield moves from 5.45% to 5.65%, it is said to have risen by 20 basis points. The usage of the basis point measure is primarily used in respect to yields and interest rates, but it may also be used to refer to the percentage change in the value of an asset such as a stock.

Bond:

A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The repayment date is also set at the onset but can be traded during its life, but this will affect the price of a bond which may vary during its life.

<p>Capital Expenditure:</p> <p>Expenditure on the acquisition, creation or enhancement of capital assets.</p>
<p>Capital Financing Requirement (CFR):</p> <p>The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.</p>
<p>Certainty Rate:</p> <p>The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLb) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.</p>
<p>CD's:</p> <p>Certificates of Deposits with banks and building societies</p>
<p>Capital Receipts:</p> <p>Money obtained on the sale of a capital asset.</p>
<p>Comprehensive Spending Review (CSR):</p> <p>Comprehensive Spending Review is a governmental process in the United Kingdom carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources. Spending Reviews typically focus upon one or several aspects of public spending while the CSR focuses upon each government department's spending requirements from a zero base (i.e. without reference to past plans or, initially, current expenditure).</p>
<p>Constant Net Asset Value (CNAV)</p> <p>These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which mean that that any investment will not fluctuate in value.</p>
<p>Corporate Bonds:</p> <p>Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.</p>
<p>Cost of Carry:</p> <p>The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.</p>
<p>Counterparty List:</p> <p>List of approved financial institutions with which the Council can place investments with.</p>
<p>Covered Bond:</p> <p>Covered bonds are debt securities backed by cash flows from mortgages or public sector loans. They are similar in many ways to asset-backed securities created in securitisation, but covered bond assets remain on the issuer's consolidated balance sheet (usually with an appropriate capital charge). The covered bonds continue as obligations of the issuer (often</p>

a bank); in essence, the investor has recourse against the issuer and the collateral, sometimes known as "dual recourse."

CPI :

Consumer Price Index – the UK's main measure of inflation.

Credit Rating:

Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Department for Communities and Local Government (DCLG) :

The DCLG is the UK Government department for Communities and Local Government in England. It was established in May 2006 and is the successor to the Office of the Deputy Prime Minister, established in 2001.

Debt Management Office (DMO):

The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the **DMA DF**. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.

Diversification /diversified exposure:

The spreading of investments among different types of assets or between markets in order to reduce risk.

European Investment Bank (EIB):

The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a "policy driven bank" whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion.

Federal Reserve:

The US central bank. (Often referred to as "the Fed").

Floating rate notes (FRNs) :

Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three-month Treasury bill or the three-month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.

FTSE 100 Index:

The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law. The index is maintained by the FTSE Group, a subsidiary of the London Stock Exchange Group.

General Fund:

This includes most of the day-to-day spending and income.

Gilts:

Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

Gross Domestic Product (GDP):

Gross Domestic Product measures the value of goods and services produced within a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy.

The G7:

The G7, is a group consisting of the finance ministers of seven industrialised nations: namely the US, UK, France, Germany, Italy, Canada and Japan. They are seven of the eight (China excluded) wealthiest nations on Earth, not by GDP but by global net wealth. The G7 represents more than the 66% of net global wealth (\$223 trillion), according to Credit Suisse Global Wealth Report September 2012.

IFRS:

International Financial Reporting Standards.

International Labour Organisation (ILO):

The ILO Unemployment Rate refers to the percentage of economically active people who are unemployed by ILO standard and replaced the Claimant Unemployment Rate as the international standard for unemployment measurement in the UK.. Under the ILO approach, those who are considered as unemployed are either out of work but are actively looking for a job or out of work and are waiting to start a new job in the next two weeks. ILO Unemployment Rate is measured by a monthly survey, which is called the Labour Force Survey in United Kingdom. Approximately 40,000 individuals are interviewed each month, and the unemployment figure reported is the average data for the previous three months.

LIBID:

The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks). It is "the opposite" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). Whilst the British Bankers' Association set LIBOR rates, there is no correspondent official LIBID fixing.

LIBOR:

The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO:

Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility. The upshot of this is that on the option exercise date, the lender could propose an extreme fixed rate, say 20 per cent, which would

effectively force the repayment of the underlying facility. The borrower's so called 'option' is only the inalienable right to accept or refuse a new deal such as a fixed rate of 20 per cent.

Maturity:

The date when an investment or borrowing is repaid.

Maturity Structure / Profile:

A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by quarter or month-by-month basis.

Minimum Revenue Provision (MRP):

An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Money Market Funds (MMF):

An open-end mutual fund which invests only in money markets. These funds invest in short term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. The fund's net asset value remains constant (eg £1 per unit) but the interest rate does fluctuate. These are liquid investments, and therefore, are often used by financial institutions to store money that is not currently invested. Risk is extremely low due to the high rating of the MMFs; many have achieved AAA credit status from the rating agencies:

- **Constant net asset value (CNAV)** refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at €1/£1/\$1 and calculate their price to two decimal places known as "penny rounding". Most CNAV funds distribute income to investors on a regular basis (distributing share classes), though some may choose to accumulate the income, or add it on to the NAV (accumulating share classes). The NAV of accumulating CNAV funds will vary by the income received.
- **Variable net asset value (VNAV)** refers to funds which use mark-to-market accounting to value some of their assets. The NAV of these funds will vary by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received.

This means that a fund with an unchanging NAV is, by definition, CNAV, but a fund with a NAV that varies may be accumulating CNAV or distributing or accumulating VNAV.

Multilateral Development Banks:

See Supranational Bonds below.

Municipal Bonds Agency

An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.

Non Specified Investment:

Investments which fall outside the CLG Guidance for **Specified investments** (below).

Operational Boundary:

This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised

Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts:

In the context of local authority borrowing,

- (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
- (b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

If on a £1 million loan, it is calculated that a £150,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,150,000 plus accrued interest. If on a £1 million loan, it is calculated* that a £50,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £950,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.

**The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.*

Property:

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

Prudential Code:

Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators:

Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

Public Works Loans Board (PWLB):

This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE):

In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It *“does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy”*. Source: Bank of England.

Repo Rate:

The interest rate at which the central bank in a country repurchases government securities (such as Treasury securities) from commercial banks. The central bank raises the repo rate when it wishes to reduce the money supply in the short term, while it lowers the rate when it wishes to increase the money supply and stimulate growth.

Revenue Expenditure:

Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

RPI:

Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the RPI index.

(Short) Term Deposits:

Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Specified Investments:

Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing:

Borrowing for which the costs are supported by the government or third party.

Supranational Bonds:

Instruments issued by supranational organisations created by governments through international treaties (often called **multilateral development banks**). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Treasury (T) -Bills:

Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.

Temporary Borrowing:

Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Treasury Management Code:

CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP):

Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these

activities.

Unsupported Borrowing:

Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Variable Net Asset Value (VNAV):

Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.

Yield:

The measure of the return on an investment instrument.