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AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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23 March 2017

FINANCE AND SERVICES SCRUTINY COMMITTEE

A meeting of the Finance and Services Scrutiny Committee will be held at **6.30 pm** on **Tuesday 4 April 2017** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Membership: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), J Bloom, J Chilver, B Everitt, A Huxley, S Lambert, E Sims, M Smith, M Stamp and M Winn

Contact Officer for meeting arrangements: Craig Saunders; csaunders@aylesburyvaledc.gov.uk;

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 12)

To approve as a correct record the Minutes of the meeting held on 9 January 2017, copy attached as an appendix.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. LEISURE CENTRES MANAGEMENT CONTRACT (Pages 13 - 14)

To consider the attached report.

Contact Officer: Paul Marston-Weston (01296) 585116

6. TREASURY MANAGEMENT STRATEGY (Pages 15 - 38)

To consider the attached report.

Contact Officer: Tony Skeggs (01296) 585273

7. WORK PROGRAMME

To consider the future work programme. Meetings are scheduled as follows:-

10 July, 2017 – Investment Strategy, Vale Commerce Business Plan, Quarterly Finance Digest

3 October 2017 – no items as yet

30 November 2017 – no items as yet

8. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL (Pages 39 - 52)

To consider the attached report.

Contact Officer: Maryvonne Hassall (01296) 585663

9. EXCLUSION OF THE PUBLIC

The following matter is for consideration by Members "In Committee". It will therefore be necessary to

RESOLVE –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act:-

Item No. 10 – Connected Knowledge Investment Proposal

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the report contains information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

10. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL (Pages 53 - 56)

To consider the attached confidential report.

Contact Officer: Maryvonne Hassall (01296) 585663

FINANCE AND SERVICES SCRUTINY COMMITTEE

9 JANUARY 2017

PRESENT: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), J Bloom, J Chilver, B Everitt, A Harrison (In place of S Lambert), A Huxley, M Smith, M Stamp and M Winn. Councillor H Mordue attended also.

APOLOGIES: Councillors S Lambert and E Sims.

1. MINUTES

RESOLVED –

That the Minutes of the meeting held on 1 December 2016 be approved as a correct record.

2. BUDGET PLANNING 2017/18 AND BEYOND

Cabinet had considered its initial budget proposals on 13 December 2016. The report submitted to that meeting, and which was included as an appendix to the Committee report) set out the high level issues facing the Council when developing the budget proposals for 2017/18 and beyond. Due to the timing of scrutiny meetings, these proposals were being reported to this scrutiny meeting.

Following the Government's announcements in late December regarding the draft Grant Settlement 2017/18 for Councils and on other significant issues such as the future of New Homes Bonus, Cabinet had further honed its proposals and an updated set of budget proposals would be reported to the Cabinet meeting to be held on 10 January, 2017. That report together with the updated Medium Term Financial Plan was also included as an appendix to the agenda.

The Scrutiny Committee had been requested to review the budget proposals for 2017/18 and identify comments and feedback to be reported verbally to Cabinet on 10 January 2017, for its consideration in making recommendations to Council on the final budget proposals for 2017/18.

The key budget proposals that Cabinet was being asked to recommend to Council were:-

- to increase Council Tax by £5.00 for a Band D property, equivalent to a 3.59% increase from 1 April 2017. This was the maximum allowable for lower tier councils. The Government had assumed that each council would make maximum allowable increases and had reduced the amount of Grant awarded to Councils by an equivalent amount.

- to take into budget planning the £2.2m of savings, as detailed in paragraphs 4.6 – 4.8 and Appendix C of the 13 December 2016 report to Cabinet.

- to approve the budget for 2017/18 and the Medium Term Financial Plan, as set out in summary form in the table at Appendix A of the 10 January 2017 report to Cabinet.

- to approve Aylesbury Special Expenditure totalling £845,000 supported by a precept of £45.00, which again represented a Council Tax freeze for Special Expenses (as set out in Appendix F of the 10 January 2017 report to Cabinet).

- to agree the proposed fees and charges as set out in Appendix F of the 10 January 2017 report to Cabinet.

The Cabinet reports also included information on:-

Government Grant Update

The draft Grant settlement for 2017/18 had been announced on 15 December, 2016, in which the Government had largely honoured the commitments within the 4 year settlement and left the pre-announced Grant numbers mostly unchanged. Importantly, the Revenue Support Grant and Baselined Business Rates settlements were identical to those announced last year for 2017/18.

The only significant change had been to the Business Rates Tariff (the proportion of the locally collected Business Rates paid to Central Government). This figure would need to change to reflect the Business Rates revaluation, effective 1 April 2017, which would see a change (both positive and negative) to the business rates income collected by Councils. To ensure councils did not gain nor lose through this national re-basing exercise the net effect of the revaluation was captured through the system of Tariffs and Top-ups.

The Government had also taken the opportunity to baseline into the system the impact of some of its more recent national policy changes to Business Rates and these were explained. The Government's methodology had been validated but the tangible impact on rates payable locally would be difficult to accurately calculate until such time as the Council's software supplier had reflected these changes in the computer system. The final budget, therefore, continued to assume the impact of all these changes was neutral.

The Council maintained a Business Rates Equalisation Reserve to protect and cushion the budget against volatility and fluctuation in business rates income received. If the impact of the revaluation, and other factors, ultimately proved not to be neutral then the Reserve would be utilised to smooth the impact on the budget.

New Homes Bonus

Following consultation on the future of NHB, the Financial Settlement had announced that the Government would take a further £240m from the NHB overall pot, although the impact on allocations was less significant than expected. Some significant changes on the working of the scheme had been made as follows:-

- Payment of NHB had being reduced to 5 years from 2017/18, and to 4 years from 2018/19.
- There would be a new assumed annual amount of baseline growth of 0.4%, with NHB only paid on growth above this.
- NHB would be withheld on Growth approved following a Planning appeal.
- There would be penalties for areas where Planning performance failed to meet targets.

The indicative numbers for NHB included in last years 4 year settlement, compared against the revised numbers included in this year's draft Finance Settlement was set out in a table:

	2016-17 £M	2017-18 £M	2018-19 £M	2019-20 £M
2016 NHB - 4 Year Settlement	8.3	8.3	5.2	5.0
2017 NHB - Finance Settlement	8.3	7.9	6.1	5.8
Change (+ =Gain , - = Reduction)	-	-0.4	+0.9	+0.8

Actual payments would still depend upon actual housing growth in those years and so these figures were only indicative. However, it did provide sufficient certainty to validate the revenue contribution assumption included within the Medium Term Financial Plan.

The changes to NHB also presented an opportunity to review the Parish New Homes Bonus Scheme. Having now been operational for 4 bidding rounds any announcement to parishes about the continuation of this scheme have been delayed pending the outcome of the Government's review. It had therefore been proposed that Cabinet separately review this scheme in the New Year to ascertain whether it had achieved its objectives thus far, whether it needed to be re-focused, and whether the resources allocated to it were appropriate given the future reductions in national funding for NHB.

Business Rates Pooling

The membership of the pool was currently AVDC, Bucks County Council, Bucks Fire and Rescue, Chiltern District Council and South Bucks District Council.

Based upon experience gained during 2016/17 it was believed that the Council should continue as a member of the Pool during 2017/18 as the Pool was, on balance, likely to produce material gain for the Pool members. The Pool membership composition could no longer be varied for 2017/18. However, it one of the Councils chose to withdraw by mid January 2017 then the entire Pool would be dissolved.

Pension Fund

Based upon indicative numbers provided by the Pension Fund Actuary, it was believed that AVDC would be required to pay an additional 2% of employer's pension contributions following the Pension Scheme's last revaluation. This equated to £280,000. The final numbers for Aylesbury Vale had increased marginally to £320,000, but included some options which employers could exercise to reduce this figure, i.e. the actuary had provided a model which showed that the reduction in employer pension contributions could be achieved by making lumps sum contributions prior to the 31 March 2016.

It was proposed that a sum from the Council's earmarked reserves was paid towards the Pension Fund deficit prior to 31 March 2017. The resultant reduction in the Employers Pension Contribution would then be captured and used to repay the Reserves whose balances have been temporarily applied. It had been calculated that the benefit of doing this outweighed the advantage the Council could achieve by investing surplus balances in cash deposits.

Reserves that could be used was likely to depend on the acceleration timeframe for East West Rail and when the Council's commitment were likely to be required. Clarification on this was expected in the next few weeks and the final decision on application was proposed to be delegated to the Council's Section 151 officer in consultation with the Cabinet Member for Finance, Resources and Compliance.

Fees and Charges

The Council's review of fees and charges which it was felt needed to be changed had led to a single list for consideration being reported to Cabinet on 13 December 2016. The only change since then was a proposal to have an inflationary £1 per annum increase in the charge for collection of Green Waste in 2017/18. Fees and charges information was included in Appendix E of the 10 January 2017 report to Cabinet.

Council Tax

The initial budget proposals recommended increasing Council Tax by the assumed maximum expected amount of £5.00 (3.59%) for a Band D property. This was the maximum allowable for lower tier councils and would represent an increase equivalent to 10 pence per week and will increase the Band D Council Tax for Aylesbury Vale District Council to £144.06.. The Government had assumed that each council would make maximum allowable increases and had reduced the amount of Grant awarded to Councils by an equivalent amount.

Increasing Council Tax by this amount would generate £355,000 and partially mitigate the reductions in Government Grant (£0.9m would be lost in 2017/18) and thereby protect services valued by residents and businesses in the Vale.

Impact on the Budget Proposals

Members were informed that the initial budget proposal presented to Cabinet in December had considered the options for balancing the budget in the event that the final budget numbers differed from those contained in the initial proposals. The numbers announced in the draft Finance Settlement in December were (insofar as they affected revenue resources) the same as those assumed in the initial budget proposals and, as such, there was no additional impact to consider.

Cabinet had considered the developing central version of the AVE Business Plan for 2017/18 at its last meeting and this identified a Dividend distribution of £200,000 next year. This was consistent with the number already reflected within the budget proposal.

The AVE Business Plan also included a downside Business Case, as part of their scenario planning, under which AVDC did not receive a dividend payment. Whilst this was recognised, the budget plan had been developed using the Central Case assumptions and the Downside Case was instead recognised as a budgetary risk and account taken of it in determining the appropriate level of Working Balances.

Reserves

As part of the budget development process for 2017/18 the Cabinet Member for Finance, Resources and Compliance had undertaken the annual review of the Council's Reserves and Provisions. This included a holistic consideration of the total cash balances tied up within these reserves and whether the cash was being held for legitimate reasons, and it was reasonable to hold them given a fair assessment of the budgetary pressures that they were held against.

The sizeable balance on the New Homes Bonus Reserve (in excess of £10 million), included monies set aside for East West Rail, and distorted the Council's overall Reserves Provision. In practice, the entire balance on this reserve was committed, but the timeframe for delivery on elements of it were drawn out.

It was expected that the total balance held in reserves would dip significantly over the next 2 years as the pressures against which they were held materialised and the infrastructure schemes, for which the New Homes Bonus was held, were delivered.

Balances

The current minimum assessed level of general working balances held as insurance against unexpected financial events was £2.5 million. This had been arrived at based upon a risk and probability assessment of potential budgetary factors during 2017/18.

Current projections indicated that the balances might end 2016/17 above the assessed minimum level at around £3.6 million. Given the uncertainty surrounding the scale of organisational change, together with both internal and external factors impacting upon the finances of the organisation it was not recommended that the assessed minimum level of balances was reduced this year. Excess balances presented the Council with opportunities to offset the upfront costs of change initiatives, (such as redundancy), that would payback and help to deliver ongoing savings in later years, for example, relating to the Commercial AVDC change programme.

Medium Term Financial Plan (2017/18 and After)

The Cabinet report in December 2016 had set out the rationale for the core assumptions used in the Medium Term Financial Plan (MTFP). Whilst some of the uncertainty surrounding the Government Settlement and the future of NHB had diminished following the publication of the draft Settlement, there were still multiple uncertainties and risk factors which needed to be managed.

The single biggest issue was the ongoing and severe impact of the reductions in Government Grant and the continued impact of public sector austerity, particularly in regard to the demands of the communities and provision of services. It was likely that austerity would continue for another 6 years. The Medium Term Financial Plan set out here is predicated on reductions at the same rate as experienced over the last 5 years through to 2021.

Last year the Government introduced the concept of Negative Grant and it was expected that this would become a feature of local government financing over the planning period. This was consistent with the Council's historic planning assumptions for the last 6 years and the Council's strategy for continuing to deliver balanced budgets. In this respect, the Strategy around commercialism and efficiency was considered to remain the right one to deal with these future financial challenges.

Special Expenses

The Cabinet report included a recommendation that the Special Expenses budget for Aylesbury Town remain frozen at its current level for 2017/18.

The draft budget and proposals under development were attached as appendices to the 10 January Cabinet report as follows:-

- Appendix A1 – MTFP – 2016/17 to 2020/21 – Final Proposals.
- Appendix A2 – Summary of Changes.
- Appendix B – Budget Proposals 2017/18 to 2020/21 (General Fund Revenue Balances).
- Appendix C – Budget Savings identified in 2017/18 budget planning.
- Appendix D – Budget Pressures identified in 2017/18 budget planning.
- Appendix E – Fees and Charges (Amendments) schedule.
- Appendix F – Aylesbury Special Expenses – Summary Budget 2017/18.

Members referred to the Cabinet reports, updated information and appendices whilst considering this matter. They requested further information and were informed:-

(i) Appendix C (Commercial Property / Property Services – that the increased rental income savings figure related to increased rental from 66 High Street and other Council owned land, as well as savings achieved on the Waterside theatre contract with ATG.

(ii) an explanation was provided of the Council's reserves, most of which were earmarked for specific purposes. The position on reserves was also reported regularly to Members with the Quarterly Finance Digest.

(iii) that the Council's budget was prepared on a 'going concern' basis having regard to the MTFP. If an announcement was made on modernising local Government in Buckinghamshire then it would likely be necessary to re-visit the budget and future planning.

(iv) Appendix C – an explanation was provided on some of the budget savings for 2017/18 that resulted from staffing efficiencies. It was believed that the timescales for savings was realistic and achievable. Where staffing budget savings were earmarked for future years this usually coincided with people's retirement plans.

(e) on the rationale for increasing the pricing for the All Weather Pitches at Meadowcroft and grass football pitches by 10%. Wherever possible, the Council looked to recover the costs of maintaining the pitches, and had also looked to harmonise prices to those charged locally for other pitches. It was further explained that while the hiring charges for 1/3 area or 2/3 area of pitches had been rounded the fees could differ very slightly in some instances.

(f) that work undertaken had confirmed that the Special Expenses charge in Aylesbury should remain frozen at its current level.

(g) that there would likely be a benefit to the Council from the business rates pooling arrangements. It was not expected that anyone would withdraw from the pool before the 12 January deadline to do so.

(h) Business Rates – that the Council believed that a sufficient provision had been made to cover for business rates appeals that the Council might have to pay for. It was also believed that there was a sufficient balance in the business rates equalisation reserve.

It was commented that a £5 Council tax increase for a Band D property was reasonable, both as a means to mitigate the reductions in Government Grant and to help protect services valued by residents and businesses.

RESOLVED –

That the scrutiny committee was supportive of Cabinet's initial set of budget proposals for 2017/18 together with the Medium Term Financial Plan, as detailed in the reports to Cabinet on 13 December 2016 and 10 January 2017.

3. CAPITAL PROGRAMME

The Council maintained an integrated strategic capital programme which was divided into three sections.

- Major Projects – These being the largest and highest profile.
- Housing Schemes – Being the housing enabling and housing grant based schemes.
- Other Projects – Being all the other schemes included within the capital programme.

The programme was reviewed annually with the current programme being last approved and adopted at Council in November 2015.

Cabinet considered a report on the 13 December 2016 on the capital programme for the current year, as well as for the updated programme for 2017/18 onwards. The report provided an updated position with respect to forecast receipts and the position with regards to current and future major investment projects. It also incorporated changes made since November 2015 and reflected these in the overall resources projections.

Members requested further information and were informed:-

(i) that the memorandum of understanding with Silverstone regarding the Heritage Experience had still not been finalised. It was confirmed that the Heritage Centre had secured the £9.3m Heritage Lottery funding applied for, however, the advance counted as a capital expenditure for accounting purposes and had to be included within the capital programme review.

(ii) that the business case for the Silverstone Heritage Experience had not been dependant on retaining the F1 FP. These figures had also been checked by the National Lottery prior to awarding the lottery funding.

(iii) on the circumstances of the provision of a loan facility for £5.2m to an entity to enable them to secure a commercial property in Aylesbury.

(iv) more fully on the treatment of New Homes Bonus as part of the capital programme accounting process.

(v) that the cost for the scheme to develop the existing waste and recycling depot site at Pembroke Road would be £9.2m, of which £1.9m would only be required if there was sufficient evidence of the demand and take up for the expanded vehicle testing facilities. Additionally, there was a £3.6m provision for refuse vehicle replacements.

RESOLVED –

(1) That the updated capital programme for 2017/18, as set out in Appendix A of the Cabinet report, be endorsed.

(2) That Cabinet be asked to consider the points raised at (i) – (v) above in making final recommendations to Council to set a capital budget for 2017/18.

4. PUBLIC SECTOR EQUALITY DUTY

Section 149 of the Equality Act 2010, the Public Sector Equality Duty (PSED), came into force on 5 April 2011. The objective behind the duty was to ensure that consideration of equality issues formed part of the routine, day-to-day decision making and operational delivery of public authorities. In summary, it required that the District Council, in the exercise of its functions, had due regard to the need to:

- eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Equality Act.

- advance equality of opportunity between people who share a relevant protected characteristic and those who do not by:
    - Removing or minimising disadvantage that people in the protected groups suffer because its connected to that protected characteristic
    - Take steps to meet the needs of people from the protected groups where these differ to those of other people
    - Encourage participation from protected groups in public life or other activity where their participation was disproportionately low
- foster good relations between persons who share a relevant protected characteristic and those who do not by:
    - Tackling prejudice.
    - Promoting understanding.

The protected characteristics were age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity status, race, religion or belief, sex, sexual orientation.

Following the introduction of the Equalities Act 2010 (Specific Duties) Regulations 2011, the Council had published a statement in 2012 on how the Council was meeting the Public Sector Equality Duty. The regulations were designed to ensure that public bodies were transparent about their compliance with the Equality Duty. And, by publishing information about their equality performance and objectives, public bodies would be accountable to the people and communities they served.

The Committee received a report which provided an assessment (Appendix 1) of the Council's performance against the Public Sector Equality Duty and which had been updated in light of the Council's performance assessment for 2016, and also demonstrated that AVDC was complying with the general Equality Duty. This included information about the population of the District, information about Council staff and what AVDC was doing to meet the equality duty. The information would be considered by Cabinet on 10 January 2017, with a view to publishing an updated Public Sector Equality Duty statement on how AVDC was continuing to meet its statutory duty.

A full review against the requirements of the Public Sector Equality Duty to re-evaluate all of the work that was done by the Council was currently being undertaken, and a status update on this progress was included in Section 3 of the report. It was expected that the full report would be completed early in 2017.

Following consideration of the report, it was –

RESOLVED –

(1) That AVDC's Equality Report and performance for 2016 be noted.

(2) That a further report on equalities be submitted to scrutiny when the full review against the requirements of the Public Sector Equality Duty had been completed.

5. WORK PROGRAMME

The Committee considered the work programme for the period up until July 2017.

The list of updated agenda items for future meetings would be:

(i) 6 February 2017 – Quarterly Finance Digest.

(ii) 4 April 2017 – Treasury Management Strategy, Vale Commerce Business Plan

(iii) 10 July 2017 – Quarterly Finance Digest.

RESOLVED –

(1) That the meeting scheduled for 6 February 2017 be cancelled (with the Quarterly Finance Digest for April-December 2016 to be circulated separately to Members in due course when it had been finalised).

(2) That the work programme for the April and July 2017 meetings be agreed, as discussed at the meeting.

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Finance and Services Scrutiny Committee
4 April 2017

LEISURE MANAGEMENT CONTRACT - AQUA VALE SWIM AND FITNESS CENTRE

1 Purpose

1.1 The purpose of this report is to learn directly from Everyone Active, the council's leisure management contractor, what actions and measures they have implemented recently and/or plan to introduce in the future that will continue to improve the standard of cleanliness and hygiene at Aqua Vale Swim and Fitness Centre, Aylesbury.

2 Recommendations/for decision

2.1 The Scrutiny Committee is requested to make any comments and/or observations on this report and to learn directly from Everyone Active of their plans to ensure improved cleanliness and hygiene standards at Aqua Vale Swim and Fitness Centre are delivered consistently.

3 Background and Supporting Information

3.1 The leisure management contract for the management and operation of the council's two leisure centres (Aqua Vale Swim and Fitness centre, Aylesbury and Swan Pool and Leisure Centre, Buckingham) was awarded to Sport and Leisure Management Ltd, trading as Everyone Active (EA) from April 2013 for an initial period of ten years with an option to extend the contract, by mutual agreement for up to a further five years. Members will recall that EA pay the council approximately £510,000 each year to manage the council's leisure centres.

3.2 Formal contract monitoring is undertaken by the AVDC client officer by way of a monthly contract meeting with EA Contract managers and site visit together with ad-hoc contract meetings with the Regional Director of EA. In addition, any complaints received by the council are followed up with EA to ensure that they are resolved in a satisfactory manner. Furthermore, AVDC Environmental Health Officers review the water quality test results obtained by EA if there any concerns regarding the water quality.

3.3 Concerns and reports of poor standards of cleanliness do surface from time to time and are usually "nipped in the bud" by EA. However, more recently concerns appeared to be of a recurring nature. Some Elected Members also expressed some concerns at the council meeting in October 2016, and again in December 2016, that there had been negative feedback received regarding Aqua Vale and the poor quality of cleanliness experienced and reported by users. The Cabinet Member for Community, Leisure and Civic Amenities, Cllr Angela Macpherson gave elected members an undertaking to visit Aqua Vale in January and to meet with EA and also extended an invitation to all Councillors to come along and visit Aqua Vale with her in January 2017.

3.4 Councillor Macpherson met with the Regional Director of EA and local contract management in December 2016 to discuss her concerns and to seek assurances that quality standards would be greatly improved. An action plan was proposed by EA and agreed by the council to implement a series of immediate actions and improvements.

3.5 As a consequence of the poor standards experienced, monitoring of the contract has been stepped up and a significant increase in unannounced site visits now take place to ensure standards continue to improve.

3.6 Councillor Macpherson and approximately ten elected members visited Aqua Vale in January 2017 to see first hand the progress made to date and the current state of the centre. Improvements to the standards of cleanliness were clearly apparent and further changes were planned to continue to raise standards in the near future. It is important to note however, that there are no significant cleanliness or service concerns at Swan Pool and Leisure Centre, Buckingham.

3.7 Furthermore, an internal audit of contract monitoring is currently underway as part of the audit work programme to review existing arrangements and to seek any best practice recommendations that would strengthen the process and give greater confidence to elected members.

3.8 Whilst all of the above may have been done, Councillor Macpherson and Councillor Michael Rand (Chairman of this Committee) have asked EA to attend this Committee meeting to enable elected members to seek on going assurances and to learn directly of their commitment to continuous improvement to cleanliness standards and to ensure customers receive a quality experience on every visit to the centre.

3.9 Members of the Committee are asked to forward any particular questions they may have for EA to Democratic Services in advance to enable a full response to be given at the meeting.

Contact Officer	Paul Marston-Weston 01296 585116
Background Documents	Files held in Commercial Property and Regeneration

Finance and Services Scrutiny Committee
4 April 2017

TREASURY MANAGEMENT STRATEGY 2017-18

1 Purpose

1.1 To allow the scrutiny committee to comment upon the Treasury Management Strategy 2017-18 that was approved by full Council on 22 February 2017.

2 Recommendations/for decision

2.1 The scrutiny committee is asked to review the Treasury Management Strategy for 2017/18, Prudential Indicators and Minimum Revenue Provision policy statement, and highlight any issues that they wish to be reported to the Cabinet Member for Finance, Resources and Compliance.

3 2017/18 Treasury Management Strategy

3.1 The attached report was submitted, and approved, at the full Council meeting held on 22 February, 2017. The Annual Treasury Management Strategy includes the Prudential Indicators that are used as part of the self governance framework.

3.2 As the scrutiny committee meeting scheduled for January 2017 was cancelled, this report is being presented following Council approval of the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy. These Statements and Strategy are attached in the report that was submitted to full Council.

3.3 The scrutiny committee is asked to review the Treasury Management Strategy for 2017/18, Prudential Indicators and Minimum Revenue Provision policy statement, and highlight and issues that they wish to be reported to the Cabinet Member for Finance, Resources and Compliance.

4 Reasons for Recommendation and Resource Implications

4.1 These are detailed in the attached report that was submitted to full Council.

Contact Officer	Tony Skeggs 01296 585273
Background Documents	Treasury Management Action Plan 2016/17 Capita Services Treasury Management Update CIPFA Prudential Code Statutory Code of Practice for Treasury Management

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Council
22 February 2017

TREASURY MANAGEMENT STRATEGY 2017-18

Councillor Mordue
Cabinet Member for Finance, Resources and Compliance

1 Purpose

1.1 This report is being presented as the Council is required to approve the Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy. These Statements and Strategy are attached in appendix A.

2 Recommendations/for decision

2.1 To approve the Treasury Management strategy for 2017/18 as detailed in Appendix A2-4.

2.2 To approve the Prudential Indicators as detailed in Appendix A5.

2.3 To approve the Minimum Revenue Provision policy statement as detailed in Appendix A6.

3 2017/18 Treasury Management Strategy

3.1 The annual Treasury Management Strategy is attached as Appendix A and includes the Prudential Indicators that are used as part of the self governance framework. The paragraphs below highlight the Prudential Indicators that need to be determined along with some changes to the strategy.

3.2 The limits and indicators that the Authority is required to determine by the code are:

Capital and Debt Indicators

Capital Expenditure -	Represents the agreed Capital Programme and sets out the planned capital expenditure over the next three years.
Affordability Index -	This is the proportion of the Authority's income which is taken up by loan repayments and interest. The more the Authority borrows the less is available for delivering services.
Capital Financing Requirement -	The amount the Authority needs to borrow in order to deliver its Capital Expenditure plans.
Authorised Limit -	The combined maximum amount the Authority can take in borrowing to finance its capital expenditure plans and its day to day cash flow purposes
Operational Limit -	The amount the Authority realistically expects to borrow and represents the figure that the Authority would not expect to exceed on a day to day basis.

Treasury Management Indicators

Exposure to Interest Rate Risk -	The maximum proportion or borrowing which can be on either fixed or variable interest rates. By setting a maximum proportion a limit is placed on the amount

by which the Authority's finances will be affected by movements in base rates.

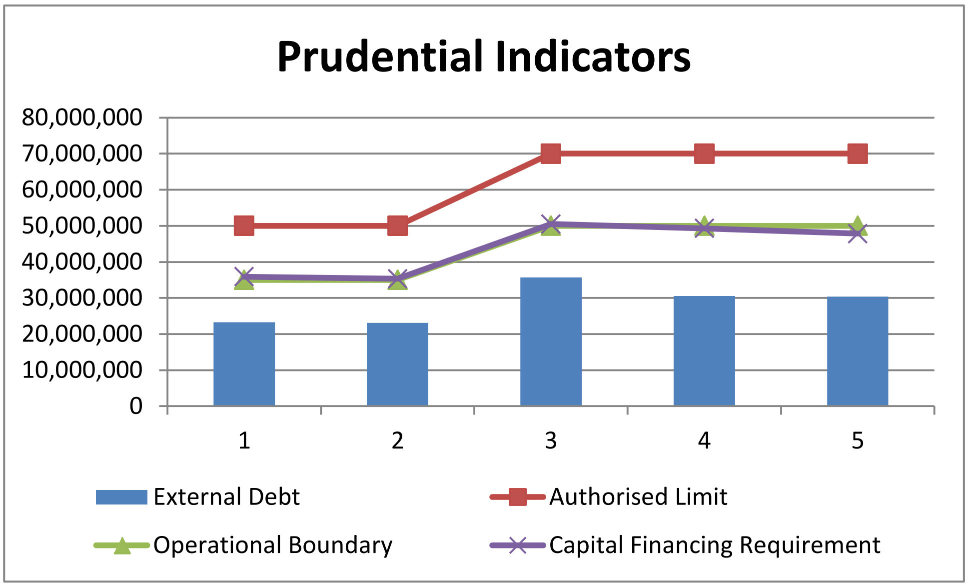
Maturity Profile - The maximum length of time over which borrowing can be taken. Authorities can borrow for any length providing that they can afford to do so.

3.3 There has been a couple of changes to the 2017/18 strategy to take account of the changes to the Capital Programme and the need to increase the number of potential counter parties.

3.4 The Capital Programme now includes the scheme to refurbish the Pembroke Road depot, the cost of which is to be met from borrowing. As a result there is a need to increase both the Operational and Authorised Limits otherwise the total borrowing will exceed the current limits. Increasing the limits also allows for any short term borrowing that may be required as a result of changes in cash flow. It is not envisaged that there will be a need to take any short term borrowing in 2016/17 and 2017/18.

3.5 The table below shows the increase in limits.

£'000s	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Authorised Limit	50,000	70,000	70,000	70,000
Operational Boundary	35,000	50,000	50,000	50,000
Capital Financing Requirement	35,321	50,500	49,277	47,827
External Debt	23,080	35,705	30,525	30,340



3.6 The strategy has been updated to allow the Council to lend to parish councils. Parish councils expenditure has grown in recent years and an increasing number make use of Money Market Funds for investing their surplus cash. So in the future there may be a need for them to borrow short term to meet their cash flow requirements. The strategy has set a £500,000 and six month limit, if the opportunity arose.

4 Interest Rate Forecast

4.1 The Council's treasury advisor, Capita Asset Services, as part of their service provide a view on the future forecast rates for Base Rate and PWLB:

	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Base Rate	0.25%	0.25%	0.25%	0.25%	0.25%
PWLB - 5yr Rate	1.60%	1.60%	1.60%	1.60%	1.70%
PWLB - 10yr Rate	2.30%	2.30%	2.30%	2.30%	2.30%
PWLB - 25yr Rate	2.90%	2.90%	2.90%	3.00%	3.00%
PWLB – 50yr Rate	2.70%	2.70%	2.70%	2.80%	2.80%

4.2 The Monetary Policy Committee, (MPC), cut the Base Rate from 0.50% to 0.25% on the 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half on 2016. It also gave a strong steer that it was likely to cut the Base Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast, also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, the Base Rate was not cut again in December and, on current trends, it now appears unlikely that there will be another cut in the near future. It isn't until 2019 that rates are expected to move again.

4.3 Interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

4.4 The overall longer trend is for PWLB rates to rise, albeit gently. PWLB rates have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur in the foreseeable future.

5 MiFID 2

5.1 The EU is introducing legislation to regulate firms who provide services to clients linked to financial instruments and the way they are traded. The "Markets in Financial Instruments Directive" (MIFID 2) is set to commence on the 3rd January 2018.

5.2 Within the directive there is a key change that affects Local Authorities. Under the new regime, Local Authorities will be deemed "Retail" clients by default as opposed to "Professional" that they are now. By classifying Local Authorities as "Retail" reduces the ability to invest funds in certain products and so could reduce, further, interest achieved through investments.

5.3 There will be an option to opt-up to “Professional” but in order to do this there will be a number of qualitative and quantitative test criteria to satisfy. The opt-up process is not a one off exercise. It will need to be undertaken with every counter party / fund manager that the council deals with. One of the tests is that councils will need to have £15m or more in their investment portfolio, which currently Aylesbury Vale would meet.

5.4 Until it is clear what investment options are available under each status, it is too early to say which of the counter parties / fund managers would require the opt-up exercise to be undertaken. Although, the majority of local authorities’ investment is through bank and building society deposits and so falls outside the scope of the directive.

5.5 Our treasury advisors, Capita Assets, the Local Government Association (LGA) and other financial institutions are responding to the consultation from the Financial Conduct Authority (FCA), arguing that Local Authorities must be able to continue to invest as they do now and that the classification should not be applied.

5.6 The consultation process is still on going. If there are any significant changes these will be reported to members at the earliest opportunity.

6 Property Funds

Last year the use of Property Funds was included within the strategy as an alternative long term deposit to the use of Fund Managers. During the year there was no proposal to invest in a property fund, if there was a report would be brought to this committee for consideration.

7 Scrutiny

Finance and Services Scrutiny Committee now receive the Treasury Management Strategy prior to Council. However, as the next Finance and Services scrutiny committee is not until the 4th April and because of the requirement to agree this Strategy before the 1st April, they will receive the strategy for review at that meeting.

8 Reasons for Recommendation

Under the terms of the Statutory Code of Practice for Treasury Management, the Council is required to receive an annual strategy statement prior to the 1st April on its Treasury Management function. This report represents the fulfilment of that requirement.

9 Resource implications

9.1 The authority operates an Interest Equalisation Reserve to smooth out fluctuations in interest rates.

9.2 As a result of the level of sums managed by the Council during 2016/17 and the continuing low interest rate, the interest generated, although low, was in line with the budget.

9.3 This means that at the end of 2016/17, the interest equalisation reserve is estimated to be £2.834 million.

9.4 The phased use of the balance on the Interest Equalisation Reserve forms part of the annual budget setting exercise. Following the last budget setting exercise, it was agreed that the current balance on the reserve was a prudent amount to hold in light of there being no expected change in interest rates in the short term.

9.5 The Medium Term Financial Plan also recognises the Council's use of capital and other balances in delivering its plans and the impact that this will have on interest earnings. The plan is, therefore, gradually reducing the Council's reliance on interest earnings over time, so as to manage the remaining balance on the interest equalisation reserve.

Contact Officer	Tony Skeggs 585273
Background Documents	Treasury Management Action Plan 2016/17 Capita Services Treasury Management Update CIPFA Prudential Code Statutory Code of Practice for Treasury Management

Treasury Management Strategy Statement

Annual Investment Strategy, Performance Indicators and Minimum Revenue Provision.

Aylesbury Vale District Council
2017/18

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, or whether any policies require revision. In addition to this report, borrowing and deposit positions are reported in the Quarterly Financial Digest.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance and Services Scrutiny Committee.

The Director of Finance will report on Treasury Management activity / performance as follows:

Report to	Frequency
Council	
Treasury Management Strategy / Annual Investment Strategy and MRP Policy	Annually before the start of the year (1st April)

Treasury Management Strategy / Annual Investment Strategy and MRP Policy	Annually mid year (September/October)
Treasury Outturn Report	Annually after the year end and by the 30 September
Finance and Services Scrutiny	
Receives each of the above reports in advance of Council (where applicable) and makes recommendations as appropriate	In advance of year/mid-year/after year end and by 30 September
Receives confirmation of Treasury transactions have complied with the Strategy	Quarterly by way of the Financail Digest.

1.3 Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Treasury management consultants

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 TREASURY MANAGEMENT POLICY STATEMENT

This Council defines its treasury management activities as:

The management of the authoritiy's investments and cash flow, its banking, money market and capital market transactions; the effective control of the risks associated with those risks; and the pursuit of optimum performance consistent with those risks.

This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The investment policy objective of this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA code and DCLG guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The generation of investment income to support the provision of local authority services is important, but secondary, objective.

The Council's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003 and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

3 TREASURY MANAGEMENT STRATEGY STATEMENT

3.1 Current Portfolio Position

The Council's treasury portfolio position as at 31 December 2016 comprise:

<u>Borrowing</u>

Fixed Rate Funding: £23.417m. Average Rate: 3.22%.

<u>Investments</u>

Fixed Rate and Notice Account Investments: £59.500m. Average Rate: 0.54%.

3.2 Prospects for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Quarter Dates	Bank Rate %	PWLB Borrowing Rates % (including certainty rate discount)		
		5 year	25 year	50 year
Mar 2017	0.25	1.60	2.90	2.70
Jun 2017	0.25	1.60	2.90	2.70
Sep 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
Jun 2018	0.50	1.70	3.00	2.80

Sep 2018	0.50	1.70	3.10	2.90
Dec 2018	0.50	1.70	3.10	2.90

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- The Eurozone continues to cause concern, as Eurozone sovereign debt difficulties have not gone away. Greece, Spain and Italy still pose major concerns as a combination of further bail outs, unstable Governments and bank under capitalisation provide uncertainty added to this some German banks are under capitalised. EU rules state that national governments are forbidden to provide state aid to bail out vulnerable banks. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties will continue for the foreseeable future.
- Investment returns are likely to remain relatively low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid August, they fell sharply to historically low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling and an increase in inflation expectations. The ploicy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.
- There will remain a cost of carry to any new long-term borrowing which causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.3 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.
Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.4 Policy on Borrowing in Advance of Need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.5 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to Council, at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be:

- Achieving first of all security first (protecting the capital sum from loss)
- And then liquidity (keeping the money readily available for expenditure when needed)
- Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with those priorities..

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agengy. Using our ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

	Good Credit Quality with a minimum agency credit rating (where rated).	Minimum Ratings
BANKS		
1.1	Are UK banks	A
1.2	Are non-UK and domiciled on a country which has a minimum sovereign long term rating of	AAA
1.3	Short Term	F1+
1.4	Long Term	AA
2.1	Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalized or they meeting the ratings in Banks 1 above.	n/a
3.1	The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised (wherever possible) in both monetary size and time.	
BUILDING SOCITIES	The Council will use all societies within the top 20 that have assets over £½ billion. See time and amount restrictions below.	n/a
MMF	The Council will use Money Market Funds.	AAA
GOV'T		
1.1	The Council will use the UK Government (including gilts and the Debt Management Agency).	AAA
1.2	Local Authorities and Parish Councils	n/a
FOREIGN		
1.1	Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:	AA
1.2	no more than 25% will be placed with any non-UK country at any time	
1.3	limits in place above will apply to a group of companies	
1.4	sector limits will be monitored regularly for appropriateness	

Use of additional information other than credit ratings.

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments.

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)	Money and / or % Limit	Time Limit
Banks 1 higher quality	AAA	£7.5m	1 year
Banks 1 medium quality	AA	£5m	1 year
Banks 1 lower quality	A	£3m	6 months
Banks 2 – part nationalised	N/A	£7.5m	1 year
Banks 3 – Council's Banker (not meeting Banks 1)	XXX	£2.5m	1 month
Building Societies < £1 billion	N/A	£1m	6 months
Building Societies > £1 billion	N/A	£3m	1 year
Money Market Funds	AAA	£7.5m	liquid
Debt Management Agency	AAA	unlimited	6 months
Local Authorities	N/A	£5m	1 year
Local Authorities Parishes	N/A	£500,000	6 months
Foreign	AA	£5m	1 year
Other institutions Limit	-	£2.5m	6 months

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. The current list of appropriate countries is:

Australia	Canada
Denmark	Germany
Netherlands	Singapore
Sweden	Switzerland

4.4 Investment strategy

In-house funds.
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations.
Bank Base Rate is forecast to remain unchanged at 0.25% for the next 24 months before starting to rise from quarter 2 of 2019. Bank Rate forecasts for financial year ends (March) are:

2016/17 - 0.25% 2017/18 - 0.25% 2018/19 - 0.50%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next three years are as follows:

2016/17 - 0.55% 2017/18 - 0.45% 2018/19 - 0.45%

For its cash flow generated balances, the Council will seek to utilise its money market funds (overnight to 100 days) in order to benefit from the compounding of interest.

Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £'000s	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Fund balances / reserves	32,120	21,120	18,500	18,500	18,500
Capital receipts	6,362	3,000	3,000	3,000	3,000
Provisions	1,931	1,931	1,931	1,931	1,931
Other	1,950	1,950	0	0	0
Total core funds	**42,363**	**30,849**	**23,431**	**23,431**	**23,431**
Working capital	-3,975	-3,500	-3,500	-3,500	-3,500
Under/ -over borrowing	12,635	18,570	17,164	15,628	14,092
Expected investments	**8,660**	**15,070**	**13,664**	**12,128**	**10,592**

4.5 Investment Liquidity

In consultation with the external treasury advisors, the Council will review its balance sheet position, level of resrves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External Fund Managers

The Council now has no funds externally managed.

4.8 Property Fund Managers

As an alternative to cash based investments, property offers a long term investment opportunity. Investment is made within a diversified property fund, which over the long term delivers a good return when compared to traditional cash based funds.

5 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2019/20

5.1 Indicators for Affordability

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	-6.82%	-6.16%	-6.20%	-6.24%

The table above shows the impact of borrowing costs and reduced investment interest from 2016/17 onwards against the budget requirement. A negative figure means that there is a net investment position when compared to the budget requirement. This will become positive when borrowing costs exceed investment interest received.

Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the capital programme compared to the Council's existing approved commitments and current plans. When the capital programme is reviewed, there will incremental impact on the Band D Council Tax of the capital investment decisions.

This indicator shows the increase to its Council tax as a direct result of its capital investment decisions. As the revenue impact is considered as part of the annual budget process any impact is considered alongside other pressures and savings.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax - band D	£2.39	£7.20	£7.13	£7.13

5.2 Indicators for Prudence

The Council's Borrowing Need and Capital Financing Requirement

This prudential indicator is the Council's Capital Financing Requirement (CFR). 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. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000s	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Debt					
Debt at 1 April	28,418	23,250	23,080	35,705	30,525
Expected change in Debt	-5,168	-170	12,625	-5,180	-185
Actual gross debt at 31 March	**23,250**	**23,080**	**35,705**	**30,525**	**30,340**
The Capital Financing Requirement	**35,883**	**35,321**	**50,499**	**49,277**	**47,827**
Under / (over) borrowing	**12,633**	**12,241**	**14,794**	**18,752**	**17,487**

5.3 Indicators for Capital Expenditure

Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

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

Capital expenditure £'000s	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Leisure	2,412	150	390	140	140
Economic Development	6,071	5,000	9,400	0	0
Opportunity Purchase	0	300	0	0	0
Car Parking	0	0	600	200	0
Refuse Vehicles	0	285	3,600	0	0
Depot Replacement	12	0	9,200	0	0
Total General Fund	**8,495**	**5,735**	**23,190**	**340**	**140**
Disabled Facility Grants	637	306	100	100	100
Enabling Programme	385	1,069	1,500	1,500	1,500
TOTAL	**9,517**	**7,110**	**24,790**	**1,940**	**1,740**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure £'000s	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total	9,517	7,110	24,790	1,940	1,740
Financed by:					
Capital receipts	5,841	6,069	2,100	1,500	1,500
Capital grants	417	306	100	100	100
Capital reserves	3,039	735	740	340	140
Revenue	220	0	6,550	0	0
Net financing need for the year	**0**	**0**	**15,300**	**0**	**0**

5.4 Indicators for External Debt

Operational Boundary

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

Operational boundary £'000s	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Debt	35,000	50,000	50,000	50,000

Authorised Limit

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

Authorised limit £'000s	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	50,000	70,000	70,000	70,000

Upper and Lower Limits for Maturity Structure

It is recommended for any borrowing that the Authority takes that it sets an upper and lower limit for the maturity structure. The Authority is no longer debt free with loans ranging from 5 to 36 years taken to fund the capital programme. A current maturity limit of less than 1 year is the lower limit and the upper limit will be extended to no more than 40 years. The maturity structure within this range will vary according to the income streams generated by investment decisions but will be determined to maintain a positive cash flow.

Maturity Structure	Lower Limit	Upper Limit
	1 year	40 years

5.5 Indicators for Treasury Management

Adoption of CIPFA's Treasury Management in the Public Services: Code of Practice.

The aim is to ensure that treasury management is led by a clear and intergrated forward treasury management strategy, and a recognition of the pre-existing structure of the Council's borrowing and investment portfolios.

Upper Limit on Fixed Interest Rate Exposure

This indictor shows the Council's upper limit of the net exposure to fixed interest rates. Currently all borrowing is at a fixed rate if interest.

Indicator	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Upper limit on fixed interest rate exposure	100%	100%	100%	100%	100%

Upper Limit on Variable Interest Rate Exposure

This indictor shows the Council's upper limit of the net exposure to variable interest rates.

Indicator	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Upper limit on variable interest rate exposure	20%	20%	20%	20%	20%

Maturity Structure of Fixed Rate Borrowing

This shows the repayment profile of fixed rat borrowing. All loans are repayable on maturity.

Indicator	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Under 12 months	18%	0%	0%	0%	0%
12 months & within 24 months	0%	0%	0%	0%	0%
24 months & within 5 years	18%	21%	21%	0%	0%
5 years & within 10 years	0%	0%	0%	0%	27%
10 years & within 20 years	18%	21%	21%	27%	0%
20 years & within 30 years	0%	0%	0%	0%	0%
30 years & within 40 years	46%	58%	58%	73%	73%

Total Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is for the Council to contain its exposure to the possibilty of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested. The Council may seek to invest for periods longer than 364 days with other Local Authorities. This will be kept under review in light of economic conditions and advice from the treasury management advisors.

Indicator	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total principal sums invested for periods longer than 364 days (£'000)	0	0	5,000	5,000	5,000

Credit Risk

The duration of any investment with a counterparty will be restricted by an assessment based on credit ratings provided by the major agencies, as well as advice from our treasury management advisors.

6 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP).

Regulation 28 of the 2003 Regulations (as amended by regulation 4 of the 2008 Regulations) requires a local authority to calculate for the current financial year an amount of MRP, which it considers to be prudent. The Secretary of State recommends that, for purposes of regulation 4 the prudent amount of provision should be determined in accordance with one of four options, one of which was agreed by members in 2013/14 and is outlined below. Regulations have, also, been issued which require the full Council to approve an **MRP Statement** in advance of each year.

The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over the capital expenditure provides benefits (asset life).

Asset Life Method

Since 1 April 2014, where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset, based on an equal instalment method. This amount is expected to be £1,7m for 2017/18.

Where assets have been purchased utilising capital grants or revenue contributions no MRP calculation is required. Only assets purchased utilising borrowing require an MRP charge.

The asset life method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined by the Director of Finance, with regard to the statutory guidance and advice from professional valuers.

Finance and Services Scrutiny Committee
4 April 2017

CONNECTED KNOWLEDGE INVESTMENT PROPOSAL

1 Purpose

1.1 The purpose of this document is to present the investment proposal for the delivery of Connected Knowledge (CK) strategy in a phased approach with the first phase starting in May 2017. The full Connected Knowledge Technology Strategy 2017-20022 was agreed at the 22 February 2017 Council meeting.

1.2 It is proposed that the strategy is implemented in a phased manner which will give the opportunity for the inevitable learning from the early phases to be presented back to Members in approximately 9 months time when proposals will be brought forward for the investment.

1.3 This document sets out the information to both support a decision to approve the funding for the first phase based on presentation of both the costs and expected benefits to be achieved by the first phase and to additionally provide an indication of the indicative costs of further phases to implement the full strategy including both a summary of the anticipated costs and benefits.

2 Recommendations/for decision

2.1 That the investment specified in Section 1.0 of Appendix B (confidential appendix) be approved and funded so that work can continue on delivering a leading edge, forward thinking platform to enable AVDC to develop customer first processes, a streamlined internal operation and a framework for increased opportunities for external commercial sales.

2.2 That the indicative costs and benefits of implementing the full 5 year strategy outlined in Section 2.0 of Appendix B be noted, it being appreciated that at this stage both costs and benefits are expected to change as work continues on developing plans for future years.

3 Executive summary

3.1 The delivery of the Connected Knowledge strategy will enable AVDC to continue at the vanguard of innovative thinking, delivering excellent Customer Service, making savings in delivering services and opportunity to generate income by both supporting general commercial opportunities and also by providing consultancy services to other Councils keen to emulate the approach being taken by AVDC.

3.2 The strategy will be delivered over a 5 year period, with benefits being achieved in a phased manner. This paper covers phase 1 of the delivery to the end of 2017. Inevitably there will be valuable learning from the first phase which will be factored in to the proposals for future phases. A further update will be provided to Scrutiny Cabinet and Council in December 2017 at which time proposals for implementation, funding and expected benefits for future phases will be presented.

3.3 AVDC has a good track record of delivering large scale, strategic projects of this type. Building the theatre, moving to the Gateway, moving IT to the Cloud and the Right Here Right Now programme to provide an advanced digital platform for Council Services are all examples of leading edge, high profile, transformation programmes that have been successfully delivered. The focus on the customer and staff experience, the leaning of processes, the security of the data, and the exploration of new technologies are all part of the forward thinking approach to change the council model and become more commercial.

3.4 Phase 1 will require investment across three key areas:

- the introduction of process automation and customer self service
- the removal of legacy technology and introduction of more flexible systems that will further support integration of data to enable customer needs to be anticipated
- the introduction of innovative new solutions such as voice recognition enabling

3.5 Experience in prior major change programmes is that strong governance processes are required both to ensure that the programme delivers on time and to budget and that any variations to scope (and cost) are closely scrutinised and appropriately approved and, more importantly, to ensure that the predicted benefits of investment are achieved and banked.

3.6 The release of the funds during the programme (and the benefits realisation) will be closely monitored by the governance board to ensure ongoing value for money. With any major change programme of this type there will be inevitable changes as circumstances change, lessons are learned and customer needs evolve.

3.7 Phase 1 covers the foundational projects required to deliver future strategic and visionary elements.

4 Supporting information

Details of the full Connected Knowledge Strategy can be found on the AVDC website at https://www.aylesburyvaledc.gov.uk/technology-strategy

5 Resource implications

5.1 A programme of this size, scale and complexity requires dedicated people to ensure focus on delivery is maintained throughout the lifecycle and ensuring successful programme delivery.

- Programme Manager (1) – To manage, and control, the overall programme and the outcome it delivers.
- Project Managers (5)– To deliver individual projects, outputs, within the programme. It is envisaged that one of these will be a senior project manager.
- Business Analysts (5) – To complete detailed analysis into current process(es), costs, technology solutions and resources. To assist in project delivery.

5.2 AVDC staff (if/where available) will be used to fill programme roles and will be supplemented by external resource where a) there is insufficient internal resource, b) there is a requirement for a specific skillset which is not available internally within AVDC.

5.3 Additional [non dedicated] resource will also be required from other internal teams such as Communications and Marketing, Sales, Finance, Legal. Member involvement will be essential to assist with the direction and benefits realisation of the programme (see Programme Governance).

Contact Officer	Maryvonne Hassall (01296) 585663
Background Documents	https://www.aylesburyvaledc.gov.uk/technology-strategy

Connected Knowledge

Technology Strategy 2017-2022 Delivery

Phase 1 Investment Proposal

Appendix A

Version: 2. Final for Submission

Date: 20th March 2017

Authors: Damian Naughton

Maryvonne Hassall

Alan Evans

1.0 Purpose

The purpose of this document is to present the investment proposal for the delivery of Connected Knowledge (CK) strategy in a phased approach with the first phase starting in May 2017. The full Connected Knowledge Technology Strategy 2017-20022 was agreed at the Feb 2017 Council meeting. It is proposed that the strategy is implemented in a phased manner which will give the opportunity for the inevitable learning from the early phases to be presented back to Members in approximately 9 months time when proposals will be brought forward for the investment

This document sets out the information to both support a decision to approve the funding for the first phase based on presentation of both the costs and expected benefits to be achieved by the first phase and to additionally provide an indication of the indicative costs of further phases to implement the full strategy including both a summary of the anticipated costs and benefits.

2.0 Recommendations

1. That the investment specified in Section 1.0 of Appendix B be approved and funded so that work can continue on delivering a leading edge, forward thinking platform to enable AVDC to develop customer first processes, a streamlined internal operation and a framework for increased opportunities for external commercial sales.
2. That the indicative costs and benefits of implementing the full 5 year strategy outlined in Section 2.0 of Appendix B be noted, it being appreciated that at this stage both costs and benefits are expected to change as work continues on developing plans for future years.

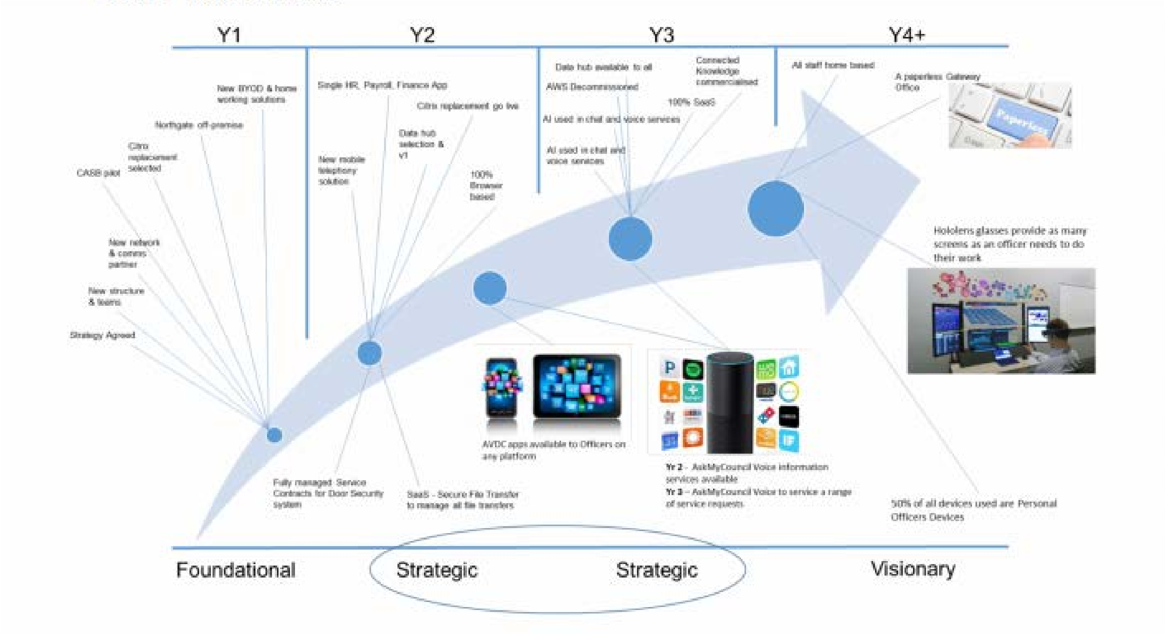
3.0 Executive Summary

The delivery of the Connected Knowledge strategy will enable AVDC to continue at the vanguard of innovative thinking, delivering excellent Customer Service, making savings in delivering services and opportunity to generate income by both supporting general commercial opportunities and also by providing consultancy services to other Councils keen to emulate the approach being taken by AVDC.

The strategy will be delivered over a 5 year period, with benefits being achieved in a phased manner. This paper covers phase 1 of the delivery to the end of 2017. Inevitably there will be valuable learning from the first phase which will be factored in to the proposals for future phases. A further update will be provided to Scrutiny Cabinet and Council in December 2017 at which time proposals for implementation, funding and expected benefits for future phases will be presented.

Phase 1 covers the foundational projects required to deliver future strategic and visionary elements (Figure 15 taken from the Connected Knowledge Strategy).

Figure 15 - High Level Roadmap



AVDC has a good track record of delivering large scale, strategic projects of this type. Building the theatre, moving to the Gateway, moving IT to the Cloud and the Right Here Right Now programme to provide an advanced digital platform for Council Services are all examples of leading edge, high profile, transformation programmes that have been successfully delivered. The focus on the customer and staff experience, the leaning of processes, the security of the data, and the exploration of new technologies are all part of the forward thinking approach to change the council model and become more commercial.

Phase 1 will require investment across three key areas

- the introduction of process automation and customer self service
- the removal of legacy technology and introduction of more flexible systems that will further support integration of data to enable customer needs to be anticipated.
- the introduction of innovative new solutions such as voice recognition enabling

Experience in prior major change programmes is that strong governance processes are required both to ensure that the programme delivers on time and to budget and that any variations to scope (and cost) are closely scrutinised and appropriately approved and, more importantly, to ensure that the predicted benefits of investment are achieved and banked.

The release of the funds during the programme (and the benefits realisation) will be closely monitored by the governance board to ensure ongoing value for money. With any major change programme of this type there will be inevitable changes as circumstances change, lessons are learned and customer needs evolve.

4.0 Background

AVDC have made great strides in the move to Cloud IT as the previous 5 year strategy was implemented. This has been recognised in the local government world with many other councils looking to emulate the changes made by AVDC and the winning of a number of awards.

The advances we made with our previous five year 'cloud' strategy (storing and accessing data and programmes over the internet rather than on local hard drives and servers) have created a strong foundation for the next five years, enabling us to think bigger and more creatively about the challenges and opportunities and how we are best positioned to benefit from them.

Previous projects have delivered numerous Service Delivery improvements. Some of these are highlighted below:

- New Aylesbury Vale District Council website
- Customer Self Service 'My Account' functionality
    - Look up council tax and benefits in real time
    - Ability to set up direct debit payments
    - Automated Garden Waste sign-up
    - Waste management system including missed, new and replacement bins
    - Booking service
    - Taxi self service booking system for MOT's and Disclosure & Barring Service (DBS) checks
    - Over 30,000 residents signed up for the My Account online services
    - New channel for contact to the Council with the web chat service.
- Single system (based on world leading Salesforce service) for customer contact
- Knowledge management system
- New 'Connect' intranet
- Move from face to face contact using technologies such as the smart telephone system, web access and webchat at times that are convenient for our customers.
- The above benefits have been major contributors to enabling the Council to restructure its operations allowing savings of £5m per annum to be achieved.

Following the formal approval of the Connected Knowledge Technology Strategy 2017 –2022 at the Feb 2017 council meeting, it was agreed that an investment proposal should be presented to Members for approval for the implementation of the strategy.

5.0 Connected Knowledge (CK) Programme

The programme consists of a number of projects which build on previous deliveries to enable AVDCs future vision of improved access to services, and increased levels of customer self service, through the use of better technology.

The programme will build on previous (2014-2016) service delivery improvements of the Right Here Right Now programme, further enhancing customer experience and delivering solutions which underpin a flexible, modern working environment.

The programme will streamline IT within the council, resulting in a reduction in the number of applications and associated licencing & support costs.

It will also deliver the technology service which delivers significant savings and is required to support the councils future commercial ambitions.

It will enable AVDC to move away from reliance on proprietary IT services such as Microsoft's Windows system and to a service which enables staff and Customers to access services using any device using a web browser.

Excerpt from the Connected Knowledge Strategy

"In year 1 of this strategy we will have; moved more key systems to cloud based software-as-a-service (SaaS – where software is licensed on a subscription basis and held for us by an external partner), published new policies and guidance on the use of ICT at the council, selected partners for the running of the network and telephony, established strong governance for the execution of this strategy and roadmap, and implemented a Cloud Access Security Broker (CASB – a software tool or service that sits between our customer devices such as PCs, tablets and phones, and the cloud provider's infrastructure allowing us to extend the reach of our security policies beyond our own infrastructure)."

Projects / initiatives include:

Flexible working - providing better solutions to enable more staff to work in the field, at alternative locations, or at home more effectively. This will include changing policies, providing alternative IT equipment, new applications. This will also free up additional floor space within the Gateway.

Policy refresh – updating policies to reflect changed ways of working and bring your own device

Governance - ensuring new IT solutions are in line with strategic direction

Council in a Box / RHRN (CiB) – working in partnership with our supplier we will develop a complete service offering IT systems, based on those delivered for our “Right Here Right Now” online automated digital platform, running in “The Cloud” and all the change and ongoing processes and procedures required to implement the automated setup being developed at AVDC. This is so that other Councils can purchase a complete “Council in a Box” service to be implemented with support from AVDC. Phase one of this delivery will create a complete set of Digital services for AVDCs business, putting in place the foundations required to deliver a CiB solution. This phase will focus on applications that will enable the move from the Uniform system to a Salesforce set of integrated applications.
It will create an effective and invaluable demonstrator of the benefits (at all levels) for the CiB proposition, making it much easier for AVDC to achieve sustainable sales and income.

Cloud Applications – Refresh or retirement of software applications used within AVDC, with applications moving to Cloud based solutions which require no residual software to be installed on either computer servers (whether in the Cloud or on AVDC premises) or PCs or other devices, minimising the level of IT support required.

Telephony – delivery of an updated cloud based telephony system which will enable a move away from traditional desk phones to smartphones with whilst reducing maintenance overheads and supporting Bring Your Own Device (BYOD) ambitions.

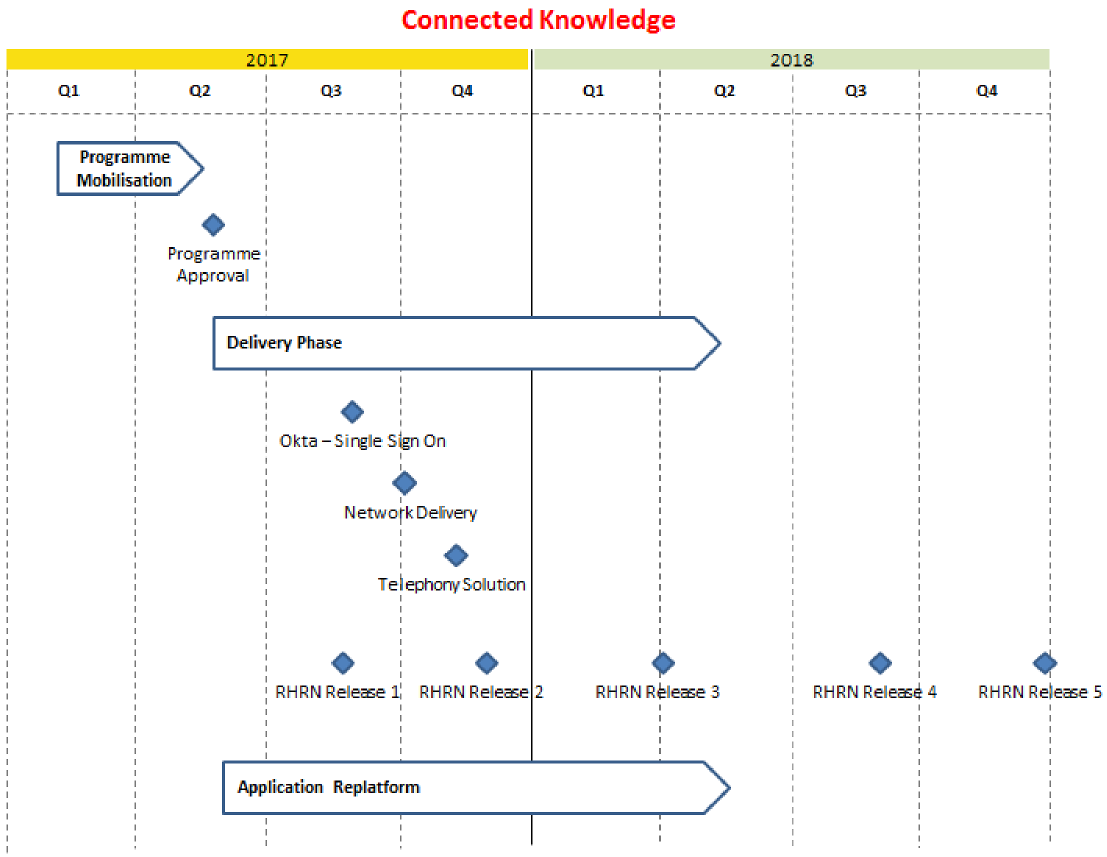
IT Data and Voice Network – delivery of new, flexible data networks based on wireless communication from any device to the Internet. This includes both the network connecting AVDC sites (the “Wide Area Network” or WAN) and a robust Wi-Fi setup which will support voice calling and all mobile devices. The solution provides the ability to increase/decrease network bandwidth (speed) in line with requirements, ensuring a cost effective solution which can be flexed to meet changing demands.

Single ‘sign on’ / Staff Application portal – functionality which will enable AVDC employees to securely sign on to a single portal to access their applications, from any device removing the need to log into each application or system separately. This will also eliminate the need for our staff to use the Microsoft Windows Operating system and thereby significantly reduce software licencing costs.

6.0 Timescales

It is envisaged that the overall strategy will be delivered within a 5 year window, with the bulk of activity being completed within the first 2 years. Inevitably circumstances will change during that period and it is expected that the strategy implementation programme will change. Timescales are dependent on having correct resourcing in place from the outset to ensure progress to plan. In line with best practise, regular reviews will be conducted during the programme lifecycle and will include focus on costs, timescales, resources and benefits. This evolution as we move through the programme of implementation is why we plan to implement a rigorous governance system which will involve Officers, Members, Suppliers and external review.

Key Milestones [indicative timescales]



March / April 2017 – Programme Mobilisation

May 2017 – Programme Commences

December 2017 – Return for further investment

7.0 People Required to implement the Strategy

A programme of this size, scale and complexity requires dedicated people to ensure focus on delivery is maintained throughout the lifecycle and ensuring successful programme delivery.

Programme Manager (1) – To manage, and control, the overall programme and the outcome it delivers.

Project Managers (5)– To deliver individual projects, outputs, within the programme. It is envisaged that one of these will be a senior project manager.

Business Analysts (5) – To complete detailed analysis into current process(es), costs, technology solutions and resources. To assist in project delivery.

AVDC staff (if/where available) will be used to fill programme roles and will be supplemented by external resource where a) there is insufficient internal resource, b) there is a requirement for a specific skillset which is not available internally within AVDC.

Additional [non dedicated] resource will also be required from other internal teams such as Communications and Marketing, Sales, Finance, Legal.

Member involvement will be essential to assist with the direction and benefits realisation of the programme (see Programme Governance).

Further resourcing details can be found in Appendix B section 3.0.

8.0 Programme Governance

A programme board will be set up to oversee the programme. The programme board will report into the AVDC commercial board and will be supported by the central AVDC Project Management Office

The key external partner will also want to ensure that appropriate governance is in place and state : *'Success of this project will not be determined by technology alone. Multiple decisions will need to be made during the projects, which will have significant impact on the program. There needs to be strong, multi-level and robust governance architecture, covering every stage, from individual sprints, to application deployments, architecture and strategy of the programme. This programme will be of strategic importance to both organisations and will have senior attention and governance'*.

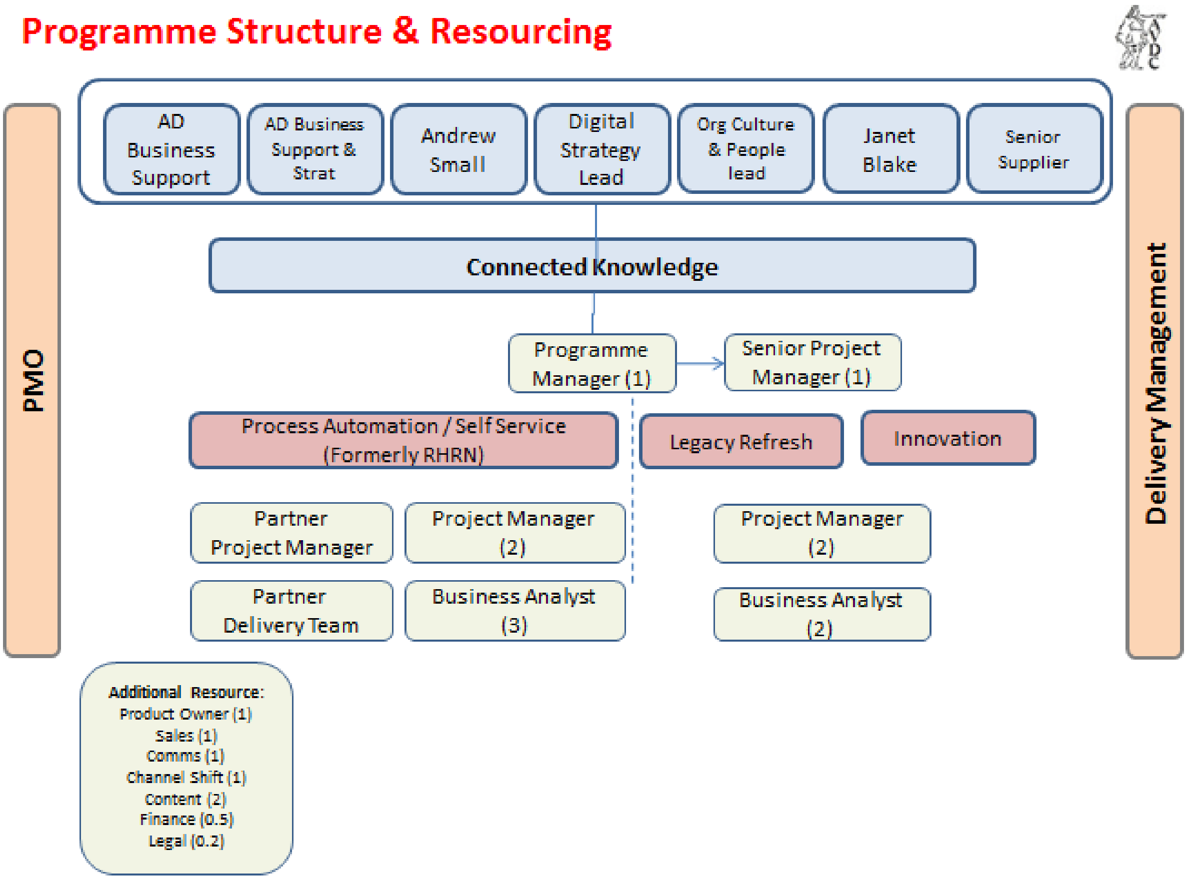
The programme board will meet regularly and ad hoc as required, and will be comprised of senior members and Officers from both AVDC and our senior delivery partner.

The board will have overall responsibility for the success of the Programme to deliver the strategy and ensure that the promised benefits of the programme are fed back into the wider Council. Fundamentally the Programme Board will ensure that the right things are done in the right way at the right time and that risks to the programme are being appropriately managed at all times. Specifically the board will:

- ensure that a comprehensive risk register is established and maintained and that risks are managed appropriately at all stages of the programme.
- agree and approve the overall programme delivery plan.
- ensure that controls and processes are in place to ensure that promised benefits from the programme are
- review progress reports from all ongoing projects
- approve projects for inclusion into the pipeline

- agree gain share credits with the supplier for each projects, and the mechanisms for their applications
- receive reports on sales activities and sales pipeline
- resolve all issues arising or escalated to the board
- approve annual gain share amounts, following reports / audits as appropriate commitment.

The role of the board, and individuals on the board, will be further defined as part of the Programme mobilisation.



9.0 Costs, Benefits and Funding

See also Appendix B section 1.0.

The majority of the investment is required to be spent in 2017, with the bulk of [cashable] benefits being delivered from year 3 onwards.

Benefits will be realised, primarily, via the following:

- [Reduction in headcount*] due to the automation of processes
- Reduction of operational IT costs: licences, system retirement, desk phones, , amazon web services, general maintenance
- Reduced office footprint for AVDC staff as a result of modern, flexible working which enables rental of office space to third parties to generate income
- Commercial income: Commission from suppliers selling services based on AVDC expertise Conferences, Consultancy provided by AVDC to other organisations.

*Severance costs are not included in business case. Accurate costs are difficult to predict at this stage of the programme. Using an estimate severance cost of £25k per position, and assuming no redeployment, the in year liability would be c£600k

It is worth nothing that there are a number of [non-cashable] benefits which will also delivered by the programme, these include:

- An agile modern network with increased reliability.
- With flexible working enabled across AVDC, a productivity gain across the workforce could be experienced. East Riding council experienced a 20% uplift in productivity as a result of introducing flexible working.
- Improved disaster recovery capability. A flexible workforce ensures service levels can be maintained in the event of a disaster scenario where employees cannot use, or attend, Aylesbury Vale offices. Scenarios include fire, weather incidents, bird flu pandemic, fuel strike, terrorism
- Environmental benefits, reduction in CO2 emissions due to less employee commuting,
- Delivery of this programme will maintain AVDCs position as an innovative leader within local government
- Provides a canvas from which to market commercial propositions to other local authorities/councils to generate sustainable sales and income

10.0 Programme Risks

Risk	Mitigation
1.0 Programme may not deliver the benefits detailed within the approved business case	Robust governance will be in place to monitor benefits, with reviews taking place at regular intervals throughout the programme lifecycle. Responsibility for benefit management, post programme completion, will be handed over to a named individual.
2.0 Programme Costs my increase	Robust governance will be in place to monitor budgets and spend, with reviews taking place at

	regular intervals throughout the programme lifecycle. A named individual from finance will work alongside the programme manager to ensure programme spend remains within tolerance, and to ensure any variation to forecast is noticed, and addressed, at the earliest opportunity.
3.0 Programme may not deliver to timescales	AVDC has a history of successful programme and project delivery, with large deliveries being broken up into smaller delivery components to reduce complexity and aid rapid delivery. Delivery of these components is spread across the duration of the programme and, when combined with robust governance, ensures delivery is achieved within agreed timescales
4.0 External suppliers may not deliver	AVDC will select suppliers that have a proven track record and will carefully govern delivery. Output based deliverables will be used at milestones.
5.0 External factors may impact programme	There are many external factors that will impact this programme such as the Unitary decision. These factors will be monitored as they develop and the impact evaluated at each decision point.
6.0 Internal resources not allocated to or are lost from the project	This programme is strategically significant for AVDC to enable delivery of the commercial future. The programme will ask through the corporate programme office for the right internal skills and try to ensure upskilling of internal staff takes priority over external staff.

11.0 Connected Knowledge Phase 2

Subsequent phases will build on the foundational projects from phase 1 to allow development of more sophisticated strategic solutions. A data hub will be created that can then be farmed and mined to provide customer insight and analytics. Staffing will be reallocated to provide resources to manage and utilise this data. Predictive and personalised analytics will provide improved service and commercial conversions.

Work will continue to remove legacy technology and the remaining applications will be moved to SaaS. Citrix desktops will be removed, browser only devices introduced, and AWS will be closed down. Secure integration services will be fully migrated to the cloud.

The transformational processes will be packaged into Council in a Box and commercialised.

Greater use of Artificial intelligence and smart cities projects will be launched.

During the first phase of the Connected Knowledge strategy proposed in this report further work will be carried out to refine those estimates and the plans for its implementation based on the learning and experience during the first phase.

A further report will be brought in December 2017 to both report on the progress and learning from Phase 1 and to seek approval for the expenditure and implementation programme for subsequent phases.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 10

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