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OXFORDSHIRE COUNTY COUNCIL

County Council

13 December 2016

Agenda

County Hall, New Road, Oxford, OX1 1ND

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Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?
The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned….."*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:
Employment (includes *"any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

OXFORDSHIRE COUNTY COUNCIL

To: Members of the County Council

Notice of a Meeting of the County Council

Tuesday, 13 December 2016 at 10.00 am

Council Chamber - County Hall, New Road, Oxford OX1 1ND

P G Clark

P.G. Clark
County Director

December 2016

Contact Officer: ***Deborah Miller***
Tel: 07920 084239; E-Mail:deborah.miller@oxfordshire.gov.uk

In order to comply with the Data Protection Act 1998, notice is given that Items 3, 7 and 12 will be recorded. The purpose of recording proceedings is to provide an *aide-memoire* to assist the clerk of the meeting in the drafting of minutes.

Members are asked to sign the attendance book which will be available in the corridor outside the Council Chamber. A list of members present at the meeting will be compiled from this book.

A buffet luncheon will be provided

AGENDA

1. **Minutes** (Pages 1 - 28)

To approve the minutes of the meeting held on 1 November 2016 (**CC1**) and to receive information arising from them.

2. Apologies for Absence

3. Declarations of Interest - see guidance note

Members are reminded that they must declare their interests orally at the meeting and specify (a) the nature of the interest and (b) which items on the agenda are the relevant items. This applies also to items where members have interests by virtue of their membership of a district council in Oxfordshire.

4. Official Communications

5. Appointments

Members are asked to note that Councillor Hudspeth had given notice of the following changes to portfolio responsibilities Council Procedure Rules Part 4.2 Para 1.2.4, to take effect from Tuesday 8 November:

Cabinet Member for Children, Education and Families to be renamed as Cabinet Member for Children and Family Services with the main areas of responsibility being Statutory Lead Member for Children's Services.

New Cabinet Post: Cabinet Member for Education with responsibility for Education - Councillor Harrod

To make any changes to the membership of the Cabinet, scrutiny and other committees on the nomination of political groups.

Members are asked to agree the following appointment:

Councillor Sandy Lovatt in place of Councillor Steve Harrod on the Performance Scrutiny Committee.

6. Petitions and Public Address

7. Questions with Notice from Members of the Public

8. Questions with Notice from Members of the Council

9. Brunel Pension Grouping (Pages 29 - 78)

Report by Chief Finance Officer and Chief Legal Officer (**CC9**)

The report recommends the Council to approve the full business case for the establishment of the Brunel Pension Partnership.

The Council is RECOMMENDED to approve the following resolution:

In its capacity as the Administering Authority for the Oxfordshire County Council Pension Fund, and having received and reviewed this report and the Business Case attached to it, the Council **HEREBY RESOLVES** to enter into investment pooling with respect to the Oxfordshire County Council Pension Fund.

Such Resolution is made on and subject to the following terms and conditions:

- **THAT** the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the said Business Case, and more particularly that:

    - a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability.

    - a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership.

- **THAT** the Pensions Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.

- **THAT** the Chief Finance Officer and Chief Legal Officer be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.

- **THAT** subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.

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10. National Scheme for Auditor Appointments (Pages 79 - 84)

Report by the Chief Finance Officer (**CC10**).

The report sets out the proposals for appointing an external auditor to the Council for the 2018/19 accounts and beyond, as the current arrangements only cover up to and including 2017/18 audits.

The Audit and Governance Committee considered the proposals at its meeting on 9 November 2016 and supported the recommendation in the report, to accept the offer to "opt in" to the sector led option for the appointment of external auditors.

The Council is RECOMMENDED to accept Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.

11. **Senior Management Review** (Pages 85 - 102)

Report by the County Director (**CC11**)

This report asks County Council to note progress made with the Senior Management Review and to approve the proposed recommendations including a new structure. County Council are asked to approve the re-designation of the post of County Director to Chief Executive. Views from County Council will be considered by Cabinet on the 20 December in advance of final decisions at that meeting. The report references associated work carried out on the unitary debate as well as transformation of services and identifies potential savings to be gained from reductions in senior management posts.

The County Council is RECOMMENDED to:

(a) ***note the progress made to date on the Senior Management Review;***
(b) ***endorse the Senior Management Review recommendations and proposed structure;***
(c) ***agree in principle that the post of County Director should be made permanent and re-designated Chief Executive;***
(d) ***notify the Proper Officer of the Council's intention to appoint Peter Clark as the Council's Chief Executive on a permanent basis with a view at its next meeting to:***
- ***receiving the outcome of the Proper Officer's consultation with members of the Cabinet on this proposal in accordance with Part 8.4(4) of the Council's Constitution;***
- ***determining whether to proceed with the appointment;***

(e) ***agree that pending those further decisions Peter Clark is appointed Interim Chief Executive.***

12. **Treasury Management Mid Term Review (2016/17)** (Pages 103 - 118)

Report by Chief Finance Officer (**CC12**).

The report sets out the Treasury Management activity undertaken in the first half of the financial year 2016/17 in compliance with the CIPFA Treasury Management Code of Practice. The report includes Debt and Investment activity, Prudential Indicator monitoring and forecasts for interest receivable and payable for the financial year.

The Cabinet considered and endorsed the report at their Meeting on 22 November

2014.

Council is RECOMMENED to note the Council's Mid-Term Treasury Management Review 2016/17.

13. **Report of the Cabinet** (Pages 119 - 122)

Report of the Cabinet Meeting held on 22 November 2016 (**CC13**).

MOTIONS WITH NOTICE FROM MEMBERS OF THE COUNCIL

WOULD MEMBERS PLEASE NOTE THAT ANY AMENDMENTS TO MOTIONS WITH NOTICE MUST BE PRESENTED TO THE PROPER OFFICER IN WRITING BY 9.00 AM ON THE MONDAY BEFORE THE MEETING

14. Motion From Councillor Arash Fatemian

"Council notes the recent media coverage and casework of Councillor's concerning the pressures on parking at the John Radcliffe Hospital in Oxford.

Council finds the present situation unsatisfactory and is dismayed at the knock-on effect this is having on those who need to visit the John Radcliffe. Council further notes that these pressures have already been, and will be further exacerbated by the centralisation of services from local hospitals, such as maternity services from the Horton Hospital in Banbury to the John Radcliffe. As the transport authority, it is the wish of Oxfordshire County Council that no further services are centralised from any local hospitals across the county until such time as suitable measures have been put in place to mitigate the distressing parking circumstances.

Council further calls on the Health Overview Scrutiny Committee and the Clinical Commissioning Group to take this into account in their deliberations and outcomes."

15. Motion From Councillor Glynis Phillips

"Oxfordshire County Council is deeply concerned about the Buckinghamshire, Oxfordshire and Berkshire West (BOB) Sustainability and Transformation Plan (STP). In particular we are concerned about the implications for Adult Social Care in the County, and for our infrastructure as Hospitals close and services are centralised. The Consultation with Oxfordshire has been derisory with the full plan not having been made public during the numerous meetings which have been held. This Council therefore asks the Leader to write to the Secretary of State for Health asking him:

(a) How the area was decided? BOB covers 14 Local Authorities with 5 having responsibility for Adult Social Care;
(b) What consideration has been given to the implications of putting increased pressure on the fragile coalitions across this area as plans are delivered?
(c) What evidence is there that this approach to delivering savings of the magnitude required will work? Particularly in relation to reduced activity and the

need during transformation to run 2 systems. What will happen if it doesn't?

(d) Why the NHS workforce, the public and politicians have not been involved in shaping the plan?

(e) Given that local government, in relation to Adult Social Care has unrivalled insight into how services can be transformed. Why is the process so NHS centric?

16. Motion From Councillor Bob Johnston

"This Council believes that the decision of the Railway Minister to "shelve" the electrification of the Didcot Parkway to Oxford railway line, possibly until 2024, is short sighted. It will amongst other things condemn Oxfordshire residents to use elderly and polluting diesels for most of the journeys between Oxford, Didcot, Reading and London or having to change at Didcot. The Decision will make many of the rail objectives as set out in LTP4 difficult if not impossible to achieve. New bespoke electric rolling stock currently being built could be left in store. Council therefore resolves to ask the Leader of the Council to:-

(a) Lobby by all possible means the Department for Transport in general and the Rail Minister in particular to get this decision reviewed;

(b) approach the Growth board to see if there is funding which might be unlocked to advance the project to an earlier and more acceptable timetable."

17. Motion From Councillor Mark Cherry

"This Council calls on the Leader of Oxfordshire County Council to give urgent consideration of the Bankside link road and for this to be prioritised in the Banbury area strategy in LTP4.

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This road is needed urgently if the town is to avoid total gridlock on its roads. Oxfordshire is a net contributor to the National Economy and the North of the County continues to grow with the construction of 8000 houses and the construction of HS2. Therefore more businesses and more vehicles are inevitable. This issue has been talked about for over 30 years and it is now time for action."

18. Motion From Councillor Sam Coates

“Oxfordshire County Council recognises that new housing developments suggested by the Strategic Housing Market Assessment will lead to the generation of substantial increases in traffic throughout Oxfordshire. This has been further compounded by obvious additions such as the new Oxford Westgate development

In consequence, the County Council calls on the Cabinet to collaborate with Oxfordshire's District Councils, the City of Oxford , the Local Economic Partnership, landowners such as Oxford University and developers in commissioning a transport impact assessment for the current range of housing proposals for the whole of Oxfordshire covering the period up to 2031.The study to focus on Oxford City and the likely congestion in the various market Towns resulting from new housing developments.

The County Council's case for more resources for cycling, walking, bus and rail investments may be considerably enhanced by such an Assessment, given the scale of possible traffic impacts likely to result from planned new housing."

19. Motion From Councillor Sam Coates

"Given that an increasing number of services are becoming ever more reliant on voluntary efforts and partnerships with charities the County Council should undertake a 'capacity survey' of charities and volunteers which may be engaged in the support of a wide variety of County services in the future.

The intention of the review would be to determine which services may be sustained via voluntary efforts, and where costs and the need for specialist workers make services unsustainable with third sector partners."

20. Motion From Councillor John Howson

"Across Oxfordshire small primary schools serve an important purpose in creating an education system where the school is firmly located within its community. Children can walk or cycle to school and these school form a vital hub for many communities.

This Council wishes to ensure that any proposed new funding formula for schools devised by the government does not destroy schools with fewer than 250 pupils unintentionally as a result of making them financially unviable. This would be the case if the sole method of funding were to be based upon a fixed sum per pupil with no grant towards the cost of the overheads of the school. One head teacher association has calculated that a third of primary schools in Oxfordshire might be at risk from such a formula. These schools have been part of the education scene in Oxfordshire for more than 150 years.

This Council asks the Cabinet Member for Education to write to the Secretary of State for Education to ascertain that the proposed consultation on the new formula will not lead to the wholesale closure of small schools, especially as any increase in transport costs would fall on the council tax payers of Oxfordshire."

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Monday 12 December 2016 at 10.15 am** for the Chairman, Vice-Chairman, Group Leaders and Deputy Group Leaders

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OXFORDSHIRE COUNTY COUNCIL

MINUTES of the meeting held on Tuesday, 1 November 2016 commencing at 10.00 am and finishing at 3.35 pm.

Present:

Councillor Michael Waine – in the Chair

Councillors:

Lynda Atkins	Mark Gray	Neil Owen
David Bartholomew	Patrick Greene	Zoé Patrick
Mike Beal	Tim Hallchurch MBE	Glynis Phillips
Maurice Billington	Pete Handley	Susanna Pressel
Liz Brighouse OBE	Jenny Hannaby	Laura Price
Kevin Bulmer	Nick Hards	Anne Purse
Nick Carter	Neville F. Harris	G.A. Reynolds
Louise Chapman	Steve Harrod	Alison Rooke
Mark Cherry	Mrs Judith Heathcoat	Rodney Rose
John Christie	Hilary Hibbert-Biles	Gillian Sanders
Sam Coates	John Howson	John Sanders
Yvonne Constance OBE	Ian Hudspeth	Roz Smith
Steve Curran	Bob Johnston	Lawrie Stratford
Surinder Dhesi	Richard Langridge	John Tanner
Arash Fatemian	Lorraine Lindsay-Gale	Melinda Tilley
Neil Fawcett	Sandy Lovatt	Richard Webber
Jean Fooks	Mark Lygo	David Williams
Mrs C. Fulljames	Kieron Mallon	David Wilmshurst
Anthony Gearing	Charles Mathew	
Janet Godden	David Nimmo Smith	

The Council considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

68/16 MINUTES
(Agenda Item 1)

The Minutes of the Meeting held on 13 September 2016 were approved and signed subject to the word 'party' being changed to 'Council' in Minute 60/16.

At the request of Councillor Webber, The Chairman read out Motion 60/16 which had been agreed at the last Meeting of Council on 13 September 2016 as follows:

"We are proud to live in a diverse and tolerant society. We believe that hate crimes have no place in our country, whether they are based on Race, Religion, Sexual Orientation, Age, Disability or Gender Identity. Oxfordshire County Council condemns racism, xenophobia and hate crimes unequivocally. We will not allow hate to become acceptable.

We reassure all people living in Oxfordshire that they are valued members of our community."

69/16 APOLOGIES FOR ABSENCE

(Agenda Item 2)

Apologies for absence were received from Councillors Azad, Lilly, Mills and Rooke.

70/16 DECLARATIONS OF INTEREST

(Agenda Item 3)

Councillor John Christie voluntarily declared a non-pecuniary interest in Agenda Item 5 (Appointments) by virtue of his relationship to Mr Richard Brown.

71/16 OFFICIAL COMMUNICATIONS

(Agenda Item 4)

The Chairman reported as follows:

The Chairman and Vice Chairman had participated in the Maggie Culture Crawl and raised £800 in aid of the Maggie Centre at the Churchill hospital, Oxford. The Chairman thanked Members for their support and for their generous contributions.

The Chairman informed members that the Chairman's Dinner this year would be held in honour to raise funds for the Friends of the Young Musicians' Association. He urged Members to come and support the Charity.

The Chairman congratulated Oxford Academy Head and Staff on their recent results, and in particular that the Academy were now 14th Nationally for Progress 8. Council agreed to write and send their congratulations.

Council congratulated Lucy Butler on her appointment to the role of Director for Children's Services and Kate Terroni on her appointment to the role of Director for Adult Services. Council also paid tribute the Jim Leivers and John Mitchell for their service to Local Government.

The Chairman reminded members that, on the rising of Council there would be an all member briefing on the Oxfordshire Safeguarding Boards (covering Oxfordshire Safeguarding Children's Board and Oxfordshire Safeguarding Adult's Board)

72/16 APPOINTMENTS
(Agenda Item 5)

RESOLVED: to appoint Mr Richard Brown as Parent Governor Representative for Primary Schools on the Education Scrutiny Committee with immediate effect.

73/16 QUESTIONS WITH NOTICE FROM MEMBERS OF THE COUNCIL
(Agenda Item 8)

16 questions with notice were asked. Details of the questions and answers and the supplementary questions and answers (where asked) are set out in Annex 1 to the Minutes.

In relation to question 6 (Question from Councillor Coates to Councillor Lilly), Councillor Hudspeth undertook to ask Councillor Lilly to provide Councillor Coates with a written answer to 'whether Councillor Lilly would be giving particular consideration to oil extraction companies?'

In relation to question 6 (Question from Councillor Godden to Councillor Tilly), Councillor Tilly undertook to provide Councillor Godden with a written answer detailing representations that Cabinet Members had made to districts in relation to Children's Centres.

74/16 REPORT OF THE CABINET
(Agenda Item 9)

The Council received the Report of the Cabinet.

In relation to paragraph 10 (2016/17 Financial Monitoring & Business Strategy Delivery Report) (Question from Councillor Smith) Councillor Stratford gave an undertaking to provide Councillor Smith with a written answer in relation to the Business Strategy Delivery Report detailing 'how much of the transition programme that was started will be part of the business strategy, giving some examples.'

75/16 PARTNERSHIP UPDATE REPORT
(Agenda Item 10)

The Council had before it the Annual Partnerships Update report which set out some of the key activities over the past year on the Oxfordshire-wide partnerships in progressing key countywide priorities, enabling partners to work across the themes of a thriving Oxfordshire, including economic growth, health and wellbeing, thriving communities, and support to the most vulnerable.

Each partnership report addressed the following points: the current focus for the Partnership; the personnel (Chairman and supporting staff) of the

Partnership; the Partnership's governance arrangements; the Partnership's key achievements in the last year; the aims for the Partnership in the year ahead; the key challenges for the Partnership and how those would be addressed going forward.

Councillor Liz Brighouse made a statement as Chairman of the Performance Committee who had considered the report at their meeting on 22 September 2016.

Councillor Waine moved and Councillor Patrick seconded that the recommendation set out on the face of the Agenda be adopted. In moving the motion, the Chairman gave an undertaking that a detailed note would be taken of any questions raised about the partnership in order that they may be addressed. The following points were raised in debate:

- How does Stronger Communities feel about communities being weakened through the loss of their children's centres?
- Concern was raised regarding the amount of duplication among partnerships especially when you add in all the others at district level not reporting here.
- Members felt that partnership were not working well, swathes of decision making was removed from Councillors and officer support to these partnerships came at the expense of proper support to scrutiny and CAGs
- The report contained a lot Good work, though there were silos, e.g. why hadn’t the Environment Partnership spoken to street lighting about solar; why wasn’t Health & Wellbeing Board engaged with highways on walking and cycling; ironic Early Years Board coincides with pulling back from universal services?
- Councillors taken for granted, reports not clear about reporting period and proofreading issues in particular for Growth Board. Should Growth Board be discussing rail transport? Is OEP working with solar schools and addressing risk of Government imposing business rates on their solar panels? Safer Ox doesn't seem to reflect rate of burglaries in his division
- As the accountable body for the LEP, OCC should be more informed, can Councillors get the agenda and minutes at least? *(nb these are meant to be on the website but the updating is often poor).*
- LEP and Growth Board are too Oxford-centric and failing to address the housing challenge. Should push more economic growth out of the city where housing is more affordable. Also should consider environmental challenge.
- European funding via the LEP, could the Leader promise he'll raise what happens after Brexit;
- OEP doesn't sufficiently consider biodiversity issues;
- OEP is really valuable (City Member) happy to work with DNS to discuss biodiversity;
- Cooperation is valuable, HOSC and HWB do overlap but different membership / remit. Would welcome section in reports on how each partnership cooperates with other partnerships;

- Lack of breakdown of how LEP money has been used. Note LEP appointing two new non-exec directors - what's the appointment process? Is the new Deputy PCC value for money? Should street pastors have a higher profile?
- This report shows that we need a unitary to simplify the partnership landscape. Noting reports is a poor use of time;
- We need to take a closer look at these as they are effectively quangos, and work out who holds them to account;
- Growth board is a failure and anodyne report doesn't reflect that, performance and funding still issues;
- Growth Board process has resulted in impossibly high SHMA targets. What is the timescale for SHMA refreshes? Can DNS commit that housing growth now agreed will deliver Lodge Hill funding?
- Could use a more overarching consideration of the report to determine where there is duplication or conflict, especially given existence of other partnerships not reporting here. Pro-unitary as one part of the simplification process.

Following debate, the Motion was put to the vote and was carried nem con.

RESOLVED: (nem con) to note the report.

76/16 DIRECTOR OF PUBLIC HEALTH ANNUAL REPORT

(Agenda Item 11)

The Council had before them the 9^{th} Annual Report by the Director of Public Health which summarised key issues associated with the Public Health of the County. It included details of progress over the past year as well as information on future work. It was an independent report for all organisations and individuals.

The report had also been considered at the Oxfordshire Health Overview & Scrutiny Committee in September and the Oxfordshire County Council's Cabinet in October 2016.

RESOLVED: (on a motion by Councillor Hibbert-Biles, seconded by Councillor Hudspeth and carried nem con) to receive the report.

77/16 MOTION FROM COUNCILLOR JANET GODDEN

(Agenda Item 12)

Councillor Godden moved and Councillor Heathcoat seconded the following Motion:

This Council notes that:

- 1 in 4 adults will experience a mental health episode in any given year.
- Mental illness costs some £105bn each year in England alone.
- People suffering from mental illness are disproportionally likely to have other problems such as housing issues, employment and debt.

- People with severe mental illness die up to 20 years younger than their peers in the UK.

As a local authority we have an important role to play in improving the mental health of all – by supporting people in our communities living with mental illness and tackling some of the widest most entrenched inequalities in health.

Mental health should be a priority across all local authority areas of responsibility, including housing, community safety and planning. All councillors can play an important part in championing mental health, both as individuals and on a strategic basis, adding weight to the work of our social care, public health and community safety services.

The Council resolves to sign up to the Local Authorities' Mental Health Challenge and to support measures to promote positive mental health in Oxfordshire, enhancing our joint working with our partners in the NHS, the police authority and the voluntary sector."

Following debate, the Motion was put to the vote and was carried unanimously.

78/16 MOTION FROM COUNCILLOR DAVID WILLIAMS

(Agenda Item 13)

With the consent of Council, Councillor Williams moved and Councillor Gill Sanders seconded the following motion as amended by Councillor Gill Sander below in bold italics/strikethrough:

"Given that the Council has now opened a bidding process seeking external funding to maintain as large a number of Children's Centres as possible, this Council recognises that rental costs will be a key element of each Centre's survival. With this in view the Council calls on the Cabinet to ***waive rental charges where this will keep a centre open that would otherwise be forced to close.***

- ~~Waive rental fees for 2016-2017 as a major contribution to keeping all centres open beyond the proposed closure dates. Security of accommodation will be a vital factor in bidding for external funding in that it signals continuity of existence and will be the one contribution the County could make to keep the maximum number of Centres open if the future is to be built on external funding for activity based projects at each centre.~~

- ~~Widely publicise the support of all the Children's Centres to stop the rapid erosion of staffing that is now underway.~~

- ~~During 2016-2017 carry out constructive consultations with the new authorities that emerge from any devolution decision to begin along with other organisations that may be willing to co-sponsor the Children~~

~~Centres beyond 2017 such as the Health Service, the Police, parish councils and charities."~~

The motion as amended was put to the vote and was carried by 51 votes to 0, with 4 abstentions.

RESOLVED: (51 votes to 0, 4 abstentions)

Given that the Council has now opened a bidding process seeking external funding to maintain as large a number of Children's Centres as possible, this Council recognises that rental costs will be a key element of each Centre's survival. With this in view the Council calls on the Cabinet to waive rental charges where this will keep a centre open that would otherwise be forced to close.

79/16 MOTION FROM COUNCILLOR DAVID WILLIAMS

(Agenda Item 14)

Councillors Williams moved and Councillor Coates seconded the following Motion:

There are now at least two proposals for the reorganisation of local government in Oxfordshire. Both envisage a unitary structure to service delivery and seek to rationalise local government into more effective and economic systems. Both have their merits and detractions.

Unfortunately, it would appear that there is no consensus between the County and District/City authorities as to what would be the most appropriate new structure and the process seems deadlocked.

The cornerstone of any new structure must be that it is democratic and what the people of Oxfordshire perceive as representing their local community interest.

With this in view the County will conduct a full public consultation in Oxfordshire via internet poll of those that accept the unitary principle and present three options:

1) One single County Wide Unitary with a high degree of devolution.

2) Two Unitary Authorities. The City of Oxford and a unitary incorporating all the market towns around the City.

3) Three Unitary Authorities. The City of Oxford and two unitaries incorporating one to the North and one to the South.

Advocates of all these structures to make their case to the electorate during the in depth consultation.

The results of this consultation to be submitted to Central Government to illustrate the wishes of local people along with the various submissions from the existing local governments if these are to be made.

Following debate, the Motion was put to the vote and was lost by 38 votes to 2, with 10 abstentions.

RESOLVED: Accordingly.

80/16 MOTION FROM COUNCILLOR SAM COATES

(Agenda Item 15)

With the consent of Council, Councillor Coates moved and Councillor Fooks seconded the motion as amended by Councillor Fooks below in bold/strikethrough:

The EU Referendum held on the 23 June with its decision to EXIT the ~~European referendum~~ **Union** is not a mandate for abandoning the progressive reforms that the European Union introduced or the obvious advantages of the Single Market to industry and trade.

This Council is concerned that there seems no clear indication of what stance the Government will take in the negotiations after article 50 is triggered and alarmed at ~~certain Ministers who are willing to consider~~ **the prospect of** a hard BREXIT – withdrawal from all aspects of EU cooperation including access to the Single Market. ~~. Such a move~~ **This** would destroy many industries in Oxfordshire, **disadvantage educational and research establishments on all of which Oxfordshire's growth depends,** and send the national economy into long term decline.

What is to be done in vital cooperation issues directly related to Council services such as pollution controls, recycling, structural funds, competition rules plus numerous rules and regulations related to employment and procurement are as yet totally unclear.

The Council calls on the Government to clarify is aims in the EU negotiations and to establish that a primary objective will be to maintain our exporters ability to access the Single Market with ease. Such a stance will stop the speculative runs on the pound we have already witnessed and make it clear to foreign companies who are only operating here because of our present tariff free access to Europe that they should remain.

The Leader of the Council to write to the Prime Minister to illustrate the ~~Councils~~ **Council's** concerns on this issue.

Following debate, The motion as amended was put to the vote and was lost by 28 votes to 25.

RESOLVED: (by 28 votes to 25)

The EU Referendum held on the 23 June with its decision to EXIT the Union is not a mandate for abandoning the progressive reforms that the European Union introduced or the obvious advantages of the Single Market to industry and trade.

This Council is concerned that there seems no clear indication of what stance the Government will take in the negotiations after article 50 is triggered and alarmed at the prospect of a hard BREXIT – withdrawal from all aspects of EU cooperation including access to the Single Market. This would destroy many industries in Oxfordshire, disadvantage educational and research establishments on all of which Oxfordshire's growth depends, and send the national economy into long term decline.

What is to be done in vital cooperation issues directly related to Council services such as pollution controls, recycling, structural funds, competition rules plus numerous rules and regulations related to employment and procurement are as yet totally unclear.

The Council calls on the Government to clarify is aims in the EU negotiations and to establish that a primary objective will be to maintain our exporters ability to access the Single Market with ease. Such a stance will stop the speculative runs on the pound we have already witnessed and make it clear to foreign companies who are only operating here because of our present tariff free access to Europe that they should remain.

The Leader of the Council to write to the Prime Minister to illustrate the Council's concerns on this issue.

81/16 MOTION FROM COUNCILLOR JOHN SANDERS

(Agenda Item 16)

With the consent of Council, Councillor John Sanders moved and Councillor Curran seconded the motion as amended by Councillor Stratford below in bold/strikethrough:

"Cowley division is suffering from development without consideration of the necessary transport infrastructure, whether it is cycle routes, pedestrian access, parking controls, traffic controls, potholes or rat-running, there never is enough money made available to meet the demands of increased traffic on local roads.

This Council resolves to ask the Leader of the Council to write to the Secretary of State for Transport and the Chancellor of the Exchequer demanding targeted government investment in road maintenance and minor traffic infrastructure improvements to mitigate the critical pressures on ~~Cowley's and other division's~~ roads ***in ALL division's across Oxfordshire***."

With the consent of Council, Councillor Roz Smith withdrew her amendment (set out in Annex 1 to the Schedule of Business).

Following debate, the Motion as amended was put to the vote and was carried unanimously.

RESOLVED: (unanimously)

"Cowley division is suffering from development without consideration of the necessary transport infrastructure, whether it is cycle routes, pedestrian access, parking controls, traffic controls, potholes or rat-running, there never is enough money made available to meet the demands of increased traffic on local roads.

This Council resolves to ask the Leader of the Council to write to the Secretary of State for Transport and the Chancellor of the Exchequer demanding targeted government investment in road maintenance and minor traffic infrastructure improvements to mitigate the critical pressures on roads in all division's across Oxfordshire."

82/16 MOTION FROM COUNCILLOR SAM COATES

(Agenda Item 17)

The time being after 3.30 pm the motion was not moved and seconded and therefore considered in accordance with Council Procedure Rule 15.1.

.... in the Chair

Date of signing ....

QUESTIONS WITH NOTICE FROM MEMBERS OF THE COUNCIL

Questions are listed in the order in which they were received. The time allowed for this agenda item will not exceed 30 minutes. Should any questioner not have received an answer in that time, a written answer will be provided.

Questions	Answers
1. COUNCILLOR SAM COATES The Leader of the Council's positive stance on taking refugee children is welcome but would he agree with me that we have a Government who are being very selective in how they interpret 'unaccompanied' minors as can be seen with recent announcement related to children alone in Calais refugee camps. The Government's commitment to create a Resettlement Scheme to bring stranded refugee children in Europe to safety in the UK is commendable but with only very narrow selection criteria the numbers will be small and many vulnerable children will still be at risk. Will the Leader be seeking greater clarification as to what selection criteria are being applied and seeking a more open approach?	**COUNCILLOR IAN HUDSPETH, LEADER OF THE COUNCIL** Having visited the camp in Calais in March this year I saw at first hand the conditions that people were living in. I have a better understanding of the type of person that was resident at the camp and the challenges they face; along with the opportunities they had. Oxfordshire is working closely with the SESMP (South East Strategic Migration Partnership) who are managing the National Transfer Scheme (NTS) scheme for our region on behalf of the Home Office. Oxfordshire County Council joined the NTS which Oxfordshire's Cabinet endorsed in July this year. The NTS is designed to redistribute UASC children across different regions in the UK, as areas such as Kent have been overwhelmed due to its proximity to a port entry. Cabinet are fully supportive of the NTS and of ensuring that Oxfordshire commits resources to these vulnerable children. Under the NTS Oxfordshire's UASC population is deemed to be 99 based on 0.07 of its child population. Oxfordshire with its current figure of 58 UASC believes that it is significantly contributing to meeting the needs of these vulnerable children and wants to develop additional placements to meet the current need. However we have already had to place some UASCs who are under 16 years in independent fostering provision out of county because despite achieving a 17% increase in our in house foster placements over the last three years we have experienced a 43% rise in our number of looked after children.

Questions	Answers
	The NTS is the means by which placements will be sought for children located in Calais who are unable to be reunited with their families based in the UK and UASC children known as Dubs children. We are seeking regular updates from the SESMP in terms of this dynamic situation in order to be able to offer support and assistance where we are able. To address the anticipated increased of UASC and their unique needs the council has embarked on a UASC strategy. This work was already in progress prior to the NTS scheme as Oxfordshire has seen its spontaneous UASC numbers increase over the last three years. The UASC strategy will link to our overarching placement strategy which is seeking to address significant increases in citizen children within our child protection and looked after system.
SUPPLEMENTARY QUESTION It is clear that the Leader cares deeply about the plight of refugee children but the thrust of the question was in fact about the issue that only a small proportion of the need is being met by the Government. Is he willing to make representations to the Government for them to accept a greater share of these child refugees?	**SUPPLEMENTARY ANSWER** I am always happy to make such representations, but I think we have got to be absolutely clear that they are genuine child refugees and that there are families in this country to support them.
2. COUNCILLOR DAVID WILLIAMS Could the Cabinet Member for Transport give an update as to where we are with Workplace Parking levies? He may recall this was part of the Green Budget proposal for increasing income rejected at the time by the ruling	**COUNCILLOR DAVID NIMMO SMITH, CABINET MEMBER FOR ENVIRONMENT** A paper on the workplace parking levy (WPL) will go to Cabinet in November. This will seek approval of a timetable and funding to progress the WPL. The Oxford Transport Strategy (part of the council's adopted Local Transport

Questions	Answers
group. Could he also indicate if he is supportive of a congestion charge levy being introduced in Oxford?	Plan) suggests that some form of road user charging scheme could have some role to play alongside a workplace parking levy. Given the likely high start-up and operating costs of road user charging schemes, further evidence is required on this, and the WPL Cabinet paper will make reference to this.
SUPPLEMENTARY QUESTION Could I ask Councillor Nimmo Smith if he has any idea of what the timescale would be for the actual implications and implementation of the workplace levy? Does he have a target date in mind as to when this could come about?	**SUPPLEMENTARY ANSWER** What I would suggest is that Councillor Williams wait until the agenda paper is out for the Cabinet. He can have a look at the agenda paper and he can come and talk to us and we will be happy to discuss at that time and that is probably next week or the week after.
3. COUNCILLOR DAVID WILLIAMS What are the Oxfordshire figures for referrals to Social and Health Care (children and adults) that have not received a service in this financial year due to not meeting eligibility criteria? Of those, how many were met and assessed, and how many were not interviewed at all? The figures will illustrate how much unmet need there is at present by contrasting that against the total figures who have received support.	**COUNCILLOR JUDITH HEATHCOAT, CABINET MEMBER FOR ADULT SOCIAL CARE** The formal concept of eligibility criteria applies to adult social care rather than children's services. We want people to remain as independent for as long as possible. When someone contacts the council we will look to provide them with information about services that are available in their local community to keep them independent. If a more targeted intervention is needed we will offer a reablement service and if this does fully return them to independence we will work with them to identify the long term care needed to meet their needs. Last year we had 13,244 requests from new people for adult social care. 58% were provided with information and advice about local services, 17% received reablement and 25% of people received long term services. Each year we benchmark adult social care services against other authorities. The

Questions	Answers
	number of people receiving services is at the level we would expect for an authority with Oxfordshire's relatively affluent and healthy population. We also take part in a national survey of adults who use social care which looks at the extent to which social care services meet their needs. People who use services are asked to what extent the services meet their needs in a number of areas including having enough to eat and drink; feeling safe; keeping clean; how they are able to spend their time and the way they are treated by staff. Oxfordshire consistently scores better than the national average on this measure.
SUPPLEMENTARY QUESTION Would Councillor Heathcoat agree that 13,244 is perhaps the tip of the iceberg and people are put off knowing the facts that the Local Authority at the moment is going through very difficult financial times. Would she agree that actually that figure could be far bigger?	**SUPPLEMENTARY ANSWER** When you look through the answer that I have given you, it most definitely tells you the numbers of new people that come on to our books. Where they require, services are given together with a lot of advice. What you should take into account is the recent report that was done with regard to Adult Social Care and the services that we provide and the fact that we were placed 6th out of 152 upper tier authorities for the provision of services. Most people (90%) were satisfied. What should be taken from those statistics is that there is a section of the population that receive services from us that might not be satisfied, they may have some concerns and those are the very people Chairman, that we actually look to help. So I hear what Councillor Williams says, but I believe we are reaching the vulnerable that need support.
4. COUNCILLOR SAM COATES The Clinical Commissioning Group has suggested that £200 million will be cut from NHS spending in Oxfordshire in the period between now and 2020, including the likely closure of some of our community hospitals.	**COUNCILLOR JUDITH HEATHCOAT, CABINET MEMBER FOR ADULT SOCIAL CARE** I thank Councillor Coates for his question. I believe that he is referring to the Sustainability and Transformation Plan that is being prepared by the NHS. Early work identified the need to move approximately £200m – or one-fifth of total NHS spending in Oxfordshire around the NHS system in Oxfordshire to provide more support in the community. This links directly to the national figure of £22 billion

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Questions	Answers
Will you as the Portfolio holder support campaigns and petitions which are intended to increase resources for the NHS to meet the needs of our ageing society and recognise that this deliberate underfunding will damage the NHS.	set out in the Five Year Forward View. NHS spending actually increased this year as the Clinical Commissioning Group received an increase in its budget of over £40m this year. We wait to see how the NHS propose to do this in Oxfordshire and the impact this will have on the different services. Our understanding is that the NHS will publish its plans in January. The County Council will be a consultee responding to those plans. We will be giving a robust response on all areas of the consultation – the effects on adult social care and the people of Oxfordshire. I support safe delivery of services and would not want any NHS service in the county to deliver a service that was not considered safe and would put peoples' lives at risk.
5. COUNCILLOR DAVID WILLIAMS When Academies were introduced by the Labour Party in 2001 the cover story was that they were some form of help to failing schools. As time has gone on with various changes it has become clear that they are an attempt to model state funded schools to structures associated with private schools. This has not only been in governance structures reflecting sponsors not communities, locally negotiated pay rates and procurement procedures, standing outside the National Curriculum, employment of non-qualified staff but more recently theoretical 'selection' of intake.(The supposed Grammar School debate)	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** No, I do not agree.

Questions	**Answers**
Would the Portfolio holder agree with me that the latest initiative of introducing military academies reflecting an existing but very minor strata of public schools where children as young as 14 will be trained in the ‘art’ of warfare is yet another attempt to ape the private sector and yet another step along the path to the ultimate goal of fee paying institutions. Will she condemn this latest return to Edwardian education?	
SUPPLEMENTARY QUESTION Will Councillor Tilley really try to answer the question? Are we drifting into a situation where the Government is trying to get the Academies to follow a profile of the curriculum and their procedures within the school which mirror the private sector that is a legitimate question?	**SUPPLEMENTARY ANSWER** It is a no, I don’t agree but at the same time, I will say that the Government is trying to imitate the private sector is a good thing. The private sector does a lot better than the public sector, they get more youngsters into Oxbridge than anywhere else and youngsters from deprived backgrounds, so I don’t agree with anything he says so it is difficult for me to answer it in any other way except no I don’t agree.
6. COUNCILLOR SAM COATES Is the Chair of the Pensions Investment Committee aware that Waltham Forest Council have made a decision to disinvest in Fossil fuels and have done so on a simple premise that Fossil Fuel Industries are not sustainable long term investments? How long	**COUNCILLOR STEWART LILLY, CHAIRMAN OF THE PENSION FUND COMMITTEE** I am indeed aware of the decision of the Waltham Forest Pension Committee and whilst I fully respect their reasons, The Oxfordshire Pension Fund Committee over a number of discussions has concluded that a simply dis-investment approach is not in the long term interest of, or for, the scheme members. Instead the Oxfordshire Pension Fund asks our fund managers to engage with all companies, in which they choose to invest, to ensure that the company boards

Questions	Answers
will it be before Oxfordshire does the same for its pensioners and secures their future prosperity?	are taking action to reduce their carbon footprints, have robust and appropriate business plans in place to deal with future business and financial risks, including those associated with climate change. Also, where appropriate engage with companies that are investing themselves in developing **sustainable alternatives** to current fossil fuels. By investing in a diversified group of well governed companies, the Oxfordshire Pension Fund is more than meeting its fiduciary responsibilities. I have discussed this position with my colleagues within the Brunel Pension Partnership, which we are also progressing, and all of the ten funds within that Partnership – which actually includes The Environment Agency – have agreed our future strategy will remain one based on engagement rather than blanket dis-investment.
SUPPLEMENTARY QUESTION Can I ask Councillor Lilly for future reference, whether he is going to give specific consideration to oil extraction companies.	**SUPPLEMENTARY ANSWER** Councillor Lilly not in the Chamber – await a written answer.
7. **COUNCILLOR JOHN HOWSON** Could the Cabinet Member please provide an update on the progress towards the opening of the 4 new children's homes being built in the County?	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** The move on home in Didcot has been running at full capacity since April 2016. The move on home in Witney is due to take first two teenagers from Wednesday 2 November and will be full by the 9 November. Thame Assessment Home opened at the beginning of October but will need to close in a fortnight's time for remedial work on the upstairs bedroom walls. We are hoping this will be completed within two-three weeks and the home will be back open by December 2016.

Questions	Answers
	Eynsham Assessment Home has reached practical completion and we are preparing it for an Ofsted registration visit in the third week of November. It should then be taking children from the second week of December 2016.
SUPPLEMENTARY QUESTION I am very concerned to see that one of these new build homes has had to be closed within almost weeks of it being opened. Can Councillor Tilley give us an assurance that any of the costs that have resulted from that can be recovered from the person(s) responsible for building a building which is not acceptable to be kept open.	**SUPPLEMENTARY ANSWER** It is a bit tricky for me to give you any reassurances there because it is not actually my portfolio, it is a property, but I think moves are being made to recover all the costs – yes.
8. COUNCILLOR JOHN HOWSON What is the current estimate for the number of a] passenger b] freight c] other services likely to use the portion of East West railway between Oxford and Bicester each day by 2020?	**COUNCILLOR RODNEY ROSE, DEPUTY LEADER OF THE COUNCIL** The current proposed timetable for Oxford to Bicester identifies 85 trains per day, and is expected to still be current in 2020. This breaks down into 76 passenger services; 6 freight services and 3 empty coach stock moves. With this level of use crossing down-times at London Road in Bicester are expected to be approximately 12 minutes in the morning peak hours and 10 minutes in the evening peak hours.
SUPPLEMENTARY QUESTION Does this mean that there is now no expectation that there will be East-West rail train service before 2020 running beyond Bicester in the direction of Milton Keynes and Bedford?	**SUPPLEMENTARY ANSWER** There is no expectation at the moment that there will be any services before 2020, but I have yet another meeting with Sir Peter Henley in the early weeks in January to try and get it back on track.

Questions	Answers
9. COUNCILLOR JOHN HOWSON How many requests for a change of school were received by the school admissions team from parents of Year 10 pupils in the UTCs, Studio schools and Free Schools operating in the 2016-17 school-year?	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** Currently there are 4 such establishments with an Y10 and/or Y11 cohort in Oxfordshire, none of which share data about children on their roll with Oxfordshire County Council. When application is made for a pupil to move into a school for which we are the admissions authority, details of the establishment at which the pupil is currently on roll are not sought. We are unable, therefore, to say which requests for transfer to another school since 01 September relate to children on roll at one of those 4 establishments.
SUPPLEMENTARY QUESTION In the White Paper in March one of the issues which there has not yet been a U-turn on was the return of in-year admissions to County Councils and other authorities responsible. At present it would appear from the answer that we have no way of knowing what the movement in some of these schools is, which has an implication for the County Council if one of these schools were to suddenly close because it was economically or financial unviable. Can the Cabinet Member say whether she thinks there will be progress on returning in-year admissions to authorities like the County Council?	**SUPPLEMENTARY ANSWER** Thank you, we have made representation to the Secretary of State and I am hopeful that in-year admissions will be returned to the County Council.

Questions	Answers
10. COUNCILLOR JANET GODDEN With reference to the motion unanimously agreed by this Council at its meeting on 12 July (agenda item 43/16), what specific steps have been taken, in accordance with point (2) of the motion, towards asking the district councils to support the community groups in their areas looking to take over the children's centres, and what specific responses have been received?	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** Officers have been working with the District Councils to ensure as much support as possible is given to community groups in their areas that are looking to run some open access children's services. Conversations have been taking place with the City Council & Cherwell District Council who are supportive of this approach and have discussed the continuation of services at their local partnerships. South Oxfordshire District Council are engaging at an individual group level such as in Berinsfield, however they have decided to not support the centres with funding from their revenue grants scheme. Conversations are taking place with Vale of White Horse District council; however these are at an early stage. Despite initial meetings with West Oxfordshire District Council these have not progressed further. Any encouragement that fellow Councillors can give to Districts to assist will of course be most welcome.
SUPPLEMENTARY QUESTION The main paragraph of my answer is about representations from officers and at the end you are very fairly asking for individual councillors to intervene if they can. Could you tell me what representations have been made by Cabinet Members, I would be very happy for a written answer if you don't have	**SUPPLEMENTARY ANSWER** I think all Cabinet Members who have centres within their divisions have made representations to the District Council or to us as a Cabinet. I will send you a written answer.

Questions	Answers
this at your finger tips.	
11. COUNCILLOR RICHARD WEBBER Can the Cabinet member confirm that the criteria for the award of the £1m transition grants to community-run children's centres will take full account of the motion unanimously agreed by this council at its meeting on 12 July (agenda item 43/16) including that the £1m Transition Fund money should be committed to those areas which were losing their children's Centres?"	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** The Council has already received 17 bids for transition funding to help communities provide open access children's services. That's a hugely positive response which shows the appetite of local people to deliver the services they most want to see in their communities. "We have been working closely with individual community groups on the development of business plans, as this cannot be a one-size-fits-all approach. Clearly these discussions have covered rental costs, and groups have submitted bids in the knowledge of what these costs would be. "Rent charged by the Council at the Community Rate is typically 50 per cent of the full market rate, and further reductions may apply if activities meet a statutory need. The actual figure in any individual case will take into consideration the various property matters such as intended use, length of term and the condition of the building. "The first round of funding bids are currently being considered and we are already working with other groups who we anticipate will submit business plans ahead of the January 9 deadline for the second round.
SUPPLEMENTARY QUESTION Would Councillor Tilley agree that it would be most unfortunate if any or the entire transition fund allocated to those areas at greatest risk of losing their children's centres would be	**SUPPLEMENTARY ANSWER** I think it is important to know that we are talking to all the ones that seem to have higher rents about locating the Children's Centres elsewhere. One of them is a pilot study at the moment in libraries. So I think we are working with everybody to try and minimise the problems that may arise, but I am not at liberty to say

Questions	Answers
spent paying rent and rates to OCC?	what rents will be charged, I think there is a motion later on.
12. COUNCILLOR RICHARD WEBBER At the recent public event at the Kassam Stadium, prospective volunteers who, we hope, might take over some of our Children's Centres, were told that rent to OCC would be chargeable under the Council's Asset Management Transfer Policy. Please would the Cabinet member explain how such rent would be assessed?	**COUNCILLOR LINDSAY-GALE, CABINET MEMBER FOR PROPERTY, CULTURAL & COMMUNITY SERVICES** All community groups have been asked to complete an Expressions of Interest. Once this has been received the County Council's estates team will be in contact with them to determine what rent is applicable with regard to the building they are expressing an interest in, and in light of the use or mix of uses they propose. The levels at which the County Council charges rent are: 1. Commercial Rate (the full market rate that can be achieved for a building) 2. Community Rate (notionally 50% of the commercial rent subject to the proposed use, these are the rents that were published in May 2016) 3. Early Years Rate (if meeting a statutory need under the Early Years and Childcare Providers policy published in Dec 2014, further reductions apply) The actual rent applied will take into consideration the various property matters such as the proposed community use, or mix of uses, the length of term of the lease and the condition of the building.
SUPPLEMENTARY QUESTION It is quite difficult to work out which Cabinet Member questions should be directed to in this area. There has already been touched on. However, she will be aware that there is a problem, a perception out there that OCC may be hiding behind its own policy – is she aware of that? And would she consider	**SUPPLEMENTARY ANSWER** Yes I am aware of the concern and what I would say Councillor Webber is that we will be dealing with this whole issue under agenda item 13 and then you will get some answers.

Questions	Answers
accepting business plans from perspective volunteer groups without reference to rent and rates at least in the first instance?	
13. COUNCILLOR JEAN FOOKS Is the Cabinet member confident that there are enough staffing resources to maintain levels of service in Children's Centres until the new Structure is in place?	**COUNCILLOR MELINDA TILLEY, CABINET MEMBER FOR CHILDREN, EDUCATION & FAMILIES** We are not in a position to give reassurance that there are enough staffing resources to maintain levels of service in Children's Centres until the new Structure is in place. In the letter from Jim Leivers to members and partner agencies on 8th August 2016 this was made clear. The letter stated that as the service moves towards implementation of the new delivery structure from September 2016 onwards. "there will be significant movement of staff as people are appointed to new posts and others decide to leave the service to take up work elsewhere " To date upwards of 55 staff have left OCC employment in these circumstances. The letter goes on to say that these circumstances will "inevitably mean that early intervention service will begin to re prioritise its work and workloads. Wherever possible support in the immediate future will continue to be offered to families who receive support through universal provision however this will not always be possible and as staff capacity reduces it is likely that delivery of other open access sessions will have to cease" The service is trying very hard to avoid changing or ceasing services and we have seen some really innovative work by centres to keep services going

Questions	Answers
	The service is clustering resources across children centres and hubs and planning locally to make best use of staffing capacity. Managers are taking a flexible approach when planning services and decisions about service reductions is being based on priority need and the skill of the staff available to run the service but unfortunately some services have had to cease and others will have to change or cease before the new service is fully operational. I would like to take this opportunity to reassure members that the service will do all it can to keep any changes to a minimum. Managers are closely monitoring the situation. If services do need to change or cease we will look at all alternative options, give families and partners as much notice as possible and ensure that vulnerable families are supported.
SUPPLEMENTARY QUESTION Thank you Councillor Tilley it's a depressing picture I'm afraid. I wondered if you could please check that managers are indeed informing users because that is not what is happening in my patch in North Oxford I'm afraid.	**SUPPLEMENTARY ANSWER** Yes, we will make sure that everybody gets to know what is happening.
14. COUNCILLOR JOHN TANNER The County Council's insistence on unspecified rental charges for children's centres trying to run independently, such as Grandpont children's centre in my own division, has been a very unhelpful step. Will the Cabinet now rule out charging rent for children's centres threatened with closure by	**COUNCILLOR LINDSAY-GALE, CABINET MEMBER FOR PROPERTY, CULTURAL & COMMUNITY SERVICES** The Council has already received 17 bids for transition funding to help communities provide open access children's services. That's a hugely positive response which shows the appetite of local people to deliver the services they most want to see in their communities. "We have been working closely with individual community groups on the development of business plans, as this cannot be a one-size-fits-all approach.

Questions	Answers
this Council?	Clearly these discussions have covered rental costs, and groups have submitted bids in the knowledge of what these costs would be. "Rent charged by the council at the Community Rate is typically 50 per cent of the full market rate, and further reductions may apply if activities meet a statutory need. The actual figure in any individual case will take into consideration the various property matters such as intended use, length of term and the condition of the building. "The first round of funding bids are currently being considered and we are already working with other groups who we anticipate will submit business plans ahead of the January 9 deadline for the second round.
SUPPLEMENTARY QUESTION There are, it seems two problems, one is the uncertainty and the other is asking for rent – even at a reduced rate and I take the point Mr Chairman that this is going to be debated later on. But it would be helpful if Councillor Lindsey-Gale could say something about whether she is in a position to reply with some certainty about rent levels and whether rent levels should apply at all.	**SUPPLEMENTARY ANSWER** Thank you Councillor Tanner. Again could I just ask you to be a little bit more patient and wait until we get to the agenda item 13 when this will be discussed.
15. COUNCILLOR JOHN TANNER The pedestranisation of Cornmarket has created a safe, unpolluted, vibrant and people-friendly space for all in the heart of Oxford, valued by shoppers, students and	**COUNCILLOR DAVID NIMMO SMITH, CABINET MEMBER FOR ENVIRONMENT** The Council's adopted transport policy, the Local Transport Plan, does not include any proposals for buses to operate in Cornmarket. It would not be appropriate for the Cabinet to rule out a change to this policy indefinitely as circumstances may change in future.

Questions	Answers
tourists alike. Will the Cabinet immediately rule out any possibility of re-introducing dangerous, polluting and unnecessary buses to Oxford's Cornmarket?	
SUPPLEMENTARY QUESTION Will Councillor Nimmo Smith agree with me that in fact, what is says in the LTP4 in the local plan about Oxford is that there will be increased pedestranisation not less.	**SUPPLEMENTARY ANSWER** We are looking across the whole County of ways of actually dealing with air quality, making places people friendly and if that means that some places are pedestrianised so much the better.
16. COUNCILLOR JOHN TANNER The Conservative Government's Brexit negotiations are likely to have a very damaging impact on Oxfordshire's economy; especially for the car industry, scientific research, farming, hospitals, care-homes and shops and restaurants. What steps is the County Council taking to mitigate this damage and what new opportunities for Oxfordshire does the Cabinet envisage when Britain leaves the European Union?	**COUNCILLOR IAN HUDSPETH, LEADER OF THE COUNCIL** The Conservative Government's Brexit negotiations will have a positive impact on Oxfordshire's and the Country's economy. Just last week we have seen that Nissan, the largest car manufacturer in the UK, have pledged to 2 build 2 new models at their plant in Sunderland. I expect we'll see similar announcements in future years, proving that Britain is open for business. This will grow the economy of the whole country providing opportunities at all levels of industry and commerce. The County council is working with the LEP, City, District and other partners to bid for infrastructure and apprenticeship funding to ensure that we have the best conditions to enable all residents of Oxfordshire to grow and prosper once the shackles of the European Union are removed.
SUPPLEMENTARY QUESTION I fear that Councillor Hudspeth has missed the core of my question which is: What is the County Council doing post-BREXIT to assist	**SUPPLEMENTARY ANSWER** I think I have answered the first part of the question. I completely disagree with you about the negotiations as I believe this will be successful and as I say in my answer we have seen last week Nissan are going to produce two new models in

Questions	Answers
the people of Oxfordshire and I would be grateful if he could comment on that, but I am quite astounded that he thinks that the European Union is a question of shackles which need to be removed. I wonder if he could mention one shackle we have heard a lot about 'freedom of movement', freedom of investment, freedom of clean air and all of the rest of it but I wonder if he could mention a shackle because I am not aware of them and the people of Oxfordshire are not.	the UK endorsing what is going to happen and endorsing the Government's policy which is fantastic news. So I cannot see how this is going to be the end of the world for Oxfordshire simply because Councillor Tanner is saying so. I have got to say I think we need to start representing our residents and let's face it the Country voted to leave the European Union. It's up to us to make sure that works and making sure it works is being positive about it.

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Division(s): N/A

COUNTY COUNCIL – 13 DECEMBER 2016

BRUNEL PENSION PARTERNSHIP – APPROVAL OF FULL BUSINESS CASE

Joint Report by Chief Finance Officer and Chief Legal Officer

Introduction

1. Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, considerable work has been undertaken to set up the Brunel Pension Partnership comprising ten LGPS Funds.

2. Regular reports have been brought to the Pension Fund Committee at all stages of the process, with additional engagement events also being held to provide the opportunity for Committee members to provide input to the proposals. As required by Government an initial joint submission from the ten Brunel funds was approved by the Pension Fund Committee in February 2016 and a more detailed response in June 2016 which was submitted to the Government in July 2016.

3. Following the July 2016 submission of what was in effect an outline business case, work has been continuing on developing a full business case for the Brunel Pension Partnership. The full business case (Annex 1 to this report) has now been completed and needs to be approved by each of the ten administering authorities in order that the establishment of the company can be progressed. Each Authority will consider the full business case amended to show their individual financial case, as well as the overall position for the pool.

4. A significant amount of work supports the full business case, and a full list of the supporting documents is included as Annex 2 to this report. Annex 3 sets out a glossary of the key terms used throughout the documents. If Members wish to access any of the unpublished additional supporting information listed in Annex 2, they are invited to contact the Service Manager (Pensions) who will make it available to them.

Full Business Case and Cost Model

5. The full business case seeks approval to establish a company called Brunel Pension Partnership Ltd (Brunel Company or BPP Ltd), regulated by the Financial Conduct Authority (FCA. It comprises five sections:
   - The Strategic Case;
   - The Financial Case;
   - The Economic Case;

- The Commercial Case;
- The Management Case.

6. The full business case was reviewed by the Finance/Legal Assurance Group (FLAG), comprising the Chief Finance Officers and Monitoring Officers of each of the ten administering authorities during November 2016 and signed off by the shadow Oversight Board, comprising the chairmen of the ten funds on 23rd November 2016. The business case has been put together with significant work by officers of the ten administering authorities, supported by professional expertise provided by PwC (operational and financial support), Osborne Clarke (legal support), Alpha (FCA expertise), JLT (project support) and Bfinance (investment advice).

7. The strategic case focuses on the legal and regulatory requirements as well as the costs and benefits of pooling. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No 946) came into force on the 1st November 2016. These regulations provide the legal basis which requires LGPS funds to pool their investments. They also include provision for the Secretary of State to intervene if he does not believe an Authority has complied with the Regulations and the accompanying guidance.

8. The financial case is drawn from a complex financial model that has been developed by the Brunel partnership in conjunction with PwC, which analyses the costs and savings for the partnership as a whole and for each of the individual funds. The model allows scenario testing, changes to individual assumptions and the removal of individual funds from the partnership for sensitivity analysis and stress testing the proposal. The core model analysis shows the breakdown between funds of a total of £550m forecast cumulative net savings over the next 20 years.

9. The economic case examines two potential models for how to set up the Brunel Company, either to rent it from a commercial provider or build it. An analysis was carried out as part of developing the Outline Business Case to consider the relative merits and limitations of each model, examining them against accountability, procurement and staffing factors, and costs. The analysis showed that the build model had advantages over the rental model, especially on accountability.

10. The commercial case sets out the structure of the Brunel Pension Partnership as well as the governance and contractual arrangements that will exist. The Brunel Company will be set up as a “Hamburg Waste” type joint working arrangement between public authorities and therefore fall within the exemption in the Public Contracts Regulations 2015 in relation to its appointment by the founding funds to manage the investments of the funds. The 10 founding Administering Authorities will be equal shareholders in the company. The company will be managed by the company board with a chairman, three other non-executive directors, a chief executive officer and three operational directors. The governance arrangements will include an Oversight Board representing each participating fund’s pensions committee.

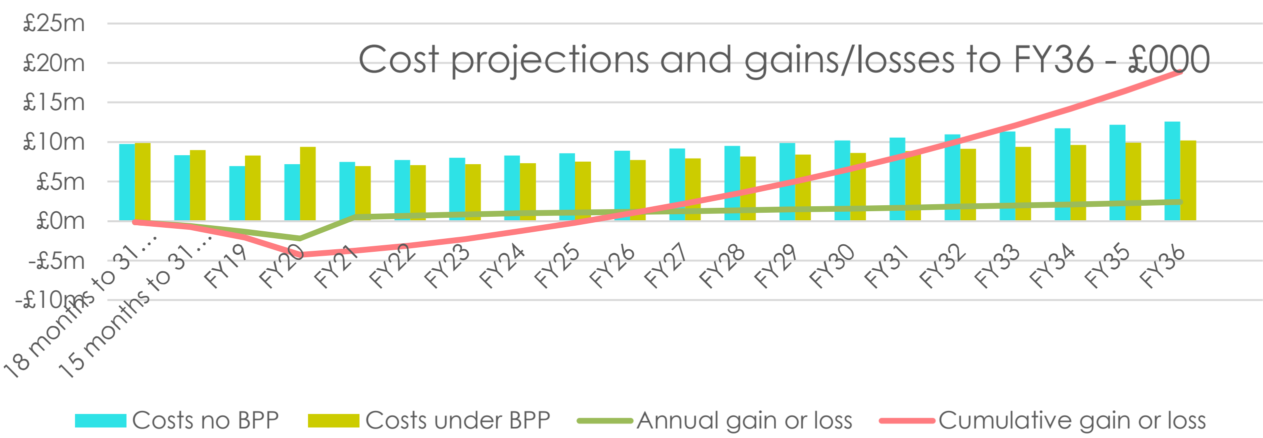
11. The management case looks at the project management that will be required to set up Brunel Pension Partnership Ltd including recruitment of staff, legal and physical set up, procurement of third party providers including the Administrator/Custodian, definition and set up of the services, and obtaining FCA authorisation. It also covers the work to establish the arrangements for governance of the company by the Administering Authorities (AAs) and to implement the client side governance, organisation and process changes.

Oxfordshire Pension Fund Costs and Benefits

12. The financial case for Brunel has been derived from the financial model put together by PwC. The core model forecasts cumulative savings for the Oxfordshire Fund of £18.9m over the next 20 years, which has a discounted present value of £7.8m. This results in a breakeven point in the 2025/26 financial year, which is within 10 years of this current decision to approve the full business case, and as such is in line with the County Council's financial strategy for invest to save projects. The savings are summarised in the following table and graph:

<u>Costs and Benefits to the Oxfordshire Pension Fund to 2035/36</u>

Core Model	Breakeven Year	Total Net Gain to FY36		Annual Rate of Net Savings in FY25	
		£m	Discounted Value £m	£m	bps of AUM
Oxfordshire	FY26	18.9	7.8	1.1	4.2
Combined Pool	FY23	550.1	279.5	27.8	8.9



13. The Brunel Pension Partnership costs include estimated costs of transitioning assets. These are being shared by all the Pension Funds pro rata to their allocation to each asset class, to ensure that no individual fund is disadvantaged by, or benefits from fund manager selection that will be made by the company. Other costs include the taxes involved in transitioning assets into the company and the operating costs of the company itself.

14. The actual asset transition costs for the company will not be known until the Fund Managers have been appointed and will depend on the number of funds that need to be transitioned and the market conditions over the period of transition. The transition of assets is expected to begin in April 2018 through to 2020 for the majority of assets, although illiquid alternative assets will need a longer transition timetable. Oxfordshire's allocation to listed private equity is currently unique across the Brunel funds, and any transition will have to be reviewed as the Brunel model is developed.

15. The savings by establishing BPP Ltd will be achieved through reduced direct investment costs, predominantly investment manager fees, expected to be payable by the company once it is operational. In addition there are the savings that the Administering Authorities expect to make as a result of no longer needing to carry out tasks internally because of services provided by the company. In the case of the Oxfordshire Pension Fund, this will be through reduced custodian and performance reporting costs.

16. The financial model allows the sensitivity of the financial case to the above key assumptions to be tested. The greatest sensitivity is in respect of fee savings. However, the partnership would have to fail to achieve 50% of the assumed fee savings before the model suggests that the Oxfordshire Pension Fund would not breakeven.

17. In respect of the transition costs, an increase of 50% would only move the breakeven point from 2025/26 to 2026/27, and reduced net savings over 20 years to £17.1m. Similarly, variations in the costs of operating the Brunel Company have very little impact on the overall savings figures and the breakeven point.

18. In addition to the financial model's core estimate of savings that BPP Ltd can achieve, the financial case also outlines the opportunity for additional benefits from improved performance. This would result from improved diversification between managers and better risk management that could be achieved from investing in greater scale. There is a further opportunity to make savings should the company undertake internal management of some active equity investments. This would reduce external manager fees and could therefore further increase the savings. There will also be increased opportunities for co-investments in property, infrastructure and private equity.

19. There are also a number of non-financial benefits resulting from the proposal. These include significantly improved resilience, improvements in reporting and benchmarking, improved resources for risk analysis including all economic, social and governance risks, and improved knowledge sharing.

Conclusion

20. Government policy, now brought into effect by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, requires the Oxfordshire Pension Fund to pool its assets. In the light of this, the Fund

has already committed to participating in the Brunel Pension Partnership through the decisions made at previous meetings of the Pension Fund Committee. The Committee considered the full business case at its meeting on 2 December and resolved to recommend the Council to approve the full business case to set up the Brunel Company in order that the pooling proposals can progress to the implementation phase.

21. Although investment pooling is being driven by the central government agenda, the financial modelling that has been undertaken demonstrates that there are net savings opportunities for the Oxfordshire Pension Fund in entering into the Brunel Pension Partnership. The detailed business case sets out the structures and governance arrangements that will be put in place, which will ensure that the company provides value for money to the Oxfordshire Fund.

22. Further reports will be brought to the Pension Fund Committee as the project progresses. For avoidance of doubt, approval of the resolution includes approval of the budget provision for the development costs, including those already incurred of £267,000 for professional advice etc and £200,000 for working and regulatory capital.

RECOMMENDATION

23. The Council is RECOMMENDED to approve the following resolution:

In its capacity as the Administering Authority for the Oxfordshire County Council Pension Fund, and having received and reviewed this report and the Business Case attached to it, the Council **HEREBY RESOLVES** to enter into investment pooling with respect to the Oxfordshire County Council Pension Fund.

Such Resolution is made on and subject to the following terms and conditions:

- **THAT** the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the said Business Case, and more particularly that:

- a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability.

- a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership.

- **THAT** the Pensions Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.

- **THAT** the Chief Finance Officer and Chief Legal Officer be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.

- **THAT** subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.

LORNA BAXTER
Chief Finance Officer

NICK GRAHAM
Chief Legal Officer

Contact Officer: Sean Collins Tel: 07554 103465

December 2016

Project Title: Project Brunel

Brunel Pension Partnership

Full Business Case – Oxfordshire

VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Final Draft	08/11/16	Final Draft presented to BPP Finance and Legal Assurance Group (FLAG)	Dawn Turner
Final V1.0	15/11/16	Updates from FLAG feedback	OC/PwC/Project Office
Final v1.1	17/11/16	Incorporating feedback following FLAG review	Project Office
Final v1.2 Oxfordshire	22/11/16	Updated in line with Financial model v5 Individual fund details included annex references for PCs.	Project Office

Contents

1. INTRODUCTION

1.1 Background and Context

The Full Business Case **(FBC)** has been prepared to inform a decision by Oxfordshire County Council on a proposal for Pension Fund investment pooling by means of a newly established pooling arrangement, to be called the Brunel Pension Partnership **(the BPP**). At its core will be a new Financial Conduct Authority **(FCA)** regulated company, Brunel Pension Partnership Limited **(the Brunel Company).**

Having first explained the background to investment pooling for Pension Funds in the Local Government Pension Scheme (**LGPS**), and also the essential features of the BPP proposal, the main focus of the FBC is on the financial viability and economic merits of that proposal. The outcomes of a detailed Financial Model are set out and have been subjected to ***independent professional assurance***. The impacts of legal and other matters relating to the formation, governance and operation of the BPP and the Brunel Company are also set out and subjected to ***independent professional assurance***. All aspects have also been subjected to review by Chief Finance Officer/ Chief Legal Officer representatives from the 10 bodies engaged in the Brunel pool.

A summary of the key conclusions emerging from the FBC is provided immediately below. A major point to be emphasised at the outset is that ***the FBC indicates that there are significant financial savings and other efficiencies to be gained which support accepting the proposal to continue to establish an investment pool for the 10 bodies*** (i.e. quite apart from any regulatory imperative to pool). These derive principally from the ***enhancement in scale, skills, and resources that investment pooling will bring***. The pooled investment of approximately £25bn of assets under the BPP model ***will open up new opportunities across a range of performance metrics***.

Having listed the key conclusions, the remainder of this FBC is divided into five sections dealing with the Strategic, Financial, Economic, Commercial and Management Cases. Detailed consideration of these has been undertaken by Chief Finance and Chief Legal Officers on behalf of Oxfordshire County Council.

1.2 Key conclusions from the Full Business Case

These are, as follows:

- On an aggregated basis, the Financial Model indicates that net savings exceeding £0.5 billion are achievable by 2036, with annual savings exceeding annual costs by March 2021 and breakeven two years later.

The timing is largely down to the timetable to transition active fund management after 2019 as this yields the largest saving potential.

- On an individual Fund basis, the Financial Model indicates that net savings are achievable, with the level of such savings varying between Funds mainly to reflect the historic differing approaches to investment and risk resulting in different portfolios. This means there will inevitably be differing savings that will be obtained on fee renegotiations.
- New Regulations have set out a clear legal framework making investment pooling mandatory for all LGPS funds in England and Wales, from April 2018.
- Regulations are very clear that the responsibility for individual fund investment strategy remains with the individual Administering Authorities.
- The BPP will represent a collaboration of Oxfordshire County Council and nine other LGPS Administering Authorities based broadly in the South West of England.
- The Brunel Company will be set up as a new FCA regulated entity, to be owned equally by each of the ten Administering Authorities.
- The Brunel Company will implement the investment strategy of each BPP Pension Fund by selecting and monitoring external Manager Operated Funds.
- An initial review of the set-up, governance and operation of the BPP investment pool has confirmed its legal robustness and viability.
- Further development work, including on financial, legal and FCA regulatory matters, will be undertaken in the next development phase of the BPP investment proposal (i.e. up to anticipated implementation in April 2018).
- The current proposals and the documents associated with the current proposals are first drafts which are yet to be properly discussed and scrutinised by the Administering Authorities.
- The next phase of the BPP project will be work-intensive, and continued project resource will be required to ensure its successful delivery.

1.3 Professional advice and assurance

Professional advice and assurance on the financial elements of the BPP investment pooling proposal has been provided by PricewaterhouseCoopers

LLP (**PwC**) and other advisers. From PwC, this has primarily related to preparation of the Financial Model and its outcomes, the financial case and taxation advice. Bfinance UK Limited (**bfinance**) has advised on potential investment fee savings and investment transition costs. Additional financial markets advice has been provided by Alpha Financial Markets Consulting (**Alpha**).

Professional advice and assurance on the legal elements of the BPP investment pooling proposal has been provided by Osborne Clarke LLP (**Osborne Clarke**). This has primarily related to the law and investment pooling, the set-up of the Brunel Company, FCA authorisation, procurement and employment matters. Further legal assurance has been provided by obtaining the legally privileged opinions of Leading Counsel (QCs) on the FCA authorisation and procurement law aspects.

Both PwC and Osborne Clarke have provided a statement of assurance to each of the BPP Administering Authorities.

2. STRATEGIC CASE

2.1 Introduction

The purpose of the Strategic Case is to identify the drivers for investment pooling. It sets out the case for change, taking into account in particular the Government's policy imperatives and the regulatory requirements relating to pooling.

2.2 Background to LGPS investment pooling

In May 2014, the Government published a consultation which set out how savings might be achieved by LGPS funds through greater use of passive management and pooled investment. Following that consultation, the Government invited all LGPS Administering Authorities to develop ambitious proposals for pooling of their assets.

In July 2015 the Budget Red Book contained a statement as to what was required, and in November 2015 more detailed guidance was issued. A key point to emerge was that each pool should have assets of around £25 billion.

The proposal to establish the BPP developed accordingly. Through project based joint-working initiatives led by the local pension officers and overseen by two sponsoring bodies[1] the 10 Administering Authorities comprising the BPP have collaborated to test the proposition of establishing a new LGPS

[1] Shadow Oversight Board with representatives from each Administering Authority; and Finance and Legal Assurance Group comprised of Chief Finance Officers and Chief Legal Officers.

investment pool. This will include the Funds of the Environment Agency (Active and Closed) and those of nine Local Authorities (Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire).

In February 2016 eight pools, including the BPP, submitted their proposals to the Government. These submissions were strategic statements of intent. They were followed in July 2016 by much more detailed submissions from each pool, setting out how they were intending to pool their assets and the rationale for the approach being adopted. Each of the Administering Authority's Pensions Committees approved the BPP submission to Government.

The BPP submission included details about the key structural elements for the BPP pool. Since July, work has been ongoing to develop the BPP proposal in readiness for launching the new pool in April 2018.

2.3 **Regulatory reform**

The regulatory framework for investment pooling has been confirmed in the recently made Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (**LGPS Investment Regulations 2016**). These provide that each Administering Authority must formulate an Investment Strategy Statement which must (a) be in accordance with Secretary of State (**SoS**) guidance, and (b) include "the authority's approach to pooling of investments, including the use of collective investment vehicles and shared services". The guidance states that "all authorities must commit to a suitable pool to achieve benefits of scale", and they "must confirm that their chosen investment pool meets the investment reform and criteria published in November 2015".

The SoS is given back-stop powers to intervene if an authority fails to act in accordance with the guidance and following consultation with the authority. These permit the SoS to make a direction requiring: that the authority changes investment strategy; that the authority invests specified assets as directed; that the investment functions of the authority are exercised by the SoS; that the authority complies with an instruction from the SoS relating to the exercise of its investment functions.

Legal advice from Osborne Clarke has confirmed that these regulatory provisions mean that the Government has set out a clear framework making investment pooling mandatory for all LGPS funds in England and Wales.

2.4 **The case for change**

The consultation for the new draft LGPS Investment Regulations 2016 was accompanied by criteria for pooling. This outlined four areas that underpin the case for change. These are now described, along with a brief statement (in bold) of how the BPP measures up against those criteria:

- Benefits from economies of scale to be derived from large pools of assets of a minimum of £25 billion. The total LGPS assets under management (**AUM**) in England and Wales at that time were in the region of £180 billion.

  Funds in the BPP pool had assets of about £23 billion at 31 March 2015, and these were valued at over £25 billion at 31 October 2016.

- Improved decision making and better risk management, achieved from stronger governance, for the long-term interest of Funds' members.

  The BPP has agreed 12 investment principles that will underpin all the governance and operating arrangements across the whole partnership. These were reported to all fund Committees/ Boards in earlier phases of this project and include long termism, responsible stewardship and openness and transparency. The BPP's governance arrangements will be constructed to meet the highest standards, including those required by the FCA for a regulated entity.

- Reduction in costs and improved value for money from both the fee savings achieved by funds investing together and reducing manager churn by focusing on long term performance.

  The BPP Funds currently have almost 100 different managers and around 170 mandates between them. These will be replaced by about 22 outcome focused investment portfolios, which will deliver the BPP Funds' investment strategy requirements and significantly reduce the number of managers and mandates. Annual fee savings of £20 million are projected to be made by March 2021, rising to £30 million by March 2027.

- Increasing capacity and capability to invest in infrastructure by making long term strategic collaborative plans across the LGPS to invest in infrastructure making this asset allocation more attractive (lower risk) and beneficial (increased returns for less cost).

  The eight LGPS pools have formed a Cross Pool Collaboration Group, with an Infrastructure sub-group looking at a national approach to infrastructure. While in its infancy, this is likely to yield improved access to better infrastructure investment, both from the collective opportunity BPP brings as well as a national investment vehicle.

2.5 Imperative of investment pooling

The main strategic driver for investment pooling is the Government's decision to progress this as a policy, as now required under the LGPS Investment Regulations 2016. The case for change is underpinned by legal advice from Osborne Clarke, and has been recognised by all other Administering Authorities in England and Wales and the other pools they have formed or are now forming.

3. FINANCIAL CASE

3.1 Introduction

The purpose of the Financial Case is to set out the financial implications of investment pooling. It is informed by a detailed Financial Model, which focuses on the estimated savings from pooling both on a whole pool basis and an individual Fund basis. It represents the key evidence supporting this Business Case and the BPP proposal generally.

3.2 The BPP financial model – three key metrics

PwC have created a sophisticated Financial Model that has been provided to each Administering Authority's pension and financial officers. The Financial Model compares the current situation for each Administering Authority to the situation following the transition of assets into the Brunel Company, projecting annual net costs or net savings until 2036.

There are three key metrics from the Financial Model:

- **The annual running rate of net saving once the initial structural development and asset transition costs have been met**. Net savings are fee savings plus other savings less operational costs, each evaluated on an annual basis. The metric can be expressed as a cash amount or as a percentage of assets under management in the relevant year: we have used the year to March 2025 (FY25).
- **The year of breakeven**. This metric estimates when each of the BPP Pension Funds will reach the point when the anticipated fee and other savings will start to exceed the set-up (structural development and asset transition) costs and operational costs.
- **The total net savings measured against a broadly 20 year period** to financial year ending 31 March 2036 (FY36). This metric measures the net savings each of the Brunel Funds will accrue, both on a discounted and an undiscounted basis, over that period.

The information and assumptions underlying the Financial Model are described in more detail in the Financial Case.

3.3 The core model

The core model presents a base case of the financial outputs, and is intended as a prudent and reasonable projection of the total anticipated savings from the transitioning of assets into the BPP pool. The core model relies on the key assumption that fee savings will be driven by fewer investment mandates and an extensive programme of fee negotiations, with other savings accruing from reduced expenditure by Administering Authorities.

On that basis, the core model projects:

- that annual net savings by FY25 will be **£27.8 million pa** across the Administering Authorities, representing 0.089% (**8.9** basis points **bps pa**) of assets then under management;
- the breakeven year, by which cumulative savings will have exceeded cumulative costs will be the year to March 2023, **FY23,** in fact relatively early in that year; and
- an aggregate net saving to FY36 across all ten Administering Authorities of **£550 million**, which has a discounted present value of **£280 million**.

The position on the three metrics (i.e. the annual running rate of net savings, the breakeven year, and the net savings by FY36) differs between the ten Administering Authorities, depending mainly on differing projected fee savings. These differing fee savings depend on the differences between the projected fee levels, after renegotiation, and existing fee levels, with fee savings harder to achieve if existing fee levels are already low. This is largely due to individual Administering Authorities having historically taken differing approaches to investment strategy and risk. This independence will remain and the base core model simply looks at savings from today's position. The other information on which projections are based varies much less between Administering Authorities.

For ease of comparison, the following table states assets under management (AUM) in March 2016 and the annual running rates of savings projected by the core model for FY25, both on a combined pool basis and on an individual Administering Authority basis.

Core model	Assets under management (AUM, £m, at 31 March 2016)	Running annual rate of net saving in FY25	
		£m	bps of projected AUM in FY25
Avon	3,739	3.5	6.8
Buckinghamshire	2,164	6.1	20.4
Cornwall	1,464	1.1	5.6
Devon	3,299	5.2	11.3
Dorset	2,273	3.7	11.8
Environment Agency*	2,954	2.8	7.4
Gloucestershire	1,687	0.7	3.0
Oxfordshire	1,824	1.1	4.2
Somerset	1,592	1.5	6.6
Wiltshire	1,826	2.1	8.3
Combined Pool	**22,822**	**27.8**	**8.9**

*includes £219m for the EAPF Closed Fund which is not expected to benefit from fee savings. Therefore the Closed Fund assets are not used in the calculation of the net saving as expressed in basis points of AUM.

This would mean a breakeven point for the combined fund of 2022/23 and for Oxfordshire of 2025/26 as follows:

Core model	Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
		£m	Discounted value £m	£m	bps of AUM
Oxfordshire Pension Fund	FY26	18.9	7.8	1.1	4.2
Combined Pool	**FY23**	**550.1**	**279.5**	**27.8**	**8.9**

PwC has provided financial assurance to the Administering Authorities that the core model has been constructed using prudent and reasonable assumptions. More detail of such assumptions and the modelling methodology is set out in the Financial Case. This has been checked and assessed by each Administering Authority's Chief Finance Officer/ Section 151 Officer.

3.4 Sensitivity on core model

A sensitivity analysis of the core model metrics has been undertaken. This analysis has considered several important variables, as follows:

- Variable 1: fee savings achieved by the Brunel Company being plus/minus 2 basis points (0.02%) when compared with the midpoint the fee savings identified in the core model for each Administering Authority (the overall midpoint being 8.9 bps for the Combined Pool).

- Variable 2: asset transition costs, which include tax costs, being in total plus/minus £15 million when compared with the asset transition costs used for the core model.

- Variable 3: annual operational costs for the Brunel Company being £1 million pa higher than the annual operational costs used for the core model.

- Variable 4: a transition delay such that liquid assets take three years to restructure rather than the two years used in the core model.

- Variable 5: underlying market asset performance differing significantly from the steady 4% pa growth used for the core model. Three variations are considered: a 20% equity market crash in 2020, and steady growth at rates of either 3% pa or 5% pa.

The table on the following page expresses the impact of these five variables on a combined pool basis. The top row, shaded, shows the core model. Other rows show individual variations, with downside sensitivities lightly shaded and upside sensitivities unshaded:

Table 1.3.4a Impact on Core Model of 5 Variables – Combined Pool Basis

Combined (all ten Administering Authorities)		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY23	550	280	27.8	8.9
Variable 1: fee savings	**- 2 bps pa saving**	FY24	387	188	20.5	6.5
	+ 2 bps pa saving	FY22	714	371	35.2	11.2
Variable 2: asset transition costs, incl tax	**+£15m on total transitional costs**	FY24	535	266	27.8	8.9
	- £15m on total transitional costs	FY22	565	293	27.8	8.9
Variable 3: + £1m pa Brunel Company running costs		FY23	526	263	26.6	8.5
Variable 4: transition delay		FY24	507	256	26.3	8.4
Variable 5: market asset performance	**Equity market crash in FY20**	FY23	458	228	23.5	8.7
	-1% pa (3% pa total)	FY23	441	219	24.6	8.6
	+1% pa (5% pa total)	FY23	680	352	31.3	9.2

The key conclusions emerging from the sensitivity analysis are as follows, including comments on mitigation:

- **The fee renegotiations will be critical to the overall results.** The core model targets an overall improvement in fee savings that leads to net savings, after operational costs, of 8.9 basis points (0.09%) by FY25. A reduction of 2 basis points (0.02%) in savings in variable 1 is the largest effect illustrated, impacting all three key metrics of running annual rate of net saving, breakeven and 20 year net gain.

- **Fee renegotiations are a largely symmetrical sensitivity.** Hence the upside potential on the three key metrics in variable 1 further emphasises the importance of successful fee negotiations.

- **Asset performance by the markets is crucial.** The more assets under the aegis of the Brunel Company, the more pooling will deliver; conversely, a lower asset base will render pooling less beneficial. There is an element of a fixed cost being spread here, as evidenced by the annual running rate of saving in FY25, if expressed as basis points of AUM (assets under management), changing little between the three scenarios considered within variable 5. At a high level, investment performance by markets cannot be altered by the Brunel Company: some mitigation may be possible through strategic asset allocation at the Administering Authority level. Ultimately, investment performance has balancing contribution implications that have not been modelled.

- **Transition delay should be avoided.** Delay by a year, variable 4, would outweigh the impact of £15 million higher asset transition costs, variable 2. This can be seen in both breakeven year and total gain over 20 years. Neither variable has much impact on the running annual rate of saving projected by FY25.

- **Asset transition costs including tax could push back the breakeven year.** The £15 million extra indicated just moves breakeven from FY23 to FY24, so that there would be a substantial gain by the end of FY24. There will be choice as to how much cost to incur: more radical asset reorganisation may be justified in terms of higher fee savings or higher performance expectations. However, action to pursue recognition of this impact and alternative arrangements for UK tax impacts should and will be pursued with Central Government to see if some of this variable can be mitigated.

- **Asset transition costs including tax are a broadly symmetrical sensitivity**. So the upside potential demonstrates that a saving is possible. There would be a concern that pursuing some saving could reduce the longer term effectiveness of portfolio construction.

- **Brunel Company operating costs should be controlled**. If they changed by £1 million a year as illustrated by variable 3, they would have a somewhat greater impact on the 20 year net gain than transitional costs increasing by £15 million

The table on the following page expresses the impact of these the five variables for the Oxfordshire Pension Fund only. Commentary is being provided in individual covering papers and the text of this document, other than for the table itself, is not being altered between Administering Authorities:

Table 1.3.4b Impact on Core Model of 5 Variables – Oxfordshire Pension Fund Only

Oxfordshire Pension fund		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY26	18.9	7.8	1.1	4.2
Variable 1: fee savings	**- 2 bps pa saving**	FY31	5.6	0.3	0.5	1.9
	+ 2 bps pa saving	FY23	32.2	15.2	1.7	6.5
Variable 2: asset transition costs	**+£15m on total transitional costs**	FY27	17.6	6.6	1.1	4.2
	- £15m on total transitional costs	FY25	20.2	8.9	1.1	4.2
Variable 3: + £1m pa Brunel Company running costs		FY26	16.7	6.2	1.0	3.8
Variable 4: transition delay		FY27	16.9	6.7	1.0	4.0
Variable 5: asset performance	**Equity market crash in FY20**	FY27	13.4	4.7	0.8	3.8
	-1% pa (3% pa total)	FY26	13.9	5.0	0.9	4.0
	+1% pa (5% pa total)	FY25	24.8	11.0	1.2	4.4

3.5 Future opportunities – risk mitigation

There is international evidence that investment at greater scale can provide opportunities to improve overall investment performance through a range of mechanisms, including risk mitigation. This has not been examined in the core model. Nonetheless, the potential can be seen by considering the core model sensitivity analysis: if the opportunity can be captured to the extent of just 5 basis points (0.05%), then the total net gain projected by FY36 would increase by approximately 60%.

3.6 Future opportunities – internal management

Additional analysis has been undertaken to assess the opportunities that may be available if the Brunel Company undertakes internal management (i.e. undertaking dealings in individual stocks and other assets, in addition to making investments into Manager Operated Funds). A move to internal management could only happen with the consent of all the Administering Authorities based on circumstances at the time. It is therefore only a prospective and contingent opportunity at this point.

Subject to that, the Financial Case analyses the potential opportunities that may be offered by internal management, which in summary are greater savings owing to the potential substantial reduction in fees.

Any decision to move to internal management would require the case to be made that the fee savings would be accompanied by investment performance expectations remaining at least in line with those that external managers were providing. Such a case would be easier to make for some asset classes than others.

3.7 Core model – foundation of the Full Business Case

The core model, including the sensitivity analysis outlined above, is foundational to the FBC. It is this core model which should substantially inform a decision to proceed with the BPP investment pooling proposal.

This section of the FBC has dealt with the headline points relating to the core model, and sets out the main conclusions. Further and more detailed analysis is set out in the Financial Case.

4. ECONOMIC CASE

4.1 Introduction

The purpose of the Economic Case is to describe the options considered for investment pooling, and to provide evidence that the most economically advantageous approach to meet the Administering Authorities service needs on a value for money basis.

4.2 Options considered for the pooling entity

The Project Brunel initial proposal, submitted in February 2016, suggested a structure whereby a Collective Asset Pool would be overseen by a Joint Committee. This proposed structure was an alternative to an overarching Authorised Collective Scheme (**ACS**), which would have had additional complexities and costs of establishment and operation and would not have provided a structure consistent with all types of pooling

This proposed structure was later developed following the Secretary of State's March 2016 response. This required that a single and separate entity be at the heart of final pooling proposals, and that it should have responsibility for selecting and contracting with investment managers independently of Administering Authorities (which would retain responsibility for setting their detailed Strategic Asset Allocation). A further clear requirement set out in the Secretary of State's response was that the pooling entity must be FCA regulated.

The Secretary of State's response led to a discussion of how best to operate this entity, now conceptualised as the Brunel Company. Two models were under consideration, being either to rent it from a commercial provider or for the Administering Authorities to build it and shape its structure and governance through a shared ownership arrangement.

A detailed analysis was carried out by PwC to consider the relative merits and limitations of each model, examining them against three groups of issues: accountability; procurement and staffing; and costs. The PwC analysis showed that the build model would have advantages over the rental model, especially on accountability. It would also generate less uncertainty around the future roles of investment officers.

It was recognised that the build model brought its own challenges, particularly around procurement and staffing. These are considered further in the Commercial Case section that follows. Overall, however, the build model was the preferred option under the PwC analysis.

4.3 Operational costs of the Brunel Company

Whilst the Commercial Case examines a wide range of issues, the Economic Case evaluates how the Brunel Company development and operational costs affect the Financial Case. The key point has been consolidated into the sensitivity analysis in the Financial Case: additional operational costs will need to be evaluated against the additional asset performance or fee saving they can generate.

PwC has identified that the most economic case would suggest that the Brunel Company is situated in the Bristol area (a formulation which includes Bath). This followed analysis that compared several geographies, including London, Swindon, Taunton and Exeter, evaluating them under the headings of infrastructure, human resources and operational matters.

The Bristol area includes the largest city in the Brunel geography, with good transport links to the Administering Authorities and acceptable links to suppliers, notably those in London. Office space is relatively affordable and staffing implications, including remuneration levels, are favourable. In building up costs used in the core model therefore, indicative costs have been used for prices of accommodation in the Bristol/ Bath area.

5. COMMERCIAL CASE

5.1 Introduction

The purpose of the Commercial Case is to set out the proposed structural arrangements for the BPP. The focus is on relevant ownership, governance and contractual matters, and how these will serve the requirements of the BPP Administering Authorities.

5.2 Brunel Pension Partnership structure

The main structural components of the BPP are, in summary:

- **BPP Administering Authorities:** They will each retain sole responsibility for setting the detailed Strategic Asset Allocation for their Fund and allocating their assets to the investment portfolios provided by the Brunel Company.
- **Brunel Pension Partnership Limited:** This will be a new FCA regulated company which will be wholly owned by the Administering Authorities. It will be responsible for implementing the detailed Strategic Asset Allocations of the BPP Funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements

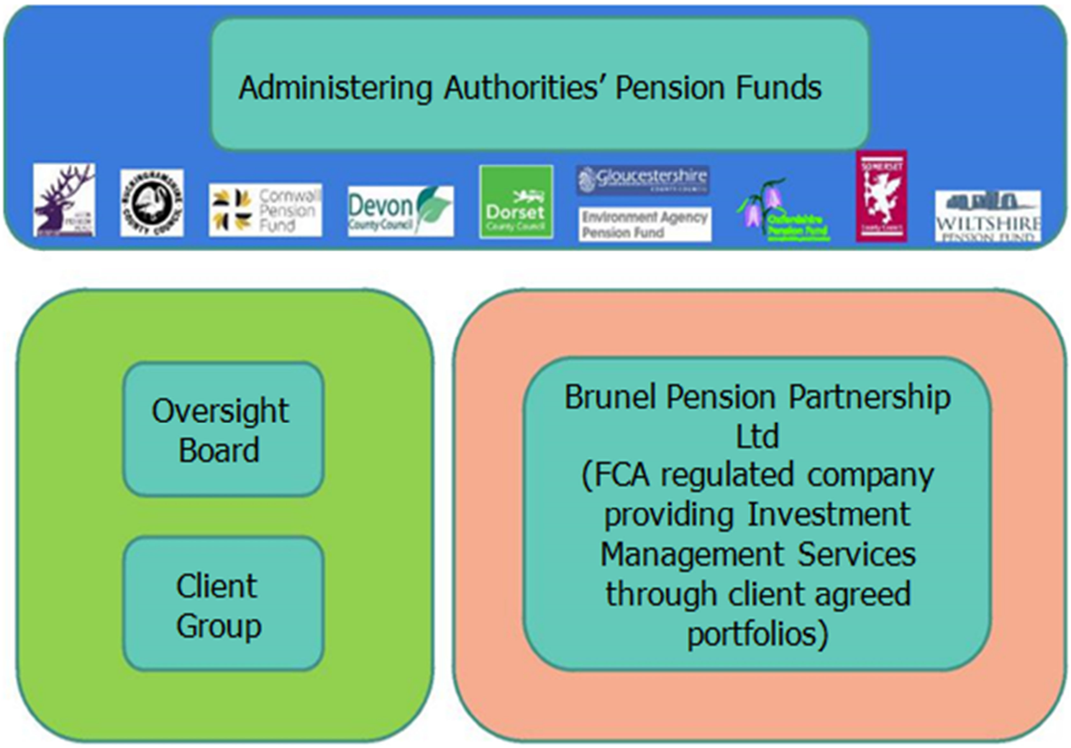
of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers.

- **Oversight Board:** This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference (however, it will not be a Joint Committee under S102 LGA). Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that the Brunel Company delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function.

  Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. Further work on issues such as how this will operate, the Shareholder Agreement, and appointments will be clarified and brought back to each Administering Authority to approve at a later date.

- **Client Group:** This will be comprised primarily of pension investment officers drawn from each of the Administering Authorities. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. In effect, it will provide a client-side link between the Oversight Board and the Brunel Company, and will draw on Administering Authorities finance and legal officers from time to time.

The following illustration shows the key structural components of the Brunel Pension Partnership in diagrammatic form:



5.3 Governance arrangements

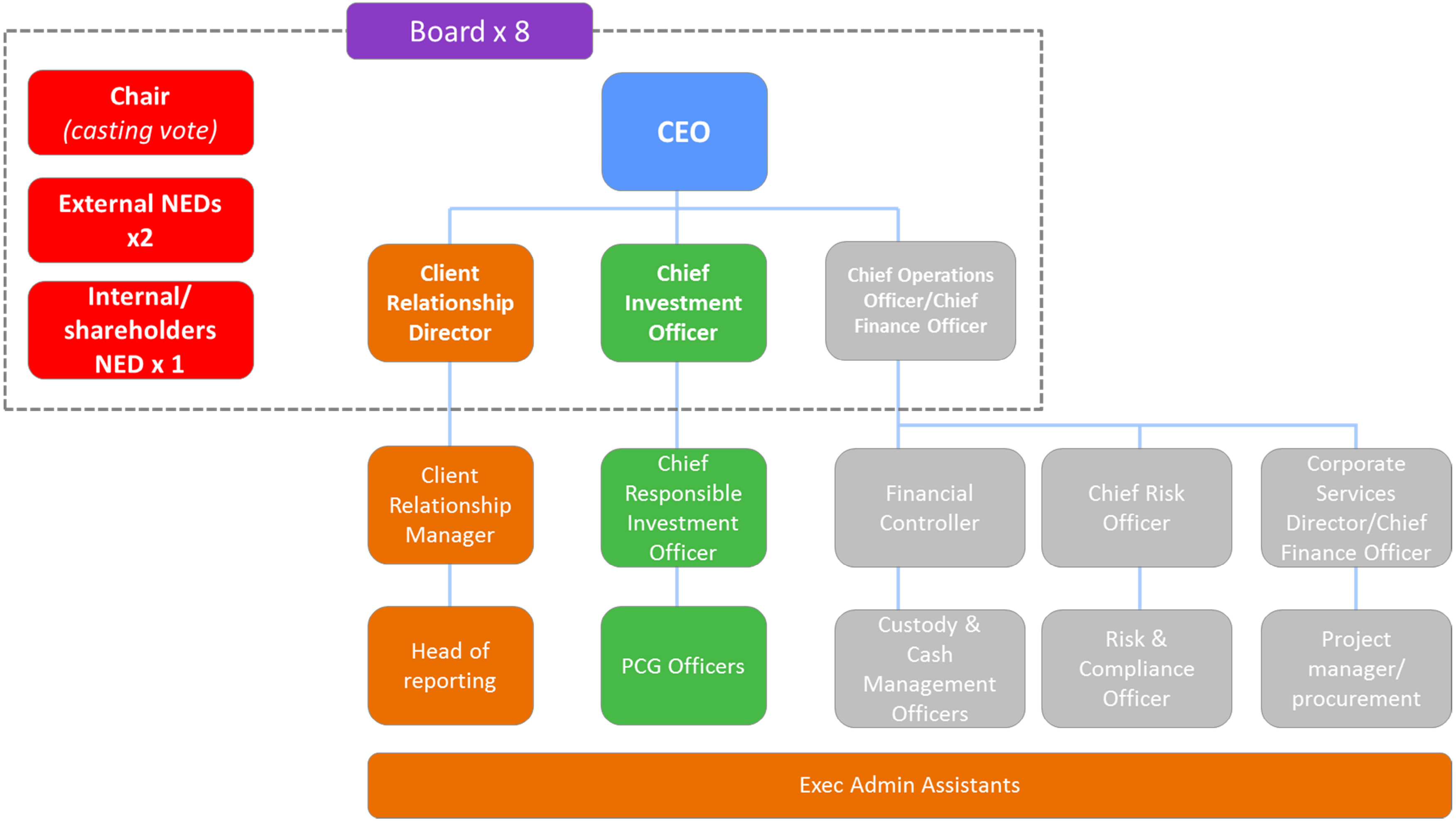
Much of the detail relating to the BPP's governance arrangements will be set out in three key documents: **Articles of Association** of the Brunel Company; **Shareholders' Agreement** between the Administering Authorities; **Terms of Reference** for the Oversight Board. These documents will address issues such as powers of the company, shareholder control through reserved matters, exit arrangements and procedures of the company. The current proposals that are reflected in the commercial case are based on a first draft of documents produced by Osborne Clarke which are yet to be properly discussed and scrutinised. Osborne Clarke will advise on the drafting of these documents, working with Chief Legal Officers accordingly. The project timetable has an indicative time for these to be put in place of Spring 2017.

Standing behind these key documents will be the other requisite documents such as conflict of interest policy and terms of reference for the Brunel Company's committees. Its FCA regulated status will require it to have high standards of internal governance and compliance, with a particular focus on risk management.

The proposed operating model for the Brunel Company includes a board which will be made up of four non-executive directors (independent chair, plus two externally recruited non-executives and one shareholder representative non-executive), with three or four executive directors (chief executive officer, chief finance/operations officer, chief investment officer and (yet to be confirmed) client relationship director). Various committees (audit, remuneration, risk and compliance) will be required, as will other statutory roles, such a company / board secretary.

This board will be responsible for three business units, which will relate to the following: investments (including responsible investments), operations and finance (including risk and compliance), and client relationships (including reporting). A programme of external and internal recruitments will be implemented to ensure that the senior and other supporting roles are staffed by suitably qualified and experienced personnel.

The operational structure diagram below set outs the proposed high level operating structure of the Brunel Company.


Board x 8
Chair
(casting vote)
External NEDs x2
Internal/ shareholders NED x 1
CEO
Client Relationship Director
Chief Investment Officer
Chief Operations Officer/Chief Finance Officer
Client Relationship Manager
Chief Responsible Investment Officer
Financial Controller
Chief Risk Officer
Corporate Services Director/Chief Finance Officer
Head of reporting
PCG Officers
Custody & Cash Management Officers
Risk & Compliance Officer
Project manager/ procurement
Exec Admin Assistants

5.4 Contractual arrangements

The contractual relationship between the Administering Authorities and the BPP will be set out in a comprehensive **Services Agreement.** It will define the investment pooling and related services which the Brunel Company will perform, and the contractual terms which will apply to the delivery of those services.

The core contractual obligation of the Brunel Company will be to define and set up portfolios reflecting the detailed Strategic Asset Allocations of the BPP Administering Authorities, and to select investment managers who are capable of operating suitable Manager Operated Funds for each portfolio. The Brunel Company will be required contractually to maintain its FCA regulated status.

In support of that core contractual obligation, the Brunel Company will offer a number of subsidiary services to the Administering Authorities. These services will cover such matters as custody and investment administration, financial performance reporting, responsible investment, investment research, investment accounting, risk management, transition management, cash management, etc. Where appropriate and necessary, the Brunel Company will contract with third party service providers to procure services that will not be provided internally (e.g. custody, transition management, HR services).

5.5 Brunel Company and procurement issues

A legal review has concluded that a decision by the Administering Authorities to enter into the Services Agreement, and thereby procure the services of the Brunel Company, will be exempt from the application of the public contract procurement procedures (as set out in the Public Contracts Regulations 2015). This legal review was undertaken by Osborne Clarke, and included obtaining a legally privileged opinion from Leading Counsel (a QC) who specialises in procurement law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

5.6 Brunel Company and FCA authorisation

In order to meet this core contractual obligation the Brunel Company will need to be FCA regulated. A key consideration in that respect is being clear on the FCA permissions that will be required, taking into account the Brunel Company's activities. A legal review has concluded that there is a very strong likelihood that the BPP will involve the creation of a Collective Investment Scheme, with the Brunel Company acting as the operator. This legal review was undertaken by Osborne Clarke, and included obtaining an opinion from Leading Counsel (a QC) who specialises in FCA regulatory law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

The project timetable allows for the appropriate permissions to be obtained from the FCA. The Brunel Company will be required contractually to maintain its FCA regulated status, and as such its board of directors will have to maintain compliance with the FCA's applicable rules and procedures for a regulated entity carrying out activities of the type envisaged.

5.7 Personnel implications

A legal review by Osborne Clarke of the relevant employment law has reached an initial conclusion that the Transfer of Undertakings (Protection of Employment) Regulations 2006 **("TUPE")** will not apply if employees currently employed in the pension functions of any of the Administering Authorities move to the Brunel Company as a result of any selection and employment process. The position on TUPE will be confirmed when any employee migration from an Administering Authority to the Brunel Company takes place.

The Cabinet Office Guidance on Staff Transfers in the Public Sector **(COSOP)** sets out a framework for TUPE-style protections to be afforded to employees involved in public sector reorganisations, in circumstances where there is not a relevant transfer within the meaning of the TUPE legislation. While local authorities are not legally bound to observe COSOP, it is intended that, so far as possible, the principles of COSOP will be adhered to.

In summary, subject to the detailed legal advice, it is envisaged at this stage any employees who move from employment with an Administering Authority to the Brunel Company will receive TUPE-equivalent protection.

5.8 Risk allocation

Under the BPP structure, the Administering Authorities will retain the key investment risk of designing the detailed Strategic Asset Allocation for their Fund. Taking that into account, the Brunel Company will provide to the Administering Authorities the key investment management service of selecting, appointing and monitoring the investment managers operating the various Manager Operated Funds. Related services, also provided by the Brunel Company, will include such matters as custody, performance reporting and transition management services.

While as noted the key investment risk will be retained by the Funds, it is apparent that the Brunel Company will take on a contractual risk for providing investment management and related services to the Administering Authorities. Previously, the tasks of selecting, appointing and monitoring fund managers has been undertaken by local pension funds, with input from external professional advisers where necessary.

Where relevant services cannot be provided by the in-house resources of the Brunel Company third party service providers will be appointed (for example, providers of custody, performance analytics, data management and investment accounting services). To that extent, the risk transfer to the Brunel Company will be mitigated by the appointment of third party service providers.

The directors of the Brunel Company will owe the normal fiduciary and other duties that any director owes to an FCA regulated company. Additionally, all staff will owe contractual duties to the Brunel Company as their employer, and as set out in their individual employment contracts. During the next development phase the use of possible risk mitigation arrangements, including Directors' & Officers' liability insurance and Professional Indemnity insurance, will be investigated and agreed.

5.9 Charging mechanism

In the Financial Model, Brunel Company costs are assumed to be split between the ten Administering Authorities using an equitable approach to cost sharing. This allows for approximately half of the costs to be split equally between the ten Administering Authorities and the remainder to be split in proportion to assets under management. This modelling is intended to capture the ultimate reality of Brunel Company operation, when the pricing policy for its services is likely to contain both fixed and marginal elements.

The charging mechanism that will actually apply when the BPP becomes operational will be decided after taking into account a range of alternative charging methodologies, and will be determined by agreement between the Administering Authorities.

5.10 Development costs and implementation timescale

Under the project timetable the indicative time for the Brunel Company to be set up with appropriate ownership and governance arrangements is Spring 2017. Work on the development of its operational capability will continue in the interim period.

The Memorandum of Understanding (MoU) agreed between the Administering Authorities in September 2015 stated that the Brunel project development costs would be split equally between the participating funds (i.e. a tenth each). It has cost £1.2m (£0.12m per fund) to take matters to the FBC stage, including the preceding Strategic and Outline Business Cases (submissions to Government in February and July).

A new MoU has been drawn up and reviewed by the Finance and Legal Assurance Group (to be ratified by the Shadow Oversight Board), to cover the period from December 2016 until the permanent Brunel Company arrangements are in place. This update will refresh arrangements on collaborative working, decision-making and cost allocation during that period. The MoU includes provision for charging the time of officers assigned to BPP project roles. Up to this point the cost of such officer time has been absorbed by each Administering Authority.

Development costs will continue to be allocated to Administering Authorities on an equal share basis. The initial projected future development costs up to April 2018 are £3.3m (£0.33m per fund). This includes working and regulatory capital for the Brunel Company of £2.0m (£0.2m per fund). Any change in the development budget will be subject to approval by Administering Authorities. The Brunel Company will also have operating costs as it builds capability from its inception in 2017, which will be invoiced separately.

6. MANAGEMENT CASE

6.1 Introduction

The purpose of the Management Case is to describe how the BPP proposal will be delivered successfully. The focus is on effective project management during the next phase, including proposals for addressing relevant risks for the Administering Authorities and the successful delivery of the challenges of change management for a project of this nature.

6.2 Project management arrangements

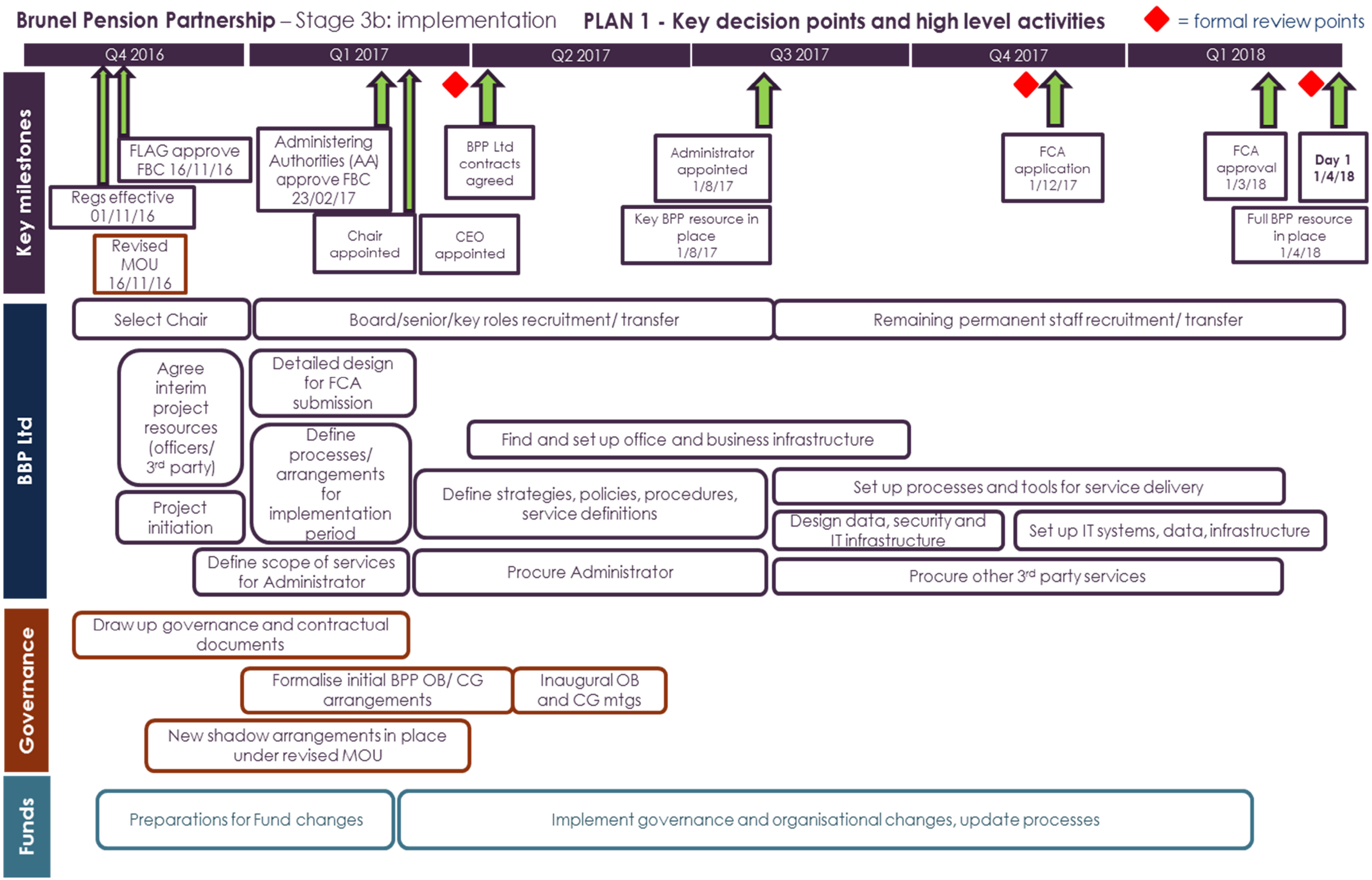
The level of project management resource required to ensure the successful delivery of the BPP proposal will be kept under regular review. The next development phase is likely to be demanding with a significant amount of work to be done on a range of matters. These will include setting up the Brunel Company's governance and contractual arrangements, addressing all relevant operational matters including staff recruitment, and preparing for submission of the FCA application.

A particular challenge will be ensuring that these tasks can be delivered in parallel with the appointment of the Brunel Company's leadership team, including the Chair. The permanent staff appointments will take place throughout the remainder of the project, so the project structure will evolve during the lifecycle of the project. They will be key in providing continuity of leadership and direction while other resource changes are underway.

Any non-permanent assignments of officers to support the Brunel Company set-up and resourcing will be progressed on an interim basis.

Conflicts of interest may emerge, and if so they will be carefully managed by establishing clear accountabilities and resource allocation.

The following diagram provides an indicative overview of the programme activities and the key milestones:


Brunel Pension Partnership – Stage 3b: implementation
PLAN 1 - Key decision points and high level activities
= formal review points
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Key milestones
FLAG approve FBC 16/11/16
Regs effective 01/11/16
Revised MOU 16/11/16
Administering Authorities (AA) approve FBC 23/02/17
Chair appointed
CEO appointed
BPP Ltd contracts agreed
Administrator appointed 1/8/17
Key BPP resource in place 1/8/17
FCA application 1/12/17
FCA approval 1/3/18
Day 1 1/4/18
Full BPP resource in place 1/4/18
BBP Ltd
Select Chair
Board/senior/key roles recruitment/ transfer
Remaining permanent staff recruitment/ transfer
Agree interim project resources (officers/ 3rd party)
Detailed design for FCA submission
Find and set up office and business infrastructure
Define processes/ arrangements for implementation period
Project initiation
Define strategies, policies, procedures, service definitions
Set up processes and tools for service delivery
Design data, security and IT infrastructure
Set up IT systems, data, infrastructure
Define scope of services for Administrator
Procure Administrator
Procure other 3rd party services
Governance
Draw up governance and contractual documents
Formalise initial BPP OB/ CG arrangements
Inaugural OB and CG mtgs
New shadow arrangements in place under revised MOU
Funds
Preparations for Fund changes
Implement governance and organisational changes, update processes

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6.3 Benefits realisation and risk management

The delivery of the expected benefits of pooling will be through the operation of the Brunel Company and the services it delivers to the Brunel Funds. It will be monitored by the Oversight Board and Client Group, using the reporting activities provided by the Brunel Company.

A comprehensive risks register is already in place and will continue to be maintained by the Project Office. The risks will be further categorised to identify those risks directly to the Funds and those directly applicable to the Brunel Company. The risks will be reported to the programme and project management teams through regular status reports. Very high risks or those requiring urgent action to manage will be escalated as needed. A copy of the risk register is attached at Annex 9.

6.4 Project milestones and gateways

Meetings of the Brunel Administering Authorities are scheduled to take place between 2 December 2016 and 23 February 2017. At these meetings Resolutions for in principle decisions to approve investment pooling will be considered, with appropriate delegations being granted to progress the next development phase. The approval by Administering Authorities of these Resolutions will mark a key milestone in the establishment of the BPP investment pool.

Further formal reviews that the project has progressed in line with the provisions agreed in the FBC will be held prior to the key milestones. These include the appointment of the Brunel Company Chair (early 2017), set-up of the Brunel Company and agreement of the key shareholder and other corporate documents (by Spring 2017), submission of the Brunel Company's FCA application (by November 2017), and operational readiness for commencement of pooling (by April 2018).

Project Title: Brunel

(Brunel Pension Partnership)

Full Business Case (FBC)

Document List

LIST OF FULL BUSINESS CASE DOCUMENTS

The Full Business case is made up of a number of documents, which are listed below.

The main Full Business case document has been written as a standalone document that can be provided to Councils with a subset of annexes.

Other forums may require the full set of the main FBC, the detailed cases and referenced documents.

The papers referenced in the cases are categorised into

- Annexes, which are primary references to read with the Full Business Case sections
- Supporting Information, which are secondary references providing further detail or background information.

Those papers that are commercially sensitive or legally privileged are noted as Part II/ Official Sensitive.

The full business case proposal documents are marked *. The details are subject to review during stage 3b

Main FBC and Detailed Cases

Part II or open	Type	Ref	Title	Description	FBC Sections
Open	**Index**	A1	BPP FBC Document List	This document. A full list of all documents forming the Full Business Case	n/a
Open	**Template**	FBC 1	BPP FBC [fund] template	Main FBC with the pool details and spaces for the individual tables and text markers, which need to be replaced with individual fund names.	n/a
Open	**Main FBC**	FBC (Avon)	BPP FBC Final (Avon)	Main FBC with pool and Avon Fund details	n/a
Open	**Main FBC**	FBC (Bucks)	BPP FBC Final (Buckinghamshire)	Main FBC with pool and Buckinghamshire Fund details	n/a
Open	**Main FBC**	FBC (Cornwall)	BPP FBC Final (Buckinghamshire)	Main FBC with pool and Cornwall Fund details	n/a
Open	**Main FBC**	FBC (EAPF)	BPP FBC Final (EAPF)	Main FBC with pool and EAPF Fund details	n/a
Open	**Main FBC**	FBC (Devon)	BPP FBC Final (Devon)	Main FBC with pool and Devon Fund details	n/a
Open	**Main FBC**	FBC (Dorset)	BPP FBC Final (Dorset)	Main FBC with pool and Dorset Fund details	n/a

Open	**Main FBC**	FBC (Gloucestershire)	BPP FBC Final (Gloucestershire)	Main FBC with pool and Gloucestershire Fund details	n/a
Open	**Main FBC**	FBC (Oxfordshire)	BPP FBC Final (Oxfordshire)	Main FBC with pool and Oxfordshire Fund details	n/a
Open	**Main FBC**	FBC (Somerset)	BPP FBC Final (Somerset)	Main FBC with pool and Somerset Fund details	n/a
Open	**Main FBC**	FBC (Wiltshire)	BPP FBC Final (Wiltshire)	Main FBC with pool and Wiltshire Fund details	n/a
Part II	**Detailed Case**	FBC 2	BPP FBC 2 Strategic Case	Detailed FBC – Strategic case section	
Part II	**Detailed Case**	FBC 3	BPP FBC 3 Financial Case	Detailed FBC – Financial case section	
Part II	**Detailed Case**	FBC 4	BPP FBC 4 Economic Case	Detailed FBC – Economic case section	
Part II	**Detailed Case**	FBC 5	BPP FBC 5 Commercial Case	Detailed FBC – Commercial case section	
Part II	**Detailed Case**	FBC 6	BPP FBC 6 Management Case	Detailed FBC – Management case section	

Annexes for Councils

Part II or open	Type	Ref	Title	Description	FBC Sections
Part II	**Annex**	1	BPP FBC 3 Financial Case	Detailed FBC – Financial case section	3.2 The BPP financial model 3.3 The core model 3.6 Future opportunities - internal mangement 3.7 Core model - foundation of the full business case
Open	**Annex**	2a	BPP Stage 3b Current Risk Register Summary	BPP Stage 3b Risks Summary as at October 2016	6.3 Benefits realisation and risk management
Part II	**Annex**	2b	BPP Stage 3b Current Risk Register details	BPP Stage 3b Risks Register as at October 2016	6.3 Benefits realisation and risk management

Full Set of Annexes and Supporting Information

Part II or open	Type	Ref	Title	Description	FBC Sections
Open	**Annex**	A1	FBC Glossary	Glossary of terms and acronyms	for all sections
Open	**Annex**	A2	FBC Bibliography v1	List of documents used in development of the FBC in addition to the Annexes and Supporting Information	for all sections
Open	**Annex**	2.9.3	BPP Stage 3b Current Risk Register Summary	BPP Stage 3b Risks Summary as at October 2016	Main FBC: 6.3 Benefits realisation and risk management Strategic Case: 2.9.3 High risks Management Case: 6.8 Arrangements for risk management
Part II	**Annex**	2.9.3b	BPP Stage 3b Current Risk Register Details	BPP Stage 3b Risk Register details as at October 2016	Main FBC: 6.3 Benefits realisation and risk management Strategic Case: 2.9.3 High risks Management Case: 6.8 Arrangements for risk management

Part II	**Annex**	3.1	[file name to be confirmed] (spreadsheet)	Financial model 5 from PwC*	Financial Case: 3.1 Introduction
Part II	**Annex**	4.6	BPP model - list of assumptions v3	Financial model assumptions from PwC*	Economic Case: 4.6. Economic appraisal
Open	**Annex**	6.4a	Project Brunel Stage 3b project plan - starting point draft v0.5 A3	Initial starting point draft for more detailed stage 3b plan *	Management Case: 6.4 Programme and project plans
Open	Supporting Information	2.2.2	New Investment Regulations Extracts	A: Investment Strategy Statement (2016 requirement) comparison of Investment Principles (2009) B: Extract of Investment Regulations (2016) regulation 8	Strategic Case: 2.2.2 Regulations reform 2.4.1.1 Operating within investment regs
Open	Supporting Information	2.2.3	MoLG letter to BPP Chairs on Feb Submission	Letter to BPP Chairs from Marcus Jones, minister for Local Government, regarding February 2016 Submission	Strategic Case: 2.2.3 Consultation response
Open	Supporting Information	2.4.1.2	Governance arrangements	Analysis of the existing funds' governance arrangements and the changes required for pooling *	Strategic Case: 2.4.1.2 Governance arrangements
Open	Supporting Information	2.4.1.4	Investment Principles	BPP Investment principles *****	Strategic Case: 2.4.1.4 Business strategies and pooling

Part II	Supporting Information	2.5.2	Funds' Existing and Future Arrangements v2.1draft	Summary of current arrangements, breakdown of resources and details of fund managers	Strategic Case: 2.5.2 Existing arrangements 2.4.1.3 Operational structures and primary activities
Open	Supporting Information	2.6.3	Project Pool Internal Management Benefits	Extract from Project Pool evaluation of the benefits of internal management	Strategic Case: 2.6.3 Developing active internal management capability
Open	Supporting Information	4.2	Rent Versus Build	PwC report: Analysis of rent vs build options for BPP	Economic Case: 4.2 Evaluation of the options
Part II	Supporting Information	5.1.2a	Legal summary of governance and structure	Osborne Clarke summaries of the key governance and contractual documentation*	Commercial Case: 5.1.2 Governance arrangements
Part II	Supporting Information	5.1.2b	Brunel appointment process 20161005	PwC report on proposed appointment process, roles and company structure*	Commercial Case: 5.1.2 Governance arrangements
Part II	Supporting Information	5.5.1	bfinance - Brunel business case review 20160929	bfinance evaluation of the business case, with portfolio assurance	Commercial Case: 5.5.1 Portfolio construction assurance
Part II	Supporting Information	5.5.2	Portfolio specifications (25 documents)	Portfolio specifications (with 25 documents for individual specifications and covering page) *	Commercial Case: 5.5.2 Portfolio specifications

Part II	Supporting Information	5.5.3	Asset allocation to portfolios	Asset allocations to portfolios for each fund *	Commercial Case: 5.5.3 Portfolio allocations
Part II	Supporting Information	5.6	Pension Fund Investment Activities and Brunel company Services	Pension Fund investment activities mapped to required services from Brunel company *	Commercial Case: 5.6 Required services
Open	Supporting Information	5.6.1.3a	Reporting and Monitoring Framework	Reporting and Monitoring Framework *	Commercial Case: 5.6.1.3 Reporting
Open	Supporting Information	5.6.1.3b	Sample Reports	Sample reports *	Commercial Case: 5.6.1.3 Reporting
Open	Supporting Information	5.6.2	Approach to responsible investment	Approach to responsible investment: regulatory and service requirements and delivery *	Commercial Case: 5.6.2 Responsible investment
Open	Supporting Information	5.8.1	Cost sharing Principles	BPP cost sharing principles *	Commercial Case: 5.8.1 cost sharing principles
Open	Supporting Information	6.4b	Stage 4 Timetable	Stage 4 (asset transition) high level timetable *	Management Case: 6.4 Programme and project plans
Open	Supporting Information	6.7	Benefits realisation plan v1	Financial and qualitative benefits realisation plan and measurement *****	Management Case: 6.7 Arrangements for benefits realisation and post project evaluation

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Project Title: Brunel (Brunel Pension Partnership)

Full Business Case (FBC)

Annex A1: FBC Glossary of Terms

Term	Previously referred as	Meaning
Administering Authority (AA) Administering Authorities (AAs)	also known as Participating Authority, Fund	Administering Authorities are the Councils or Boards who are accountable for the LGPS Funds within the pools.
Alpha FMC	not applicable	Specialist adviser - FCA authorisation
Alternative Investment Fund Managers (AIFM)	not applicable	An EU law on the financial regulation of hedge funds, private equity, real estate funds, and other "Alternative Investment Fund Managers" (AIFMs) in the European Union.
Articles of Association	not applicable	This document is required by company law, and will set out the constitution of the company and regulate the relationship between the Administering Authorities as shareholders and the Brunel Company. It sets out the powers and procedures of the Brunel Company.
Assets Under Management (AUM)	sometimes called funds under management (FUM)	This measures the total market value of all the financial assets which a financial institution such as a mutual fund, venture capital firm, or brokerage house manages on behalf of its clients and themselves.
Authorised Contractual Scheme (ACS)	not applicable	An investment vehicle and fund manager, based in the UK, that allows LGPS pension funds or other organisations with money to invest alongside each other - while keeping a clear record of who owns what.
Bfinance	not applicable	Specialist in Investment Markets - Financial
BPP Administering Authorities	Participating Authorities	Authorities participating in the Brunel Pension Partnership. They will each retain sole responsibility for setting the detailed Strategic Asset Allocation for their Fund and allocating their asset to the outcome focused 'portfolios' provided by the Brunel company
BPP model	Segregated CAP	The model of the proposal legal structure of the pool
Brunel Board	Brunel Manager Board	Board of executive and non-executive directors, leading the Brunel company
Brunel Company	CAP (Collective Asset Pool), Brunel Manager	The entity that will manage the pooled investments. It will be an FCA authorised company, with permission to act as operator of the Brunel CIS
Brunel Executive Directors (ED)	not applicable	Executive directors of the Brunel company
Brunel Pension Partnership Limited (BPP Ltd or Brunel company)	Brunel company or Brunel Manager	A new FCA regulated company which will be wholly owned by the Administering Authorities. It will be responsible for implementing the asset allocation strategies of the BPP Funds by investing Fund assets within defined 'portfolios'. In particular, it will research and select the investment funds needed to meet the requirements of the detailed Strategic Asset Allocations. These investment funds will be operated by professional external investment managers.
Chief Finance Officer (CFO)	not applicable	A corporate officer primarily responsible for managing the financial risks of the corporation. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. In the Local Authorities this is the S151 officer.
Chief Legal Officer (CLO)	not applicable	The chief lawyer of the legal department, usually in a company or a governmental department who minimizes its legal risks by advising the company's other officers and board members on any major legal and regulatory issues the company confronts, such as litigation risks. In the Local Authorities this is the Monitoring Officer.

Term	Previously referred as	Meaning
Client Group	Shadow Oversight Group (SOG)	Group comprised primarily of Pension Officers drawn from each of the Administering Authorities. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. In effect, it will provide a client-side link between the Oversight Board and the Brunel Company and therefore as appropriate will also draw on administering authorities finance and legal offices.
Client Group (CG)	Shadow Operations Group (SOG) (change @ 01 April 2018)	Sub-committee of the Oversight Board, it is responsible for the client oversight of the Brunel manager on a day to day basis. It will include Fund officers with investment and contract management expertise.
Collective Investment Scheme (CIS)	not applicable	An investment scheme in which profits or income is shared through collective investment, and the participants of the scheme do not have any day-to-day control over the management of the assets or property.
Cross Pool Collaboration Group (CPCG)	not applicable	A collaborative group across 8 pools in the UK
Department for Communities and Local Government(DCLG)	not applicable	The UK Government department for communities and local government in England
Environment, Social and Governance (ESG)	not applicable	Refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business.
FBC cases	not applicable	Strategic, financial, economic, commercial and management case.
Finance and Legal Assurance Group (FLAG)	not applicable	Finance and Legal Assurance Group (FLAG) with membership of each AAs equivalent to Chief Finance Officer (CFO) and Chief Legal Officer (CLO)) will sponsor the changes in the Funds and the arrangements for governance of the Brunel company.
Financial Conduct Authority (FCA)	not applicable	A financial regulatory body in the United Kingdom, but operates independently of the UK government, and is financed by charging fees to members of the financial services industry
Full Business Case (FBC)	not applicable	The doucment that captures the reasoning for the project. From this information, the justification for the project is derived
Full Time Employee (FTE)	not applicable	Employment in which a person works a minimum number of hours defined as such by his/her employer. Full-time employment often comes with benefits that are not typically offered to part-time, temporary, or flexible workers, such as annual leave, sick leave, and health insurance.
Government Actuary's Department (GAD)	not applicable	A department of the Government of the United Kingdom responsible for providing actuarial advice to public sector clients. It describes itself as providing "Actuarial analysis - For the public sector - From the public sector".
Her Majesty's Treasury (HMT)	sometimes referred to as the Exchequer, or more informally the Treasury,	The British government department responsible for developing and executing the government's public finance policy and economic policy.
Investment Strategy Statement (ISS)	not applicable	A set of rules, behaviours or procedures, designed to guide an investor's selection of an investment portfolio. Individuals have different profit objectives, and their individual skills make different tactics and strategies appropriate.
JLT Employee Benefits (JLT)	not applicable	Specialist adviser - Business case development/ project support
LGPS (Management and Investment of Funds) Regulations 2016 (Investment Regulations)	Draft LGPS (Management and Investment of Funds) Regulations 2016	Regulations 2016 (Investment Regulations) that came into effect 1 November 2016.
Local Authority Pension Fund (LAPF)	not applicable	One of the LGPS Funds and is part of the LPP pool.
Local Authority Pension Fund Forum (LAPFF)	not applicable	The UK's leading collaborative shareholder engagement group. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement.
Local Government Association (LGA)	not applicable	An organisation which comprises local authorities in England and Wales. The LGA seeks to promote better local government; it maintains communication between officers in different local authorities to develop best practice. It also represents the interests of local government to national government.

Term	Previously referred as	Meaning
Local Government Pension Scheme (LGPS)	not applicable	A nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme and for some councillors. The Scheme is administered locally for participating employers through 99 regional pension funds
London Collective Investment Vehicle (London CIV)	not applicable	This pool consists of London's 32 boroughs and the City of London Corporation, but it is also open to the rest of the LGPS
LPP (London Pensions Partnership)	not applicable	This pool consists of Lancashire, Berkshire and the London Pension Fund Authority.
Management contract	Framework agreement	Legal contract between each Participating Authority and the Brunel company
Markets in Financial Instruments Directive II (MiFID II)		Investment firm under the Markets in Financial Instruments Directive (MiFID) means "any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis"
National Audit Office (NAO)	not applicable	An independent Parliamentary body in the United Kingdom which is responsible for auditing central government departments, government agencies and non-departmental public bodies. The NAO also carries out Value for Money (VFM) audit into the administration of public policy.
Net Present Value (NPV)	not applicable	The value in the present of a sum of money, in contrast to some future value it will have when it has been invested at compound interest.
Office of Government Commerce (OGC)	not applicable	A UK government office that supported the public sector in procurement and acquisition. Their goal was to improve value to taxpayer, and as part of their remit they provided useful best practice advice on delivery of projects and programs
Official Journal of the European Union(OJEU)	not applicable	The publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation, must be published
Osborne Clarke (OC)	not applicable	Specialist adviser - Procurement and Legal
Outline Business Case(OBC)	not applicable	The second stage in developing a case for change. It is preceded by the Strategic Business Case (SBC) and followed by the Full Business Case (FBC)
Oversight Board (OB)	Shadow Oversight Board (SOB) (change @ 01 April 2018)	The senior client/shareholder group that oversees the Brunel Manager on behalf of the funds. It is made up of the funds' Pension committee chairs and an independent Chair, as for the SOB.
Oversight Board (OB)	Shadow Oversight Board (SOB)	This will be comprised of representatives from each of the Pension Committees. It will be set up by the BPP Administering Authorities (i.e. the 9 Councils, with the Environment Agency). Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that the Brunel company delivers the services required to achieve asset pooling.
Pension Committee (PC)	not applicable	The primary committee accountable for the governance of a LGPS Fund. The actual name of the committee varies between Funds but this is the most common description and therefore is used as the generic title for this type of committee. It will therefore have a monitoring and oversight function, and will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions, including decisions requiring shareholder approval.
Project Office (PO)	not applicable	Creates and maintains the plan, track and report progress.
Portfolio	Sub-group	The grouping of the asset types to be available for funds. For example, Global Equities Core, Hedge funds, UK Gilts, LDI.
Portfolio group	Sub-fund group	The higher level category of asset types. For example, equities, alternatives, fixed interest.
PricewaterhouseCoopers LLP (PwC)	not applicable	Specialist adviser - Financial
PRojects IN Controlled Environments(PRINCE 2)	not applicable	This is a de facto process-based method for effective project management. Used extensively by the UK Government, PRINCE2 is also widely recognised and used in the private sector, both in the UK and internationally

Term	Previously referred as	Meaning
Public Sector Comparator (PSC)	not applicable	A tool used by governments in determining the proper service provider for a public sector project. It consists of an estimate of the cost that the government would pay were it to deliver a service by itself
Risk Potential Assessment (RPA)	not applicable	Standard set of high-level criteria against which the intrinsic characteristics and degree of difficulty of a proposed project are assessed. Used in the UK public sector to assess the criticality of projects and so determine the level of OGC Gateway Review required.
S151 Officer	not applicable	An officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs
Scheme Advisory Board (SAB)	not applicable	A body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.
Secretary of State (SoS)	not applicable	A guidance that includes "the authority's approach to pooling of investments, including the use of collective investment vehicles and shared services"
Senior Responsible Owner/Officer (SRO)	not applicable	Provide leadership and direction, bringing together the perspectives of the members of the sponsoring groups, to ensure the pooling initiative meets its objectives and delivers the benefits. Ensure (with input from each AA) the authority is in place to implement the changes. Ensure the aims of the change continue to be aligned with the direction of AAs and government.
Shadow Operations Group (SOG)	not applicable	This group provides officer activity, support and knowledge to project. This is the future Client Group.
Shadow Oversight Board (SOB)	not applicable	A group with representatives (usually the Chair of the Pensions Committee) from each Administering Authority
Shareholders' Agreement	not applicable	Agreement between the Administering Authorities relating to their shareholdings in the Brunel Company.
South West (SW)	not applicable	A mainly rural region with an extended coastline along the English Channel and Bristol Channel. Stonehenge, the famous prehistoric stone circle, is found in Wiltshire
Strategic Business Case (SBC)	not applicable	The stage in developing the case for changes and is followed by the Outline Business Case (OBC) and then the Full Business Case (FBC).
Transfer of Undertakings (Protection of Employment) (TUPE)	not applicable	Regulations which protect employment rights when employees transfer from one business ("the transferor") to another ("the transferee").
Value Added Tax (VAT)	not applicable	A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.

Division(s): N/A

COUNTY COUNCIL – 13 DECEMBER 2016

APPOINTMENT OF EXTERNAL AUDITORS

Report by the Chief Finance Officer

Introduction

1. This report sets out the proposals for appointing the external auditor to the County Council for the 2018/19 accounts and beyond, as the current arrangements only cover audits up to and including 2017/18. The auditors are currently working under a contract originally let by the Audit Commission and novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission in April 2015.

2. The Audit and Governance Committee has reviewed the requirements and options available for the appointment of external auditors, and concluded that having a sector-wide procurement conducted by PSAA is the preferred option. A sector-wide procurement will produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally. More specifically:

   - The audit costs are likely to be lower than if the Council sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;
   - Without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;
   - PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council;
   - Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector and this Council going forward into the medium and long term.

3. A formal acceptance of the PSAA offer to opt in to a national scheme is required by March 2017; however, the Council is asked to take a decision at this meeting because there will be significant work required to administer either of the alternative options to ensure that an appointment is made by 31 December 2017 if the recommendation is not agreed.

Background

4. The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. In October 2015 the Secretary of

State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

5. The Act also set out the arrangements for the appointment of auditors for subsequent years, with the opportunity for authorities to make their own decisions about how and by whom their auditors are appointed. Regulations made under the Act allow authorities to ‘opt in’ for their auditor to be appointed by an ‘appointing person’.

6. In July 2016 PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State. PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA.

7. PSAA is inviting the County Council to opt in, along with all other authorities, so that PSAA can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the County Council’s auditor.

8. The principal benefits from such an approach are as follows:

- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
- PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;
- Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;
- It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
- The overall procurement costs would be lower than an individual smaller scale local procurement;
- The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector;
- The will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an ‘auditor panel’, see below;
- The new regime provides both the perception and reality of independent auditor appointment through a collective approach; and
- A sustainable market for audit provision in the sector will be easier to ensure for the future.

9. The County Council’s current external auditor is Ernst and Young**,** this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract was novated to PSAA, and over recent years authorities have benefited from a reduction in fees in the order of 55% compared with fees in 2012. This has

been the result of a combination of factors including new contracts negotiated nationally with the audit firms and savings from closure of the Audit Commission. The Council's current external audit fees are £109,958 per annum.

10. The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms.

11. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

12. Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that a local procurement exercise, as described immediately below, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.

Other options

13. If the Council did not opt in there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.

14. Alternatively the Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

15. Neither of these options are recommended. Both these options would be more resource-intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.

The invitation

16. Details relating to the invitation to 'opt in' to the national scheme are provided in an Appendix to this Report. In summary it provides the following:

- The appointment of a suitably qualified audit firm for each of the five financial years commencing 1 April 2018;
- Appointing the same auditor to other opted in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA will seek views from the sector to help inform its detailed procurement strategy;
- Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise;
- Minimising the scheme management costs and returning any surpluses to scheme members;
- Consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity and audit risk; and
- Ongoing contract and performance management of the contracts once these have been let.

The way forward

17. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council. The Council then needs to formally respond to PSAA's invitation in the form specified by PSAA by early March 2017.

18. PSAA will commence the formal procurement process after this date. It expects to award contracts in summer 2017 and consult with authorities on the appointment of auditors so that it can make an appointment by the statutory deadline of December 2017.

Risk Management

19. The principal risks are that the Council fails to appoint an auditor in accordance with the new frameworks or does not achieve value for money in the appointment process. These risks are considered best mitigated by opting in to the sector led approach through PSAA.

Legal implications

20. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council must consult and take

account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements;

21. Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

22. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Financial and Staff Implications

23. There is a risk that current external fees levels could increase when the current contracts end in 2018. Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.

24. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2018/19.

RECOMMENDATION

25. **The Council is RECOMMENDED to accept Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.**

LORNA BAXTER
Chief Finance Officer

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November 2016

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Division(s): N/A

COUNTY COUNCIL – 13 DECEMBER 2016

SENIOR MANAGEMENT REVIEW

Report by County Director

BACKGROUND AND CONTEXT

1. The Senior Management Review (SMR) commenced in October 2015 following the departure of the then Chief Executive and the appointment of a new Head of Paid Service (later re-designated as County Director). At that time, we were already considering our succession arrangements for the County Council Management Team (CCMT) taking into account the age profile and individual plans of the then top team, and the Leader's desire to break down silo working.

2. We commissioned Penna to conduct a focused and objective review of our current structure and provide options for the future. Work undertaken included one to one meetings with each member of Extended County Council Management Team, in October/November 2015, canvassing Member opinions via an on-line survey in December 2015 and benchmarking with comparable organisations.

3. The work by Penna identified that the Council had highly capable senior professionals and that whilst there was a strong culture of silo working nevertheless there was also a significant appetite to work in a more collaborative way.

4. In February 2016 the four unitary council proposals by the City and District Councils required the SMR to be put on hold pending the outcome of the unitary debate and potential future shape of the council.

5. Many of the issues identified by the initial review have been taken forward during this time, particularly around the Council's future role and the direction the organisation should take. This has been driven by our thinking about the best structures for local government in Oxfordshire and the findings of the Grant Thornton and Price Waterhouse Cooper studies. We are now developing a proposal for a single unitary council for Oxfordshire. The management structure therefore must ensure quick decision making, flexibility and cross organisational working. Much of this work can also be applied to thinking about the role of the county council within the current two tier arrangements for local government.

6. Whilst the council's financial resources are likely to continue reducing we are building from a strong platform to be ambitious for the county. Oxfordshire is a place of many strengths, with a strong local economy and thriving local

communities. However there are areas of serious deprivation and a small but growing number of residents who need additional support.

7. We want the best for all our residents and will play an important role in enabling a truly thriving Oxfordshire. However we will not be able to deliver this vision without changing the way the council works. In particular we know that we need to focus on:

- Facilitating and empowering residents and local communities to shape their own futures
- Playing our part in driving economic growth and managing the pressures of this growth, in particular supporting the creation of jobs and homes for our future residents, while protecting the quality of life of Oxfordshire residents today
- Supporting the most vulnerable people. That means helping older and disabled people live independent lives; making sure every child gets a good start in life, and protecting everyone from abuse and neglect.

8. In order to achieve this in the context of reducing resources we will need both a strong voice back to government to make Oxfordshire's case for investment loudly and clearly; and to forge new and strong partnerships locally, working with residents and communities as well as statutory and voluntary partners to deliver the best outcomes for our residents.

9. In order to ensure that the organisation itself is fit for the future we now have a robust transformation programme underway, this will improve the customer experience and enable us to be a more efficient and flexible organisation without cutting services.

10. The proposals set out in this report will provide the council with a strong framework for changing the way we work, and ensuring that our structure supports the outcomes we want for our residents and communities in Oxfordshire. There will be a much greater emphasis on a 'One Council' approach, on partnership working and on strongly driving the transformation programme to ensure that we are fit for the future.

11. It is now the right time to deliver the findings of the SMR. Our response to the unitary challenge confirmed that our structure and ways of working were not always flexible enough to meet residents' expectations and be able to best respond to need. The SMR process has been updated by the work the council has undertaken in recent months on the transformation of services and on the future of local government in Oxfordshire, including a unitary structure or structures.

12. The conclusions of the SMR have also been informed by the need to:

  - Build on the foundations that are already in place, with the numbers of senior managers reducing by 40 per cent since 2010;

- Enable the council to rapidly develop and put in place a new operating model. This will focus on how the council can most effectively support the aims of Efficient Public Services in the Corporate Plan. The new model will see the council become smaller, but more flexible and agile, as it works more smartly for and with Oxfordshire's communities.
- Ensure a stronger 'One Council' approach, driving and embedding new approaches across the organisation;
- Ensure that there is the flexibility to 'Think Unitary, Act Unitary' to meet the future needs of Oxfordshire residents;
- Achieve efficiencies and savings.

FINDINGS OF THE REVIEW

13. Penna's concluding report on this phase of the SMR can be found at Annex 1.

14. The current senior management structure is shown at Annex 2. The proposed new senior management structure can be found at Annex 3. Although still "drawn" as a traditional structure chart, the ways of working proposed deliver increased flexibility based on need at any particular time.

15. The key changes, and proposed approach are:

    1. Since the departure of the last Chief Executive the Council has been operating with a County Director who also fulfils the role of Head of Paid Service. It is proposed that that the title 'County Director' has served its purpose and that role should be re-designated as Chief Executive in the new structure.
    2. Director posts would be re-designated as Strategic Directors and reduced from 5 to 3. They would cover People, Communities and Resources. The Strategic Director for Resources post would be carried out by the Chief Executive, who will also take the lead on the transformation programme. These Strategic Director roles would focus on Council-wide, corporate responsibilities, problem solving and performance management; more than they would oversee service strategy and operational delivery.
    3. It is proposed that the existing Director of Public Health (DPH) assumes on an interim basis the Strategic Director for People role, while retaining his statutory DPH role.
    4. It is proposed that the existing Chief Legal Officer assumes on a permanent basis the Director of Law and Governance role, including the statutory role of Monitoring Officer.
    5. It is proposed that expressions of interest for the Strategic Director for Communities role are sought from the wider ECCMT grouping.
    6. The Deputy Director and Corporate Advisor posts that remain would be re-designated as Directors; unless there is a statutory element attached to the role of Director, in this case 'Head of' will be used. The statutory roles of Director for Children's Services and Director for Adult Services would sit at the Director level, reporting into the Strategic Director for People. Given the statutory nature of these roles we have already successfully appointed to

these posts in advance of the departures of the existing Director of Children, Education & Families and the Director for Adult Social Care.

7. Within Resources one post would be re-designated as Assistant Chief Executive. The main emphasis of this role is to provide strategic and policy support to the Chief Executive. This role is important given the breadth of change underway to deliver our ambitions for the council, the transformation agenda and because there will not be an additional person in the Strategic Director for Resources role.

16. Further details about which services could report to Strategic Directors are in Annex 4. These are indicative and subject to agreement with Strategic Directors.

FINANCIAL AND STAFF IMPLICATIONS

17. Where appropriate, we will look to fill posts in the structure on an "internal first" basis and the proposals save money. This proposed structure sees anticipated savings in the region of £450,000, in addition it preserves the £300,000 already saved by the departure of the previous Chief Executive. The proposed structure also avoids incurring the additional costs of a Director of Resources, c.£182,000, as the Chief Executive will cover this role.

18. After Strategic Directors are appointed work would start, using the principles in the Penna report at Annex 1 (para. 31) and with corporate support, to review structures and assess the third tier managers. There is an expectation that this level of management would reduce.

19. On the 14 July 2015 Peter Clark was appointed by Full Council as Head of Paid Service. On the 13 April 2016 the Peter Clark's title was designated as County Director, as a temporary arrangement pending the outcome of the Senior Management Review. In order to make the role of County Director (now retitled Chief Executive) permanent a decision of Full Council is required in principle with a further ratification after consultation with Cabinet.

RECOMMENDATIONS

20. **The County Council is RECOMMENDED to:**

(a) note the progress made to date on the Senior Management Review;
(b) endorse the Senior Management Review recommendations and proposed structure ;
(c) agree in principle that the post of County Director should be made permanent and re-designated Chief Executive;
(d) notify the Proper Officer of the Council's intention to appoint Peter Clark as the Council's Chief Executive on a permanent basis with a view at its next meeting to:

- **receiving the outcome of the Proper Officer's consultation with members of the Cabinet on this proposal in accordance with Part 8.4(4) of the Council's Constitution;**
- **determining whether to proceed with the appointment;**

(e) **agree that pending those further decisions Peter Clark is appointed Interim Chief Executive.**

PETER CLARK
County Director

Contact Officer: Steve Munn, Chief HR Officer

December 2016

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Penna

Oxfordshire County Council

Senior Management Review 2015-16

Background

1. Penna was appointed to carry out an external review in October 2015. Work started immediately but when the unitary debate commenced there was a requirement to pause the review pending the outcome of the debate and to enable us to consider the impact of the debate on the Senior Management Review. In the spring some of our recommendations were put into action with the appointment of a Director for Transformation. With the membership of the County Council's Management Team changing now is the right time to fully implement this Review.

2. At that time we were appointed the Council faced substantial challenges to its management arrangements. These stemmed principally from growing uncertainty in its operating environment. The election of a Conservative Government in May 2015 had produced greater certainty in the political sphere nationally but the Government's stance towards local government was developed largely through the prism of city region based economic growth complemented by "devolution deals" within English local government.

3. At the same time, the Council was engaged in two sets of discussions that questioned its future management arrangements: first, were the plans with two other Counties to jointly manage/commission environment and highways work; and second, the fast paced approach to integrating the County's social care functions with local health care services. Moreover, the departure of the Council's Chief Executive in September 2015, and the known retirement plans for some members of the management team, also meant that the Council needed to address the design of its senior management.

4. This led the Leader to initiate an external review of management arrangements. We were commissioned to conduct a focused and objective review of the County's management structure and provide options for the future. Work undertaken included one to one meetings with each member of the "extended County Council Management Team", in October/November 2015. Member opinions were canvassed via an on-line survey in December 2015.

5. Finally, benchmarking with comparable organisations was completed. Two factors were crucial to the initial set up of the review. First, was the aim to engage a wide group of Members in shaping the review's scope and purpose. Second, the review was to engage and involve senior managers (at Director and Deputy Director level). The review was not to be an external "top down" imposition. The review therefore developed from a strategic conversation amongst Members and senior managers. It developed iteratively over several

months. There was no simple template used; rather design principles and managerial issues were raised and discussed with senior managers singly as well as in groups.

6. This was especially important given the maturity of the Council's senior management. For this was not an exercise in simply implanting a "structure" but in developing better accountabilities to help the Council sharpen its performance and improve public service outcomes. The Senior Management Review (SMR) commenced in late 2015 following the departure of the then Chief Executive and the appointment of a new Head of Paid Service (later re-designated as County Director). At that time, the Council were already appropriately considering possible "succession arrangements" for the County Council Management Team (CCMT) taking into account the age profile and individual plans of the then top team. Not only was this a driver for change, but provided the Council with a real opportunity to properly plan for the future by getting the right people into the right posts and create principles for working which could truly realise the desire to transform both the organisation and the county itself.

7. Honest and open discussions needed to be held in confidence about how the Council's management could adapt to the challenges it faced. Confidential conversations about career options were critical with some senior managers and it was to the credit of the Council's management that these were conducted honestly and with integrity.

2. An early discussion point in October 2015 was the position of the Council's most senior official: the post of the chief executive. In reviewing the options, experience of managerial changes introduced elsewhere were examined to see whether they offered Oxfordshire any direct lessons (particularly amongst Councils that had dispensed with the role of chief executive or amongst those who had changed the focus of the role).

3. However, the central concerns involved ensuring managerial accountability to Members while reducing the overall cost of senior management. For that purpose it was essential to examine the "role clarity" of each senior management position and not just the chief executive position. Within management, the pivotal issue is who is accountable for what; and to whom are they accountable? Role confusion between managers with overlapping responsibilities can, at best, produce waste and inefficiency; at worst it can generate organisational dysfunction.

4. In a multi-purpose local government the role of the chief executive (or head of paid service) is to ensure that the best advice is organised in a coordinated manner; that policies and plans are coherent; and that management actions are accountable - within management as well as to elected Members. Elected members invoke change; senior managers deliver it. Senior managers must, at all times, avoid "stealing public interest decisions" from politicians. Officers work in a creative partnership with Members. But it is elected Members who decide direction and determine public interest choices.

Discussions with senior management

5. It became clear that the Council possessed a cadre of highly capable senior professionals and managers. This was particularly evident at the Deputy Director level and with those staff whose responsibility was to lead professional functions. These managers when assessed against sector norms perform very well indeed and there was evident scope for professional and personal growth amongst several senior managers; and the potential to lose them elsewhere if opportunities in Oxfordshire did not emerge.

6. However, it was also clear that managerial activity was too silo'd. Corporate working was principally concerned with coordination (discussions about "who should do what, when?") rather than collaborative problem solving (discussions about "how we can solve this local problem by working together"). Senior staff were keen to work more collaboratively in cross-organisational ways, but there was insufficient corporate working arrangements. A style of corporate working began in earnest as soon as the issue was identified and they have significantly developed since that date within a newly established open supportive culture set by Peter Clark.

7. Early in the review we took the view that the management arrangements needed to be adaptive and robust. It was not enough for them to be "resilient" to changes in the external environment; they needed to be open to adapt to these changes while maintaining organisational integrity. Key to this was the position of the Council's most senior official. Our discussions with senior managers revealed a palpable sense of trust and confidence in Peter Clark potentially serving as an interim head of paid service to help lead the Council's management through the next period of challenge. In our view the Council needed to use its best efforts to recruit to this position in the medium term but it was sensible to offer Peter Clark a new role to bridge between the pre-2015 Council and what it would become by the end of 2017. He had begun an open and inclusive style of working which was welcomed and supported by senior managers across the Council.

8. We also recommended that additional and ideally external support was necessary to kick start and co-ordinate a Council-wide approach to organisational transformation. We were of the view that this would be most effective if the Council appointed someone fresh with specific transformational experience to the top management team. This would produce additional challenge and grit in the management of the Council and ensure that progress towards change was achieved.

9. A Director for Transformation was appointed on a short term contract. He successfully set in train a number of key developments and created healthy challenge and disruption to the point where a range of changes, new ways of working and shared services have been introduced. The Director left once this work was completed and the Council was confident they had the internal

expertise and knowledge to move to the next phase of the transformation programme.

10. One key factor is the expectation on senior managers to "secure the successful delivery of service outcomes" while also working corporately and helping solve problems through joint action. Too often this is collapsed into a simple distinction between "strategic" managers and "operational" managers. In truth, operational managers (whether they are overseeing commissioning or delivering) in all sectors always need to be more strategic in their approach.

11. Having a strategic approach helps them shape services for tomorrow; and not just ensure that they are being delivered effectively today. Instead the challenge for local government senior managers is how best to achieve joint working on corporate problems. And increasingly this is less about "what the Council delivers"; it is more about how the Council works productively with communities and other partnerships to generate value locally. This requires a positive approach to collaborative working in an open style of management. This is less about what senior managers "control"; and more about what they can usefully influence to improve public outcomes across the County.

12. Discussions with senior managers led the external review team to conclude that the Council had the capabilities and ambition within its existing management to work more effectively as a cohesive group in support of the Council. The review team concluded that the management arrangements needed to be adapted - particularly at the Director level. We provided feedback to individual managers, together with an initial report on findings and possible way forward. This was completed in January 2016 and presented to the Extended County Council Management Team (ECCMT).

Local Government Reorganisation

13. Finalising the overall management design has proved problematic because of the "planning blight" created by the vacillating currents in both the national and local debates about local government reorganisation. This is no place to rehearse these issues but the uncertainty that has been cast over the Council's management arrangements cannot be overstated.

14. In February 2016 the four unitary councils proposed by the City and District Councils required the SMR to be put on hold pending the outcome of the unitary debate and potential future shape of the council. In the past ten months there have been competing approaches to how the County should be governed in the future and how its management should therefore be organised. The Council's response to the unitary challenge confirmed that the structure and ways of working were not "broken" but were not sufficiently flexible enough to meet residents' expectations and be able to best respond to need.

15. In support of the Council's own submission to Government on these issues, we have worked on how future management arrangements would be best established for a single unitary Oxfordshire Council. Thus while we were initially engaged to advise on the management arrangements for the Council's existing functions and activities, we also had to consider how best they could be adapted for a potential unitary County.

16. These structural governance challenges present substantial challenges to senior managers - as much as to elected Members. These managers are aiming to reshape services for the future and are increasingly doing so in collaborative partnership with other agencies and with local communities. In very many cases they need to focus on how to reduce substantially the cost of the service in the future. Doing so without knowing the structure of governance in the County is extremely difficult.

Cost Reduction: a design principle

17. The cost of a service includes the direct cost of labour, plant, materials and asset overheads (such as offices, depots, IT and so on). But it also includes the direct cost of managing the service, commissioning it and reviewing its effectiveness. In this sense management is an overhead.

18. Senior management that acts corporately is a corporate overhead (alongside the cost of governance, audit, insurance, corporate law and so on). Those who perform senior corporate management roles therefore need to be mindful of their costs. Every pound spent on senior management is a pound not spent in direct service provision. The issue is whether senior management adds sufficiently cost-effective value to the delivery of services today and the shaping of services for tomorrow. Lean approaches to corporate management underpinned our approach and we examined authorities elsewhere at the top three tiers of management to develop options that were highly cost effective and which could deliver substantial cost reductions to Oxfordshire taxpayers.

More recent changes

19. At the broadest level, following the Brexit vote in late June 2016 and the subsequent changes in the Administration and Machinery of Government, the Council has had to review its forward plan again. This is because the stance of Government has changed markedly in some areas (city regional footprints for economic growth have become larger); and in other areas is subject to review and change (potentially in respect of children's services). This impacts on the feasibility of any move towards the "unitarisation" of English Counties as well as to the more general financing of local government functions and activities (such as the business rate retention policies and the distribution of revenues from new developments). Moreover, approaches to health and social care integration (potentially impacting upon over one-half of the County's functional spend) are

now in review as the 44 Sustainable Transformation Plans (STPs) are in consideration by NHS England and the Dept of Health.

20. More narrowly changes are anticipated in the County's top management team as both the Director for Adult Social Care and the Director for Children, Education & Families will be leaving in the coming months.

Moving to implementation

21. It is now the right time to deliver the findings of the senior management review. The Council's management needs to be fit for new purposes. The SMR process has been updated by the work the Council has undertaken in recent months on the transformation of services and on the future of local government in Oxfordshire, including a unitary structure or structures. The conclusions of the SMR have also been informed by the need to:

- Build on the foundations that are already in place, with the numbers of senior managers reducing by 40 per cent since 2010;

- Enable the council to rapidly develop and put in place a new operating model. This will focus on how the council can most effectively support the aims of Efficient Public Services in the Corporate Plan. The new model will see the council become smaller, but more flexible and agile, as it works more smartly for and with Oxfordshire's communities.

- Ensure a stronger 'One Council' approach, driving and embedding new approaches across the organisation;

- Ensure that there is the flexibility to 'Think Unitary, Act Unitary' to meet the future needs of Oxfordshire residents;

- Achieve efficiencies and savings

Proposals in detail

22. The County's current senior management structure can be found at Annex 2. This directorate based structure has served the Council well over recent years but it is clear message that now is the time for change. The proposed new senior management structure can be found at Annex 3. Although still presented in a traditional "structure chart", the ways of working proposed deliver increased flexibility based on need at any particular times. What matters is corporate responsiveness to improve collective managerial accountabilities.

23. The key changes, and proposed approach are:
1) Since the departure of the last Chief Executive the Council has been operating with a County Director who also fulfils the role of Head of Paid Service. It is

proposed that that the title ‘County Director’ has served its purpose and that role should be re-designated as Chief Executive in the new structure.

2) Director posts would be re-designated as Strategic Directors and reduced from 5 to 3. They would cover People, Communities and Resources. The Strategic Director for Resources post would be carried out by the Chief Executive, who will also take the lead on the transformation programme. These Strategic Director roles would focus on Council-wide, corporate responsibilities, problem solving and performance management; more than they would oversee service strategy and operational delivery.

3) It is proposed that the existing Director of Public Health (DPH) assumes on an interim basis the Strategic Director for People role, while retaining his statutory DPH role.

4) It is proposed that the existing Chief Legal Officer assumes on a permanent basis the Director of Law and Governance role, including the statutory role of Monitoring Officer.

5) It is proposed that expressions of interest for the Strategic Director for Communities role are sought from the wider ECCMT grouping.

6) The Deputy Director and Corporate Advisor posts that remain would be re-designated as Directors; unless there is a statutory element attached to the role of Director, in this case ‘Head of’ will be used. The statutory roles of Director for Children’s Services and Director for Adult Services would sit at the Director level, reporting into the Strategic Director for People. Given the statutory nature of these roles the Council has already successfully appointed to these posts in advance of the departures of the existing Director of Children, Education & Families and the Director for Adult Social Care.

7) Within Resources one post would be re-designated as Assistant Chief Executive. The main emphasis of this role is to provide strategic and policy support to the Chief Executive. This role is important given the breadth of change underway to deliver the ambitions for the council, the transformation agenda and because there will not be an additional person in the Strategic Director for Resources role. The Assistant Chief Executive will also have a prominent external role in handling a wide range of relationships with government, partners and stakeholders.

24. Further details about which services could report to Strategic Directors are at Annex 4. These are indicative and subject to agreement with Strategic Directors.

Principles for reshaping services

25. In proposing the new structure and the regrouping of services the following principles were and will be applied:

1) Services should be grouped so that the management of those services are able to realise positive synergies in terms of designing and delivering more

effective services for customers and service users; and are able to realise efficiency gains through strategic budgetary control and by eliminating waste, duplication and unnecessary management overheads

1) Management layers, accountabilities and reporting lines should be few, simple and clear; and managerial “spans of control” should be stretching (up to 8)

2) New management arrangements must also deliver a relentless focus on improving service performance; motivate people towards change for improvement as well as being adaptable and flexible.

3) There needs to be a straightforward relationship between any new management arrangements and the Council’s scheme of formal delegation – thereby ensuring that the political dimension of the Council links with the management side in a way that enhances overall organisational effectiveness and efficiency.

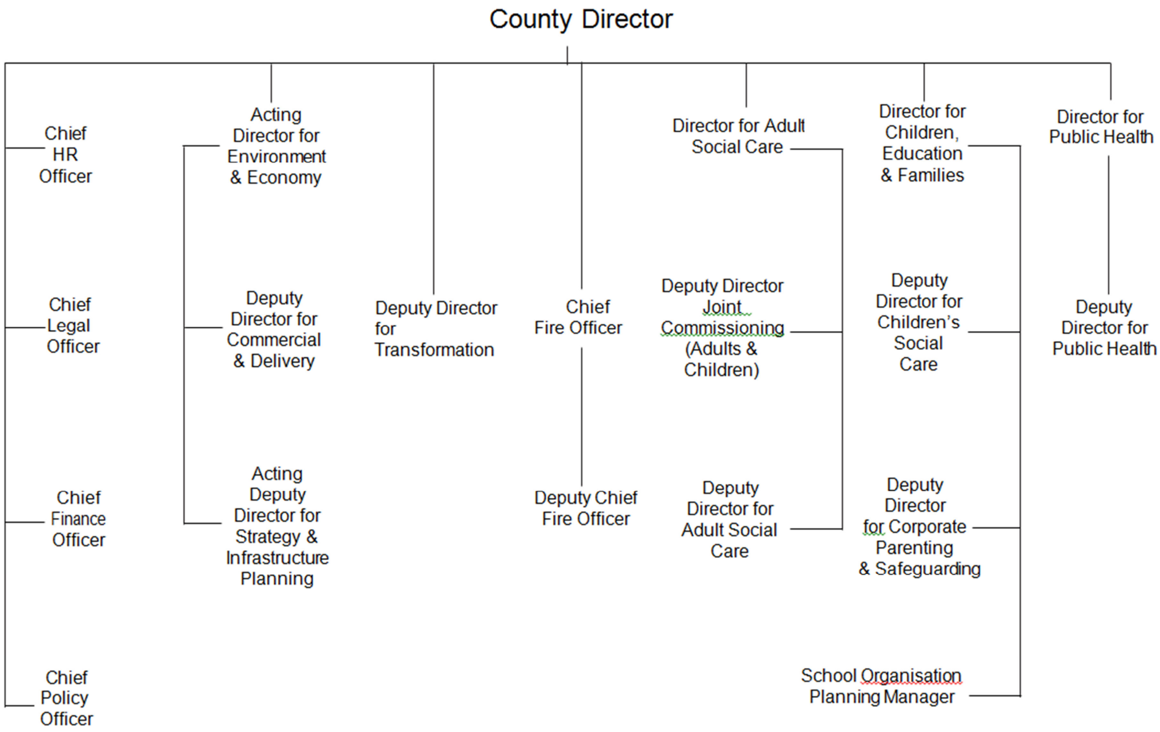
4) Where required, appointments to posts would be using the robust selection methods we currently use to appoint senior managers, which includes development planning for successful candidates. This first phase of implementation of the senior management review will be accompanied by the articulation of a new direction for the council, a refresh of the corporate values and behaviours, and phase one of the Council’s transformation programme.

32. A series of recommendations based on the findings of this review are provided for consideration in a covering report for Cabinet.

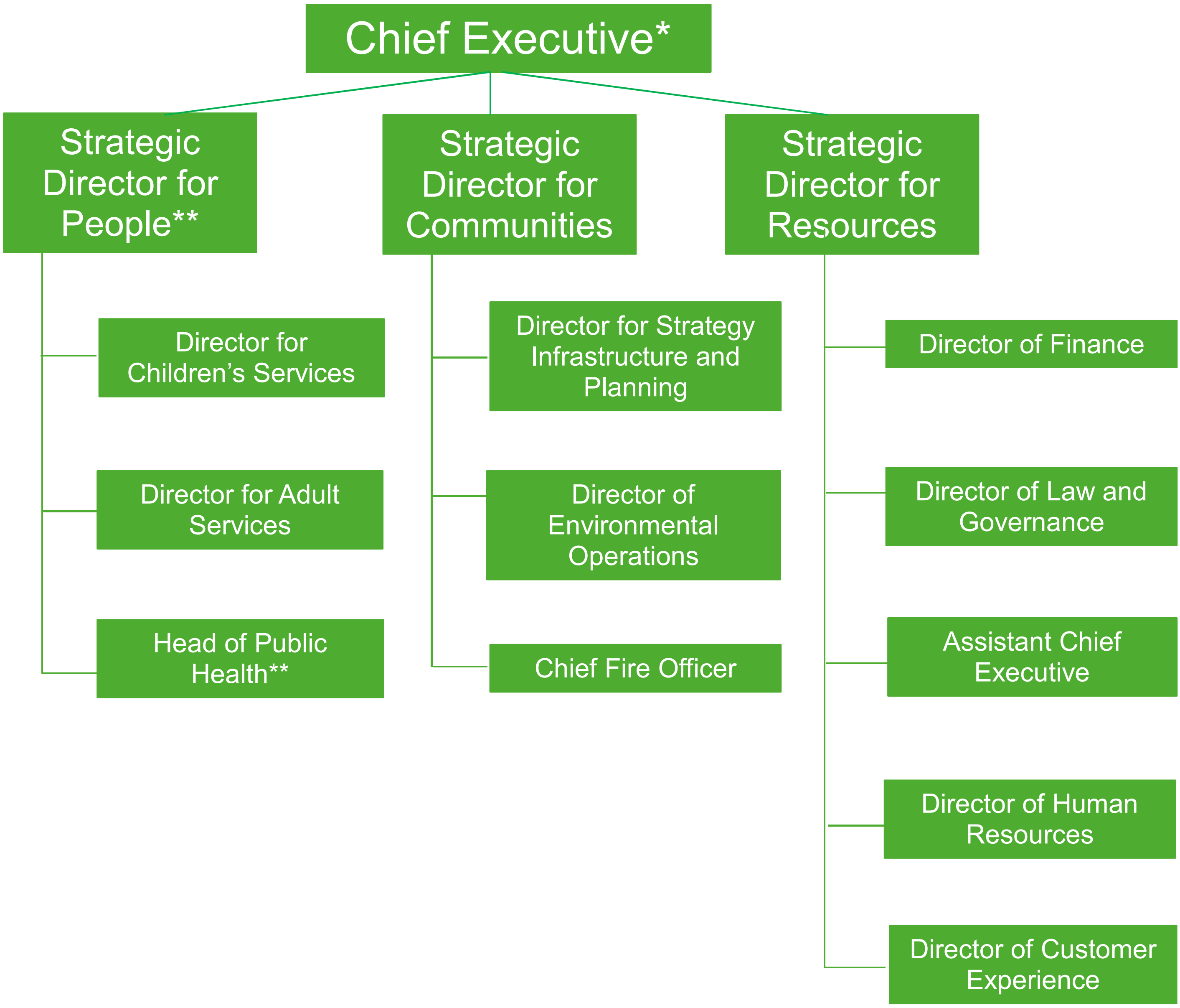
1 November 2016
report authors:
Dr Barry Quirk CBE (Penna Associate) and Julie Towers (Managing Director, Penna)

Annex 2 – Current senior management structure

Oxfordshire County Council

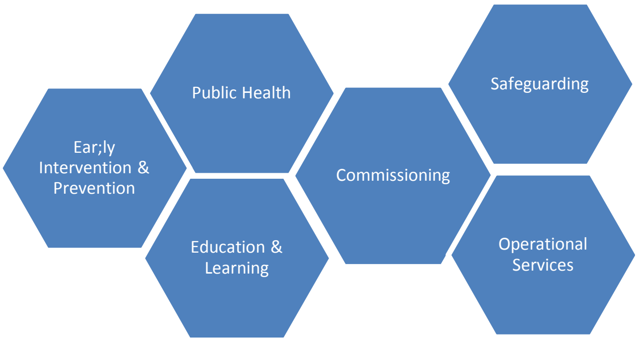


Annex 3 – Proposed senior management structure

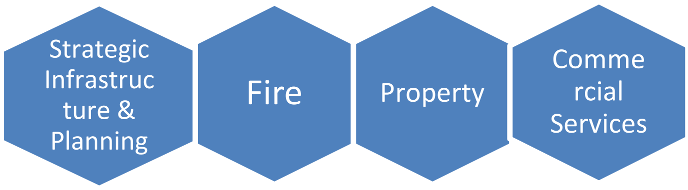


* Chief Executive will also cover the role of Strategic Director for Resources
** Strategic Director for People will retain the role and title of Director for Public Health

Strategic Director for People



Strategic Director for Communities



Reporting into the Chief Executive as Strategic Director for Resources

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Division(s): N/A

CABINET – 22 NOVEMBER 2016

TREASURY MANAGEMENT MID-TERM REVIEW 2016/17

Report by Chief Finance Officer

Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management (Revised) 2011 recommends that members are informed of Treasury Management activities at least twice a year. This report ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

2. The following annexes are attached

Annex 1	Lending List Changes
Annex 2	Debt Financing 2016/17
Annex 3	PWLB Debt Maturing
Annex 4	Prudential Indicator Monitoring
Annex 5	Arlingclose Quarter 2 Benchmarking

Strategy 2016/17

3. The approved Treasury Management Strategy for 2016/17 was based on an average base rate forecast of 0.55%.

4. The Strategy for borrowing provided an option to fund new or replacement borrowing up to the value of 15% of the portfolio through internal borrowing.

5. The Strategy included the continued use of pooled fund vehicles with variable net asset value.

External Context – Provided by Arlingclose

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

7. The repercussions of this plunge in sentiment on economic growth were judged by the Bank of England to be severe, prompting the Monetary Policy Committee to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks.

This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks (Term Funding Scheme) to maintain the supply of credit to the economy. The minutes of the August meeting also suggested that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic outlook worsen.

8. In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'. The new members of the UK government, particularly the Prime Minister and Chancellor, are likely to follow the example set by the Bank of England. After six years of fiscal consolidation, the Autumn Statement on 23rd November is likely to witness fiscal initiatives to support economic activity and confidence, most likely infrastructure investment.

9. Whilst the economic growth consequences of BREXIT remain speculative, there is uniformity in expectations that uncertainty over the UK's future trade relations with the EU and the rest of the world will weigh on economic activity and business investment, dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017. Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening real wage growth and real investment returns. The August Quarterly Inflation Report from the Bank of England forecasts a rise in CPI to 0.9% by the end of calendar 2016 and thereafter a rise closer to the Bank's 2% target over the coming year, as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.

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

11. **Market reaction:** Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what it was at the start of 2016. The 10-year gilt yield has since risen to 0.69% at the end of September. The yield on 2- and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. However both yields have since recovered to 0.07% and 0.08% respectively. The fall in gilt yields was reflected in the fall in PWLB borrowing rates.

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

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

Treasury Management Activity

Debt Financing

14. Oxfordshire County Council's debt financing to date for 2016/17 is analysed in Annex 2.

15. The Council's cumulative total external debt has decreased from £393.38m on 1 April 2016 to £388.38m by 30 September 2016, a net decrease of £5m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2017, after repayment of loans maturing during the year, is £385.38m. The forecast debt financing position for 31 March 2017 is shown in Annex 2.

16. At 30 September 2016, the authority had 64 PWLB[1] loans totalling £338.38m, 9 LOBO[2] loans totalling £45m and 1 long-term fixed Money Market loan totalling £5m. The combined weighted average interest rate for external debt as at 30 September 2016 was 4.5%.

Maturing Debt

17. The Council repaid £5m of maturing PWLB loans during the first half of the year. The details are set out in Annex 3.

Debt Restructuring

18. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt restructuring activity. No PWLB debt restructuring activity was undertaken during the first half of the year.

LOBOs

19. At the beginning of the financial year the Authority held £50m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £20m of these LOBOs had options during 2016/17, none were exercised by the lender. The Authority acknowledges there is an element of refinancing risk associated with LOBOs although in the current interest rate environment lenders are unlikely to exercise their options.

20. In June Barclays Bank informed the Authority of its decision to cancel all the embedded options within standard LOBO loans. This effectively converts £5m of the Authority's LOBO loans to a fixed rate loan removing the uncertainty on both interest cost and maturity date. This waiver has been done by 'deed poll'; it is irreversible and transferable by Barclays to

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[1] PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.
[2] LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

any new lender. A post balance sheet amendment was made to the disclosure notes in the 2015-16 Statement of Accounts to reflect the change in loan structure.

Investment Strategy

21. The Authority holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.

22. During the first half of the financial year short term fixed deposits of up to 12 months have been placed with banks and building societies on the approved lending list and Money Market Funds have been utilised for short-term liquidity. Opportunities to place longer-term deposits have been limited.

23. The Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.

The Council's Lending List

24. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is updated to reflect changes in counterparty credit quality with changes reported to Cabinet on a bi-monthly basis. Annex 1 shows the amendments incorporated into the Lending List during the first half of 2016/17, in accordance with the approved credit rating criteria.

25. Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune although the fall in their share prices was less pronounced.

26. Fitch credit rating agency downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's (S&P) downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

27. Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

28. There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Arlingclose believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

29. In the six months to 30 September 2016 there were no instances of breaches in policy in relation to the Council's Lending List. Any breaches in policy will be reported to Cabinet as part of the bi-monthly Business Strategy and Financial Monitoring report.

Investment Performance

30. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17.

31. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £332m. The Council achieved an average in-house return for that period of 0.84% marginally below the budgeted rate of 0.85% set in the strategy. This has produced gross interest receivable of £1.4m for the period to 30 September.

32. Temporary surplus cash includes; developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.

33. The Council uses the three month inter-bank sterling bid rate as its benchmark to measure its own in-house investment performance. During the first half of 2016/17 the average three month inter-bank sterling rate was 0.38%. The Council's average in-house return of 0.84% exceeded the benchmark by 0.46%. The Council operates a number of call accounts and instant access Money Market Funds to deposit short-term cash surpluses. The average balance held on overnight deposit in money market funds or call accounts in the 6 months to 30 September was £59.8m.

34. The UK Bank Rate had been maintained at 0.5% since March 2009 until August 2016, when it was cut to 0.25%. It is now forecast to fall further towards zero but not to go negative. Short-term money market rates have remained at relatively low levels.

External Fund Managers and Pooled Funds

35. The Council continued to use pooled funds with variable net asset value. Weighted by value pooled fund investments produced an overall annualised return of 2.6% for the period. These investments are held with a long-term view and performance is assessed accordingly.

36. Gross distributions from pooled funds have totalled £0.46m in the first six months of the year. This brings total income, including gross interest receivable on in-house deposits to £1.86m for the period.

Prudential Indicators for Treasury Management

37. The Authority confirms compliance with its Prudential Indicators for 2016/17, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 30 September 2016 for the Prudential Indicators is shown in Annex 4.

External Performance Indicators and Statistics

38. The County Council is a member of the CIPFA Treasury and Debt Management benchmarking club and receives annual reports comparing returns and interest payable against other authorities. The benchmarking results for 2015/16 showed that Oxfordshire County Council had achieved an average investment return of 0.88% compared with an average of 0.87% for their comparative group of members.

39. The average interest rate paid for all debt during 2015/16 was 4.5%, with an average of 4.35% for the comparative benchmarking group members. It should be noted that all of Oxfordshire County Council's debt is long-term, whereas the averages for the comparators include short-term debt which has a lower interest rate and so reduces the averages. Oxfordshire County Council's long-term fixed debt was below the group average rate. Oxfordshire County Council had a higher than average proportion of its debt portfolio in PWLB loans at 87% compared to 78% for the all member group. Oxfordshire County Council had 13% of its debt in LOBO loans at 31 March 2016 compared with an average of 17% for the comparative group.

40. Arlingclose also benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 2 benchmarking to 30 September 2016 are shown in Annex 5.

41. The benchmarking results show that the Council was achieving higher than average interest on deposits at 30 September 2016, when compared with a group of 138 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.

42. Oxfordshire had a higher than average allocation to external funds, fixed and local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds and call accounts.

Training

43. Individuals within the Treasury Management Team continued to keep up to date with the latest developments and have attended a number of external workshops and conferences.

Financial and Legal Implications

44. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. The 2016/17 budget for interest receivable

was £3.2m. The forecast outturn is currently in line with the budget. Interest payable is currently forecast to be in line with the budgeted figure of £17.6m.

45. The economic outlook for the UK has immeasurably altered following the vote to leave the EU. The long-term position of the economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to Single Market access. The short to medium-term outlook has been more downbeat due to the uncertainty generated by the result and forthcoming negotiations.

46. Arlingclose has changed its central case for the path of Bank Rate over the next three years, predicting that Bank Rate will remain at 0.25%, but with a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero. Gilt yields are forecast to be broadly flat from current levels, albeit experiencing short-term volatility.

RECOMMENDATION

47. **The Cabinet is RECOMMENDED to note the report and to RECOMMEND Council to note the Council's Mid-Term Treasury Management Review 2016/17.**

LORNA BAXTER
Chief Finance Officer

Annexes:	Annex 1	Lending List Changes
	Annex 2	Debt Financing 2016/17
	Annex 3	PWLB Debt Maturing
	Annex 4	Prudential Indicator Monitoring
	Annex 5	Arlingclose Quarter 2 Benchmarking

Contact officer: Donna Ross – Strategic Finance Manager
Contact number: 01865 323976
November 2016

Annex 1

Lending List Changes from 1 April 2016 to 30 September 2016

Counterparty	Lending Limit	Maximum Maturity
Counterparties added/reinstated		
None		
Counterparties suspended		
None		
Lending limits & Maturity limits increased		
None		
Lending limits & Maturity limits decreased		
None		

Pension Fund Lending list changes

The Oxfordshire Pension Fund cash balances are held separately from County Council cash and are deposited in accordance with the Cash Management Strategy approved by the Pension Fund Committee. The Strategy for 2016/17 is to use a sub-set of the Councils approved counterparties.

The following Pension Fund counterparty limits were updated to £25m in line with the Pension Fund Cash Management Strategy approved by the Pension Fund Committee for 2016/17.

Pension Fund Counterparty limits amended to £25m
Standard Life Sterling Liquidity Fund
Lloyds Bank Plc
Overseas Chinese Banking Corp
Svenska Handelsbanken

Annex 2

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2016/17

Debt Profile		£m
1. PWLB	87%	343.38
2. Money Market loans	13%	50.00
3. Sub-total External Debt		393.38
4. Internal Balances		-15.80
5. Actual Debt at 31 March 2016	**100%**	**377.58**
6. Government Supported Borrowing		0.00
7. Unsupported Borrowing		15.77
8. Borrowing in Advance		0.00
9. Minimum Revenue Provision		-15.53
10. Forecast Debt at 31 March 2017		**377.82**
Maturing Debt		
11. PWLB loans maturing during the year		-8.00
12. PWLB loans repaid prematurely in the course of debt restructuring		0.00
13. Total Maturing Debt		**-8.00**
New External Borrowing		
14. PWLB Normal		0.00
15. PWLB loans raised in the course of debt restructuring		0.00
16. Money Market LOBO loans		0.00
17. Total New External Borrowing		**0.00**
Debt Profile Year End		
18. PWLB	87%	335.38
19. Money Market loans (incl £45m LOBOs)	13%	50.00
20. Sub-total External Debt		385.38
21. Internal Balances		-7.56
22. Forecast Debt at 31 March 2017	**100%**	**377.82**

Line

1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2016). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.

6 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.

7 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.

8 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.

9 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.

10 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.

11 The Council's normal maturing PWLB debt.

12 PWLB debt repaid early during the year.

13 Total debt repayable during the year.

14 The normal PWLB borrowing undertaken by the Council during 2016/17.

15 New PWLB loans to replace debt repaid early.

16 The Money Market borrowing undertaken by the Council during 2016/17

17 The total external borrowing undertaken.

18-22 The Council's forecast debt profile at the end of the year.

Annex 3

Long-Term Debt Maturing 2016/17

Public Works Loan Board: Loans Matured during first half of 2016/17

Date	Amount £m	Rate %
13/07/2016	0.500	2.35%
31/07/2016	0.500	2.35%
31/08/2016	4.000	5.00%
Total	**5.000**	

Public Works Loan Board: Loans Due to Mature during second half of 2016/17

Date	Amount £m	Rate %
22/11/2016	2.000	7,75%
13/01/2017	0.500	2.35%
31/01/2016	0.500	2.35%
Total	**3.000**	

Annex 4

Prudential Indicators Monitoring at 30 September 2016

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during 2016/17.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authority confirms that the Authorised limit was not breached in the first half of 2016/17.

Authorised limit for External Debt	£465,000,000
Operational Limit for External Debt	£450,000,000
Capital Financing Requirement for year	£407,384,000

	Actual 30/09/2016	Forecast 31/03/2017
Borrowing	£388,382,618	£385,382,618
Other Long-Term Liabilities	£ 30,000,000	£ 30,000,000
Total	**£418,382,618**	**£415,382,618**

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 30 September 2016	£293,382,618

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	£0
Actual at 30 September 2016	-£252,219,512

Principal Sums Invested over 365 days

Total sums invested for more than 364 days limit	£100,000,000
Actual sums invested for more than 364 days	£ 80,000,000

Maturity Structure of Borrowing

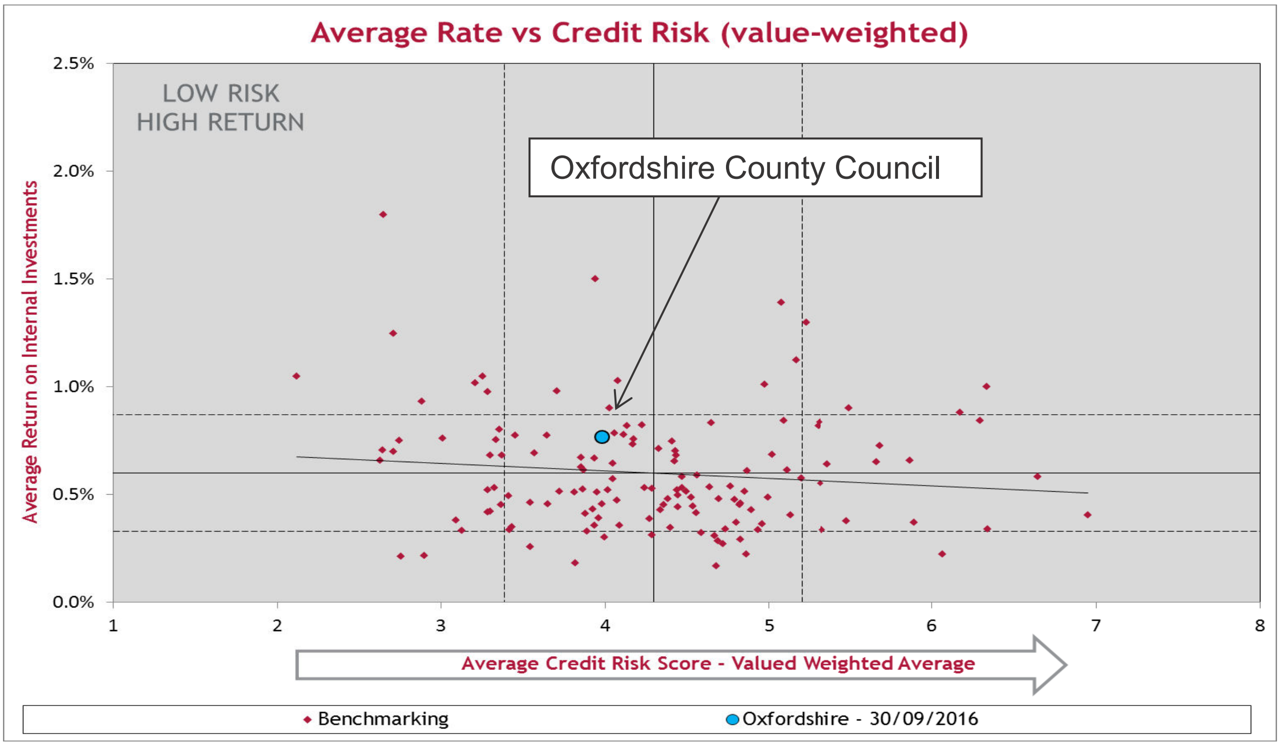
This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at 30 September 2016, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

	Limit %	**Actual %**
Under 12 months	0 - 20	4.63
12 – 24 months	0 - 25	7.21
24 months – 5 years	0 - 35	9.53
5 years to 10 years	5 - 40	15.71
10 years +	50 - 95	62.92

Arlingclose Benchmarking

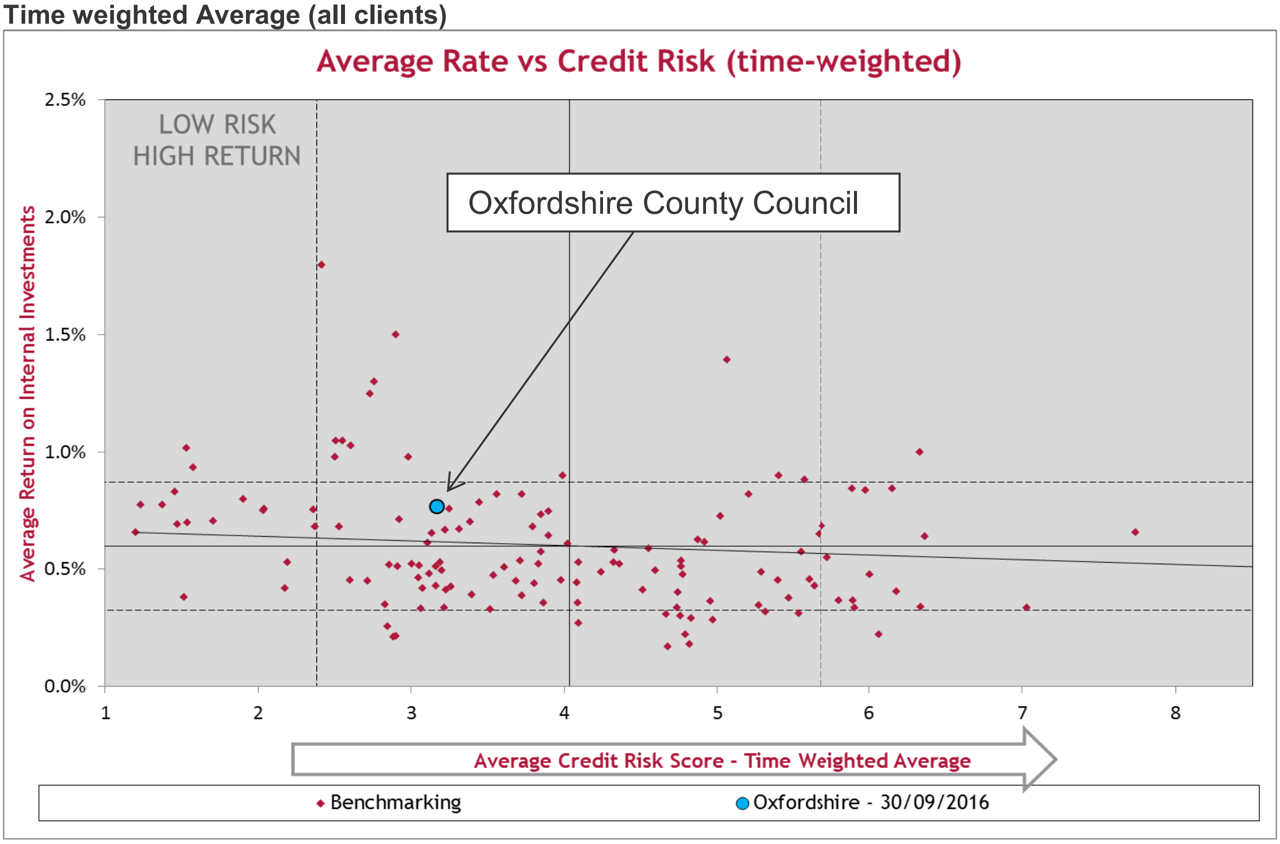
Annex 5

Value weighted average (all clients)



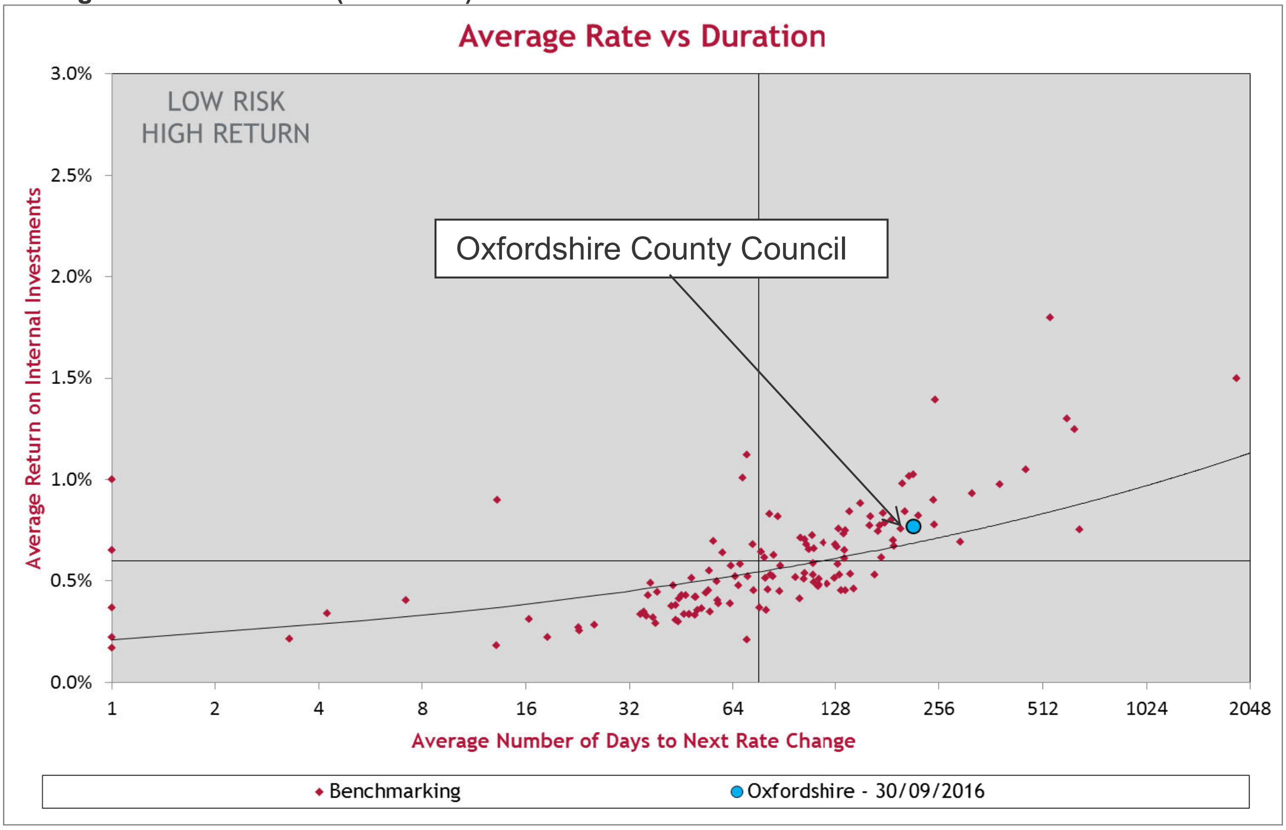
This graph shows that, at 30 September 2016, Oxfordshire achieved a higher than average return for lower than average credit risk, weighted by deposit size.

Time weighted Average (all clients)



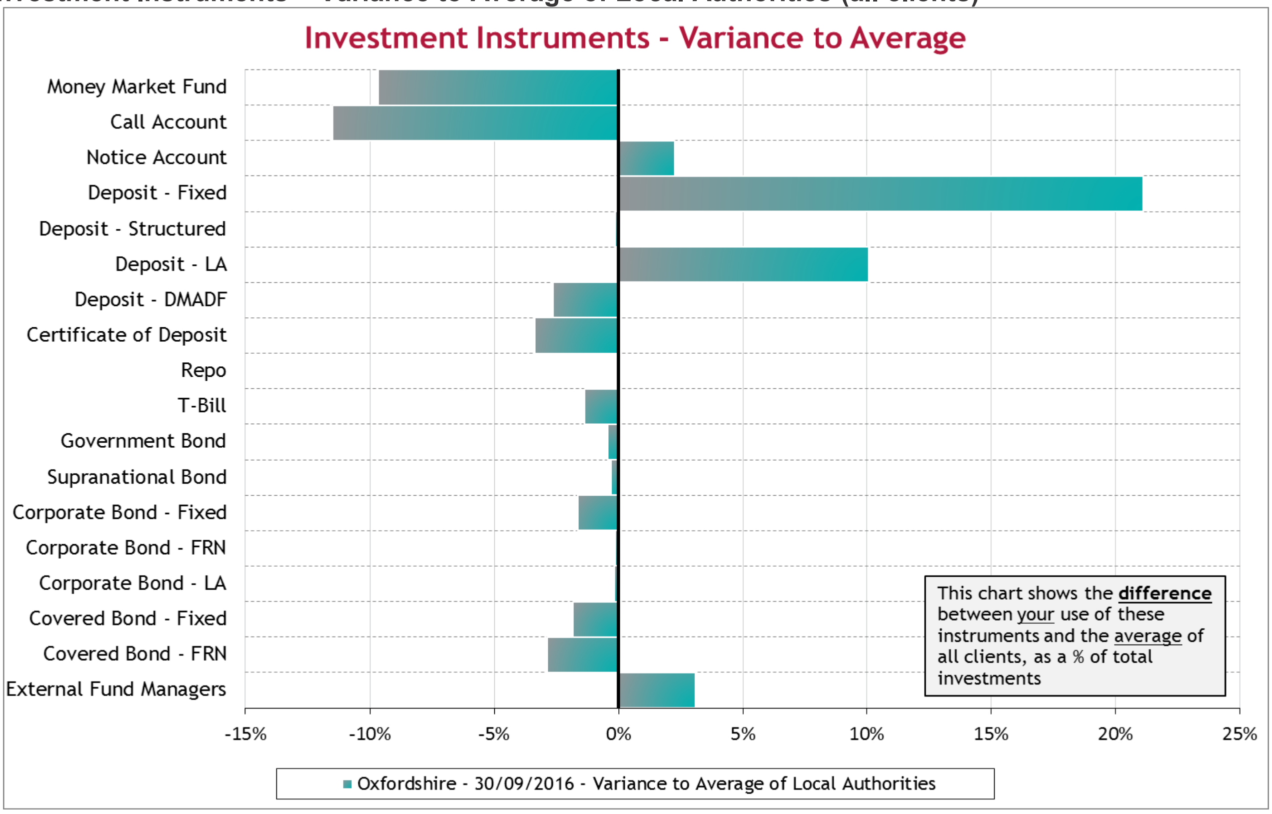
This graph shows that, at 30 September 2016, Oxfordshire achieved higher than average return for lower than average credit risk, weighted by duration.

Average Rate vs Duration (all clients)



This graph shows that, at 30 September 2016, Oxfordshire achieved a higher than average return by placing deposits for longer than average duration.

Investment Instruments – Variance to Average of Local Authorities (all clients)



This graph shows that, at September 2016, Oxfordshire had notably higher than average allocation to external funds, fixed and local authority deposits when compared with other local authorities. Oxfordshire also had notably lower exposures to money market funds and call accounts.

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Division(s): N/A

COUNTY COUNCIL – 13 DECEMBER 2016

REPORT OF THE CABINET

Cabinet Member: Leader

1. Senior Management Review
(Cabinet, 22 November 2016)

Cabinet considered a report on progress made with the Senior Management Review. Cabinet noted the progress made to date on the Senior Management Review, agreed to ask for the views of Members attending the Senior Management Review briefing on the 9th December 2016, of Audit & Governance Committee and full County Council and agreed that a final version of the report come back to Cabinet on 20 December reflecting feedback.

The report is included elsewhere on this agenda.

Cabinet Member: Deputy Leader

2. Staffing Report Quarter 1
(Cabinet, 22 November 2016)

Cabinet noted a report that gave an update on staffing numbers and related activity during the period 1 July 2016 to 30 September 2016. It gave details of the actual staffing numbers at 30 September 2016 in terms of Full Time Equivalents. In addition, the report provided information on the cost of posts being covered by agency staff.

Cabinet Member: Children & Family Services

3. The Adopt Thames Valley Regional Adoption Agency Project - Developing and Hosting a Shared Adoption Service
(Cabinet, 22 November 2016)

Cabinet considered a report that provided an overview of plans to set up a Regional Adoption Agency (RAA) across the Thames Valley Region. It described the legislative framework, potential benefits for children and families and the planned timetable for setting up the RAA.

Cabinet agreed to joining Adopt Thames Valley and approved the recommendation of the Adopt Thames Valley Project Board that Oxfordshire County Council should, in principle, become the host authority for the planned new shared service (subject to satisfactory financial arrangements being agreed with the other partner local authorities). Cabinet further agreed that a report setting out the detailed financial and staffing implications be presented to Cabinet in the Spring of 2017, prior to a final decision being taken

Cabinet Member: Environment

4. Household Waste Recycling Centre Management and Revised Waste Acceptance Policy

(Cabinet, 22 November 2016)

Cabinet considered a report seeking approval for the revised Waste Acceptance Policy and authority to procure the new HWRC management contract, putting into effect the strategy for the future provision of HWRC services approved by Cabinet in December 2015. Cabinet approved the revised Policy and gave approval to the procurement process.

5. Oxford Workplace Parking Levy

(Cabinet, 22 November 2016)

Cabinet had before them a report that outlined the benefits of introducing a Workplace Parking Levy (WPL) in Oxford, along with a timetable and costs for the work required to develop and implement a WPL. Paragraph 5 of the report flagged that further evidence was required to fully understand whether a congestion charging scheme is appropriate and how this could work in conjunction with, or independently of, a WPL.

The Cabinet approved the overall approach, to explore further the congestion charging scheme, including the programme at Annex 1, as the basis for further work and to allocate £100,000 from reserves to the development of an outline business case by October 2017.

Cabinet Member: Finance

6. Transition Fund for Community Initiatives for Open Access Children's Services

(Cabinet, 22 November 2016)

In February 2016 the council agreed to set aside £1m for creating a 'one off' fund to provide pump priming to support Children's Centres. It was agreed that a cross party group of county councillors would consider maximum benefit of this fund and bring proposals back to Cabinet for decision.

Cabinet approved the recommendations of the working group that had considered the applications under the first round of bids against the agreed criteria outlined in the guidance notes. Six bids were agreed at a total cost of £162,984.52.

7. Treasury Management Mid Term Review

(Cabinet, 22 November 2016)

Cabinet noted a report that set out the Treasury Management activity undertaken in the first half of the financial year 2016/17 in compliance with the CIPFA Treasury Management Code of Practice. The report included Debt and Investment activity, Prudential Indicator monitoring and forecasts for interest receivable and payable for the financial year.

Cabinet RECOMMENDED Council to note the Council's Mid-Term Treasury Management Review 2015/16 and it is included elsewhere on this agenda.

IAN HUDSPETH
Leader of the Council

November 2016

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