

CABINET

RECORD OF DECISIONS of the meeting of the Cabinet held on Thursday, 3 March 2016 at 1.00 pm at the Guildhall, Portsmouth

Present

Councillor Donna Jones (in the Chair)

Councillors Luke Stubbs
Ken Ellcome
Lee Mason
Robert New
Linda Symes
Steve Wemyss
Neill Young

8. Apologies for Absence (AI 1)

There were no apologies for absence but Councillor Wemyss' apologies were given for a late arrival from work.

9. Declarations of Interests (AI 2)

There were no declarations of members' interests.

10. Record of Previous Decision Meeting - 8 February 2016 (AI 3)

DECISION: that the record of decisions from the previous Cabinet meeting held on 8 February be approved as a correct record to be signed by the Leader.

11. Treasury Management Policy and Strategy for 2016/17 (AI 4)

Julian Pike, the Deputy Director of Finance and S151 Officer and Michael Lloyd presented the report and drew the members' attention to recommendations 3(i) b, v, k, p & q in particular regarding the change in the type of investments at a higher risk level than previously invested and regarding the changes to the provision for the repayment of debt. Recommendations 3(i) suggested extending the time limits for investments and recommendation 3(i)ac suggested limiting investments that track the equity marketed to £70m.

Cabinet members raised questions regarding the debt profile and level of anticipated return, for which approximately 8% was anticipated. The Leader welcomed the carefully considered steps that were being taken to increase income through investments which would help to mitigate any future potential cuts and would therefore commend the report's recommendations to the Council.

RECOMMENDED to Council that:

1a the Head of Financial Services and Section 151 Officer and officers nominated by him be given authority to lend surplus funds as necessary in accordance with the Treasury Management Policy;

1b the Council adopts a risk appetite statement that permits investments to be made in instruments that do not guarantee that the capital sum will not be diminished through movements in prices;

1c the Director of Finance and Information Services (Section 151 Officer) is given delegated authority to either replace maturing debt or repay it depending on the outlook for long term interest rates that exists at the time

1d the upper limits for fixed interest exposures are set as follows:

2015/16 £195m

2016/17 £358m

2017/18 £446m

2018/19 £482m

1e the upper limits for variable interest exposure are set as follows:

2015/16 (£265m) – Investments up to £265m

2016/17 (£444m) – Investments up to £444m

2017/18 (£526m) – Investments up to £526m

2018/19 (£555m) – Investments up to £555m

1f the following limits be placed on principal sums invested for periods longer than 364 days:

31/3/2016 £286m

31/3/2017 £196m

31/3/2018 £123m

31/3/2019 £90m

1g the City Council set upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

| | Upper Limit | Lower Limit |
|--|-------------|-------------|
|--|-------------|-------------|

| | | |
|------------------------------|-----|----|
| Under 12 Months | 10% | 0% |
| 12 months & within 24 months | 10% | 0% |
| 24 months & within 5 years | 10% | 0% |
| 5 years & within 10 years | 20% | 0% |
| 10 years & within 20 years | 30% | 0% |
| 20 years & within 30 years | 30% | 0% |
| 30 years & within 40 years | 30% | 0% |
| 40 years & within 50 years | 40% | 0% |

1h authority to reschedule debt during the year is delegated to the Director of Finance and Information Services (Section 151 Officer) subject to conditions being beneficial to the City Council;

1i no restriction be placed on the amount that can be borrowed in sterling from an individual lender provided it is from a reputable source and within the authorised limit for external debt approved by the City Council;

1j the principles upon which the apportionment of borrowing costs to the Housing Revenue Account (HRA) should be based are as follows:

- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;
- The loans portfolio is managed in the best interests of the whole authority;
- The costs and benefits of over and under borrowing above or below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA;

1k the Council adopts a Minimum Revenue Provision (MRP) policy based on a straight 2% for pre 1 April 2008 debt and government supported debt excluding finance leases and service concessions (including Private Finance Initiative schemes);

1l the MRP on finance leases and service concessions including Private Finance Initiative (PFI) arrangements equals the charge that goes to write down the balance sheet liability;

1m the asset life (annuity) method of calculating MRP is applied to post 1 April 2008 self-financed borrowing but excluding:

- Finance leases
- Service concessions (including Private Finance Initiative schemes)
- Borrowing to fund long term debtors (including finance leases)

- Borrowing to fund investment properties
- Borrowing to fund equity shares purchased in pursuit of policy objectives;

1n the principal element of the income receivable from long term debtors be set aside to repay debt if the asset was financed through self-financed borrowing in order that the repayment of the debt is financed from the capital receipt;

1o the principal element of the rent receivable from finance leases be set aside to repay debt if the asset was financed through self-financed borrowing in order that the repayment of the debt is financed from the capital receipt;

1p that debt resulting from self-financed borrowing to fund investment properties be provided for by setting aside the capital receipt on disposal

1q the Council sets aside the capital receipt to provide for the repayment of the self-financed borrowing in the event of it selling its shares in the Municipal Bonds Agency or Hampshire Community Bank

1r the Housing Revenue Account (HRA) provide for the repayment of the Self Financing Payment over 30 years;

1s that specified investments should only be placed with institutions that have a long term credit rating of at least A- from at least two credit rating agencies except registered social landlords for which a single credit rating will be required;

1t investments should only be placed with institutions based in either the United Kingdom or sovereign states with an AA+ credit rating;

1u the Council's investments are limited to senior debt;

1v the Director of Finance and Information Services (Section 151 Officer) be given delegated authority to invest the Council's funds in structured investment products which follow the developed stock markets but do not fully protect the Council's capital invested;

1w the bodies meeting the criteria of categories 1 to 8 in paragraph 18.17 are approved as repositories of specified investments of the City Council's surplus funds;

1x that credit ratings be reviewed weekly and that any institution whose credit rating falls below the minimum level stated in paragraph 18.17 of the Treasury Management Policy be removed from the list of specified investments;

1y that institutions that are placed on negative watch or negative outlook by the credit rating agencies be reassigned to a lower category;

1z that non-specified investments in aggregate are limited to the following:

| | |
|--|------|
| | £ |
| Building societies with a BBB credit rating and unrated building societies | 81m |
| Investments in MMD (Shipping Services) Ltd including funds lodged to guarantee the company's banking limits. MMD is a wholly owned subsidiary of the City Council. | 2m |
| Long term investments | 286m |
| Investments denominated in foreign currencies to hedge against contracts priced or indexed against foreign currencies | 5m |
| Total | 374m |

1aa the total amount that can be directly invested with any organisation at any time should be limited as follows (see paragraph 20.1):

| | Maximum Investment in Single Organisation |
|---|---|
| Category 1 | Unlimited for up to 6 years |
| Category 2 | £30m for up to 6 years |
| Category 3 | £30m for up to 10 years |
| Category 4 | £26m for up to 6 years |
| Category 5 | £20m for up to 10 years |
| Category 6 | £20m for up to 6 years |
| Category 7 | £13m for up to 6 years |
| Category 8 | £10m for up to 6 years |
| Category 9 | £10m for up to 2 years |
| Category 10 | £6m for up to 2 years |
| Category 11 | £6m for up to 364 days |
| MMD (Shipping Services) Ltd including sums lodged to guarantee the company's banking limits | £2m for up to 364 days |

1ab the Director of Finance and Information Services (Section 151 Officer) in consultation with the Leader of the Council is given delegated authority to revise the total amount that can be directly invested with any organisation at any time

1ac the following investment limits be applied to sectors:

| | |
|--------------------|------|
| Money market funds | £80m |
|--------------------|------|

| | |
|---|-------|
| Building societies | £107m |
| Registered social landlords | £80m |
| Investments tracking the equity markets | £70m |

1ad the following investment limits be applied to regions outside the United Kingdom:

| | |
|---|------|
| Asia & Australia | £60m |
| Americas | £60m |
| Eurozone | £30m |
| Continental Europe outside the Eurozone | £30m |

2 the Director of Finance and Information Services (Section 151 Officer) submits the following:

- (i) an annual report on the Treasury Management outturn to the Cabinet by 30 September of the succeeding financial year;
- (ii) A Mid-Year Review Report to the Cabinet and Council;
- (iii) the Annual Strategy Report to the Cabinet in March 2017;
- (iv) quarterly Treasury Management monitoring reports to the Governance and Audit and Standards Committee.

12. Budget & Performance Monitoring 2015/16 (3rd Quarter) to end December 2015 (AI 5)

Julian Pike, the Deputy Director of Finance and S151 Officer presented the report which was to be forwarded for noting at Council and reported that the forecasted overspend position was slightly less now for both Adult Social Care and for Children & Education, and there was therefore a reduced call on contingency. He further explained the addition £1.48m transfer to Capital Budget could only be switched back to revenue if it was not already committed. The Leader welcomed the improved position at the close of the first Conservative budget with an underspend and that that the two portfolios with social care responsibilities were coming in under their predicted spends which would help fund the schools' building programme.

RECOMMENDED to Council that:

(1) The forecast outturn position for 2015/16 be noted:

(a) An underspend of £1,727,700 before further forecast transfers from/to Specific Reserves

(b) An underspend of £1,481,000 after further forecast transfers from/to Specific Reserves.

(2) Members note:

(a) that on 9th February 2016 City Council approved that the "clawback" requirement for overspendings be waived for 2015/16 for both the Children & Education Portfolio and the Health & Social Care Portfolio given the scale of those overspendings and also that the financial risks contained therein were fully provided for within the Council's contingency provision

(b) that on 9th February 2016 City Council approved that any underspending for 2015/16 arising at year-end outside of those made by Portfolios (currently forecast at £1,481,000) be transferred to Capital Resources.

(c) that all other actual portfolio overspends at year end will in the first instance be deducted from any Portfolio Specific Reserve balance and once depleted then be deducted from the 2016/17 Cash Limit.

(3) Directors, in consultation with the appropriate Cabinet Member, consider options that seek to minimise any forecast overspend presently being reported and prepare strategies outlining how any consequent reduction to the 2016/17 Portfolio cash limit will be managed to avoid further overspending during 2016/17.

13. Childcare Early Implementer Status (AI 6)

Catherine Kickham, Early Support Commissioning Manager, presented the report on behalf of the Director of Children's Services. Portsmouth had been awarded the Childcare Early Implementer Status as part of the pilot for 30 hours free childcare, ahead of the roll-out of the scheme nationally, which gave the local authority the opportunity to take an innovative approach. The report requested the £55k grant be kept for the service for this use.

Councillor Young as the Cabinet Member for Children & Education wished to give credit to Catherine Kickham and her team for submitting this bid which would benefit working parents and those looking to return to work. The Leader added her thanks to the team on this influential work (liaising closely with the Department for Education) and agreed that it should be protected funding.

The Cabinet agreed:

(1) To note the award which will mean Portsmouth is part of the national pilot to work in partnership with its local Early Years providers to develop additional places with the flexibility that working parents need. The pilot will mean Portsmouth can develop 30 hours of free childcare for working parents in advance of the national roll out in September 2017. This childcare will meet the needs of particular communities including those in deprived neighbourhoods, children with SEND providing high quality childcare for all participating 3 and 4 year olds.

(2) The involvement in this exciting national pilot will enable the local authority to try out innovative ways of working and enable feedback from Portsmouth Early Years providers and other

findings to inform national policy. The grant to support this pilot currently stands at £55,000 but may increase and funding will be paid to the LA through a Section 31 grant. In the event that this is not ring fenced the Cabinet agreed this grant is allocated in full to the service for the implementation of this pilot.

St Edmunds RC School - Ofsted outcome

At the conclusion of the meeting the Leader wished to place on record congratulations to the school for its recent 'outstanding' Ofsted outcome, and thanked Councillor Young, the Directors of Children's Services (Di Smith and now Alison Jeffery) and Mike Stoneman as well as the Headteacher Mr Simon Graham and his staff for this good news which would also help to encourage inward investment in the city. Councillor Young as Cabinet Member for Children & Education also believed that this would encourage the raising of attainment levels and good teaching across the city.

The meeting concluded at 1.22 pm.

Councillor Donna Jones
Leader of the Council