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DATE: 28 January 2014

To: Members of the

EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Councillor Eric Bosshard (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Nicholas Bennett J.P., Peter Fookes, Ellie Harmer, Will Harmer, David Hastings, Brian Humphrys, William Huntington-Thresher, Kate Lymer, Nick Milner, Tony Owen, Tom Papworth, Ian F. Payne, Neil Reddin FCCA and Pauline Tunnicliffe

A meeting of the Executive and Resources Policy Development and Scrutiny Committee will be held at Bromley Civic Centre on **WEDNESDAY 5 FEBRUARY 2014 AT 7.00 PM**

MARK BOWEN
Director of Corporate Services

Copies of the documents referred to below can be obtained from www.bromley.gov.uk/meetings

PART 1 AGENDA

Note for Members: Members are reminded that Officer contact details are shown on each report and Members are welcome to raise questions in advance of the meeting.

STANDARD ITEMS

1 **APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

2 **DECLARATIONS OF INTEREST**

3 **QUESTIONS FROM COUNCILLORS AND MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Thursday 30th January 2014.

4 **MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 8TH JANUARY 2014 (EXCLUDING EXEMPT ITEMS)** (Pages 5 - 18)

5 **MATTERS ARISING FROM PREVIOUS MEETINGS** (Pages 19 - 22)

6 **FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS** (Pages 23 - 28)

HOLDING THE RESOURCES PORTFOLIO HOLDER TO ACCOUNT

7 **QUESTIONS TO THE PORTFOLIO HOLDER FROM MEMBERS OF THE PUBLIC AND COUNCILLORS ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Thursday 30th January 2014.

8 **RESOURCES PORTFOLIO - PRE-DECISION SCRUTINY**

The Resources Portfolio Holder to present scheduled reports for pre-decision scrutiny on matters where he is minded to make decisions.

a **BROMLEY YOUTH EMPLOYMENT PROJECT: PERFORMANCE UPDATE FOR QUARTER 2** (Pages 29 - 38)

b **BROMLEY REGISTRATION SERVICE - LOCAL GOVERNANCE SCHEME** (Pages 39 - 42)

c **RECRUITMENT OF JOINT HEAD OF IT - LONDON BOROUGHS OF BROMLEY AND SOUTHWARK** (Pages 43 - 50)

d **TREASURY MANAGEMENT - PERFORMANCE QUARTERS 2 & 3 2013/14 AND PART-YEAR REVIEW** (Pages 51 - 68)

e **TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2014/15** (Pages 69 - 98)

HOLDING THE EXECUTIVE TO ACCOUNT

9 **HOLDING THE CHIEF EXECUTIVE TO ACCOUNT**

10 **PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS** (Pages 99 - 102)

Members of the Committee are requested to bring their copy of the agenda for the Executive meeting on 12th February 2014.

POLICY DEVELOPMENT AND OTHER ITEMS

11 **UPDATES FROM PDS CHAIRMEN** (Pages 103 - 104)

12 **REPORT FROM THE COSTS AND CHARGES WORKING GROUP**

(To Follow)

13 **WORK PROGRAMME 2013/14** (Pages 105 - 110)

PART 2 AGENDA

14 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006, AND THE FREEDOM OF INFORMATION ACT 2000

The Chairman to move that the Press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business	Schedule 12A Description
15 EXEMPT MINUTES OF THE MEETING HELD ON 8TH JANUARY 2014 (Pages 111 - 112)	
16 PRE-DECISION SCRUTINY OF EXEMPT RESOURCES PORTFOLIO HOLDER REPORTS	
a CONTRACT CLEANING AWARD FOR CIVIC CENTRE AND YEOMAN HOUSE (Pages 113 - 116)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
b AWARD OF CONTRACT FOR PROVISION OF HR/PAYROLL SOFTWARE (Pages 117 - 120)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
17 PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS	

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EXECUTIVE AND RESOURCES
POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Minutes of the meeting held at 7.00 pm on 8 January 2014

Present:

Councillor Eric Bosshard (Chairman)
Russell Mellor (Vice-Chairman)
Councillors Nicholas Bennett J.P., Brian Humphrys, William Huntington-Thresher, Nick Milner, Tom Papworth, Ellie Harmer, Peter Fookes, Tony Owen, Ian F. Payne, Neil Reddin FCCA, Pauline Tunnicliffe, Will Harmer and Kate Lymer

Also Present:

Councillor Graham Arthur, Councillor Stephen Carr, Councillor Robert Evans and Councillor Peter Morgan

412 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

413 DECLARATIONS OF INTEREST

Councillor Peter Fookes declared an interest as a Trustee of Penge and Anerley Age Concern in relation to the Contracts Register (minute 418.)

414 QUESTIONS FROM COUNCILLORS AND MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions for the Committee had been received.

415 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 13TH NOVEMBER 2013 (EXCLUDING EXEMPT ITEMS)

RESOLVED that the minutes of the meeting held on 13th November 2013 (excluding exempt information) be confirmed.

416 MATTERS ARISING FROM PREVIOUS MEETINGS

Report CSD 14002

The Committee noted matters arising from previous meetings, and the Chairman announced that he had asked for an update on the Bromley Youth Employment Project for the next meeting on 5th February.

417 FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS

The Committee noted the latest edition of the Forward Plan of Key Decisions, as published on 17th December 2013.

418 CONTRACTS REGISTER

The Committee received extracts from the Contracts Register showing (A) Chief Executive's/Resources contracts over £50k and (B) contracts across all departments above £200k. It was suggested that it was no longer necessary for the Committee to receive these summaries or that a shorter document just highlighting particular issues would suffice, but most Members considered that receiving the quarterly extracts was still useful.

419 QUESTIONS TO THE PORTFOLIO HOLDER FROM MEMBERS OF THE PUBLIC AND COUNCILLORS ATTENDING THE MEETING

Two questions had been received from Councillor Tom Papworth – these are attached, with answers from the Portfolio Holder, as Appendix 1.

420 SCRUTINY SESSION - THE RESOURCES PORTFOLIO HOLDER

The Resources Portfolio Holder, Councillor Graham Arthur, attended the meeting to update the Committee on his work and answer questions. Councillor Arthur summarised the following work currently taking place –

- World War 1 Commemorations – Officers were coordinating fifteen events, including a reconstruction of a WW1 allotment.
- Registrars Service – Councillor Arthur congratulated the Registrars Service on an outstanding inspection outcome which would result in a light touch inspection regime for the future. The Service had been very successful in generating business and now ran at a surplus.
- Electoral Registration – The annual canvass was being carried out for the last time, and a report was being prepared for General Purposes and Licensing Committee on arrangements for the 2014 local and European elections.
- Civic Centre facilities – The recent Coroner's Inquest held at the Civic Centre included use of Skype to interview a witness in Hong Kong. Further investment in Civic Centre facilities was needed to increase lettings income.
- Finance – The budget was currently in balance, but there was a potential shortfall of £7m still to be addressed for 2015/16 and further savings were needed.
- Benefits – The full effects of the benefits changes had still to be fully felt, but Cllr Arthur had recently visited the Liberata team and had congratulated them on the job they were doing. He reported that the

Government would be withdrawing its £993k funding for the Welfare Fund from 2015/16, resulting in a further burden for the Council.

- IT Manager – Work was being carried out with LB Southwark to recruit a senior IT professional to serve both boroughs, and other authorities had also expressed an interest.
- Economic Development and Investment Fund – property investments were now producing around £1m in income per annum, while disposals of operational property exceeded £30m. The Asset Management group were looking at the use of all assets very rigorously.
- Commissioning – The Customer Service Centre had recently been outsourced and in-depth reviews of all service areas had resulted in 7 bundles of work which would be scrutinised by PDS Committees. The annual report on Commissioning was due to be published in February.
- Partners – Other partners would be forced by budget restrictions to limit themselves to a minimal service in coming years – Cllr Arthur stated that most residents understood this.

The Chairman urged all Members to continue to tell MPs about the pressures on the Council and to urge them to reduce the Council's statutory duties.

Councillor Nicholas Bennett referred to the line on Health Authority Clinics in the list of Council property holdings produced in the answer to Councillor Papworth's question (minute 419), and stated that a clinic in Hawes Lane in his ward had been empty for 8 years. Councillor Arthur responded that there were regular discussions with health services about property matters, but NHS property was not controlled locally.

Councillor Nicholas Bennett asked whether the information he had requested on the cost of new statutory duties imposed since 2010 would be available, as this would be useful in lobbying MPs. Councillor Arthur responded that he would speak to the Director of Finance about this, and added that, with the Leader and Deputy Leader, he had met with the borough's MPs to explain the impact of the Government withdrawing its funding for the Welfare Fund. He confirmed that the Fund was used each year.

Councillor Tony Owen asked about progress with underpinning works at Anerley Town Hall. Councillor Arthur responded that the quotes to carry out the work had been unacceptably high and a re-think of the project was needed. He agreed that in retrospect tenants might have been advised too early to make alternative arrangements while the work was carried out.

Councillor Russell Mellor asked how often the Council valued its property assets, and what the cost of this was. He was informed that there was a five year rolling programme of valuations carried out by consultants. The recent 20% tranche had cost £7,750. The values shown were not necessarily the market value were the property to be sold.

421 RESOURCES PORTFOLIO - PRE-DECISION SCRUTINY

421.1 CAPITAL PROGRAMME MONITORING - 2ND QUARTER 2013/14
Report CSD14013

On 20th November 2013 the Executive had received a second quarter capital monitoring report and had agreed a revised Capital Programme for the four year period 2013/14 to 2016/17. This had included scheme re-phasings within the Resources Capital Programme.

RESOLVED that the recommendations be supported.

422 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS
Report CSD14003

The Committee considered the following reports on the part 1 agenda for the meeting of the Executive on 15th January 2015.

(5) Draft 2014/14 Budget and Update on Council's Financial Strategy 2015/16 to 2017/18
Report FSD14001

The report presented the initial draft 2014/15 budget and set out actions to reduce the Council's medium term "budget gap." The views of PDS Committees would be sought before the Executive at its meeting on 12th February made final recommendations to Council on the 2014/15 Council Tax levels and Budget. In education, there had been a welcome increase in the Basic Needs Assessment, but full details were still awaited on elements of the schools budget settlement, and these would be reported to Education PDS Committee later in the month.

Asked about the future of local government, the Director of Finance stated that a recent report said that a tipping point would be reached for most authorities by 2015/16 or 2016/17 and the role of the state would be the fundamental question in the coming years. Ring-fencing of health and education budgets increased the pressure on local government. It was likely that district councils, without critical mass and a full range of services, would be forced to merge, although a Member questioned whether large organisations would necessarily be more efficient than small ones. Bromley was in a better position than many authorities, having taken a medium term approach, being lean and debt free and retaining reserves, but there were substantial challenges to be faced. Further reductions in the government's welfare budgets, such as reducing housing benefit support for young people under 25, were likely to have consequential impacts on other social service budgets. Homelessness was one of the biggest challenges facing the borough in the coming years.

The recent changes announced to council tax freeze grant, whereby the 2014/15 grant would now be included in base funding in future years, represented a late concession from the Government, following substantial lobbying. Bromley's 2014/15 grant would be £1.38m; compared with a Council Tax rise of 2%, accepting the grant would mean foregoing £1.08m of ongoing income.

The Director of Finance explained that the Collection Fund (paragraph 11.7.1 in the report) related to money collected by the Council on behalf of the GLA. A surplus built up which was released every few years

RESOLVED that the recommendations be supported.

(6) Section 106 Agreements: Update
Report DRR14/001

Members received an update on Section 106 Agreements and on progress made to purchase residential properties using the £1m housing payment in lieu (PIL) monies agreed in July 2013. It was proposed that authority to draw down a further £120k of affordable housing PIL money to acquire residential properties be delegated to the Director of Regeneration and Transformation in consultation with the Portfolio Holder for Resources.

The amount of PIL monies was related to viability, and the Chief Planner confirmed that with market conditions improving developers would now be expected to provide larger contributions, whereas in recent years they had used market conditions as a reason to seek to pay reduced contributions. With planning permissions usually taking five years to expire legal agreements usually contained indexation clauses to give some protection to the Council's interests.

The Committee discussed the use of education contributions. The Government usually provided funding for new schools, but if the Council provided a site then it lost any potential receipt and the Council would argue that this could be paid for from education contributions. All types of contributions were set out in Supplementary Planning Guidance. The Council collected Community Infrastructure Levy (CIL) on behalf of the GLA, and retained 5% administration allowance.

Councillor Nicholas Bennett asked for clarification of the table at appendix 4. Further details of the S.106 agreements had been placed in the Members' Room.

The Chairman called for PIL contributions to be maximised and the calculations to be reviewed. The Chief Planner assured Members that actual contributions were independently assessed at the expense of the applicant and Supplementary Planning Guidance was kept up to date.

RESOLVED that the recommendations be supported.

(7) Procurement Strategy for Tenancy Support Services for Homeless People
Report CS3051

The report sought agreement for the proposed procurement strategy for tenancy support services for homeless people living in hostel accommodation. This service was currently being provided by Riverside ECHG under a contract expiring on 30th June 2014.

Questioned about the quality of service provided by Riverside ECHG, the Director of Education, Care and Health Services commented that performance had been variable, with staff turnover being a major issue, but outcomes had been exceptional. The aim was to support adults to live independently and maintain their own tenancies. The Director informed the Committee that the latest survey of people living on the streets in the borough had found nine individuals, and there was no evidence of any increase in numbers.

It was noted that there was a minor error in the report at paragraph 3.4 – the gateway review had been considered by the Executive in October 2012.

RESOLVED that the recommendations be supported.

(8) Better Care Fund (BCF) – Formerly the Integration Transformation Fund
Report CS13054

The former Integration Transformation Fund had recently been rebranded by the Department of Health as the Better Care Fund. A two year local plan had to be approved locally by the Council and the Clinical Commissioning Group and then submitted to NHS England by 14th February 2014. It was proposed that the Executive should approve the proposals and delegate confirmation of the detailed work to the Health and Wellbeing Board on 30th January 2014.

RESOLVED that the recommendations be supported.

(9) PRoMISE Programme: Draw-down of NHS Funds
Report CS13052

The report provided an update on the Bromley Clinical Commissioning Group's PRoMISE programme and sought the release of funds totalling £7.499m for the period 2013/14 to 2014/15.

The Committee discussed the rise in type 2 diabetes, including childhood diabetes, and noted that good work had been done on prevention and diet in the United States and in Scotland. Cllr Pauline Tunnicliffe informed Members that the Care Services PDS Committee would shortly be receiving a report on diabetes.

Members also noted that there was a need to encourage people not to attend A&E when other services or self-treatment were more appropriate. Part of this was closer working between care and health, with staff secondments and a single professional being responsible for each client.

RESOLVED that the recommendations be supported.

(10) Learning Disability Section 75 Agreement
Report CS13053

It was proposed that the Council would enter into an agreement with Oxleas NHS Foundation Trust for the provision of adult learning disability assessment and care management services. Oxleas would be the lead provider for the Council's learning disability functions through an agreement under section 75 of the National Health Service Act 2006, and a pooled budget would be established to deliver the service.

RESOLVED that the recommendations be supported.

(11) Developing Bromley's Local Plan – Draft Policies and Designations for Consultation

In line with the Local Development Scheme approved by the Executive in October 2013, consultation on the Local Development Scheme was scheduled for early 2014. The report included, at Appendix 1, the Draft Policies and Designations document for the Executive to agree for public consultation, having considered the recommendation of the Development Control Committee on 7th January 2014. It was noted that Oxleas now provided a range of community services and was a very effective provider. The proposals would involve a single management structure for staff and a single point of contact for clients.

Asked whether it would be useful to include a section in the Plan on fracking, the Chief Planner stated that this was possible, but the issue was already covered in some detail in national policy.

RESOLVED that the recommendations be supported.

(12) Business Improvement District Strategy for Town Centres 2014/15

Following the successful establishment of the Orpington 1st Business Improvement District (BID) the Executive was being asked to consider the feasibility of extending the BID approach to other town centres in the borough, specifically Bromley and Beckenham. It was recommended that the formation of a Bromley BID be supported, but that the BID process should not be started immediately for Beckenham but should be reconsidered before the end of 2014. An addendum to appendix 4 in the report had been circulated setting out the different stages of the project plan and the attendant costs.

Members queried whether the boundaries of the BID area as shown in the report were fixed, as there were a number of locations that should potentially be included. It was noted that the discussions on developing the proposals would include the detailed boundaries, and these would not need to be fixed until the project reached the ballot stage. The boundary would have to be considered very carefully as including areas where businesses might not be in favour could undermine a successful ballot. Councillor Ian Payne informed the Committee that experience in Bexleyheath was that businesses that had been excluded from the BID now wanted to be included.

Consultation and discussion were essential to the development of a successful BID, and although the Council had a facilitating role it was important that the process was business-led. A Bromley stakeholder group was being formed to create an over-arching group for the town centre. It was noted that businesses in the Glades/Intu were already paying a service charge, but there were ways to mitigate this – in Orpington, a discount had been negotiated for Walnuts Centre tenants.

The Committee inquired about the Orpington BID – officers were not aware of any complaints having been received from the businesses that had not supported the BID, and income was on target at about 90%.

Officers confirmed that there was no restriction on establishing a BID covering more than one town centre, and there might be opportunities for sharing back-office costs, but this would also involve considerable challenges.

RESOLVED that the recommendations be supported.

423 SHARED PARKING SERVICE - PROGRESS REPORT

The Committee received a report informing them of progress with the shared parking service with LB Bexley and the issues that had arisen during the first six months of operations. The report had also been considered by the Parking Working Group on 9th October 2013 and the Environment PDS Committee on 19th November 2013. It was noted that the creation of the shared parking service had been approved by the Executive in November 2012, not 2013 as stated in paragraph 3.1 of the report.

Councillor Tony Owen queried what real savings had been achieved, and how. Most of the savings had been as a result of combining two teams of staff (from 37fte posts to 27.5fte) – this had been done through keeping vacancies open and some staff choosing not to join the new service. Savings had been achieved from the Parking IT Support contract and there would be additional savings in future when a joint enforcement contract was tendered.

Lessons learned in establishing the shared service were summarised in an appendix to the report. Officers highlighted good support from other Council departments, such as Legal, Finance and HR, maintaining good relations with staff throughout, ensuring that all approvals were in place at each stage and keeping Members informed from an early stage. The biggest challenge had been to move to a shared IT system.

Members queried how staff worked together with some on Bromley's local terms and conditions and some on Bexley's, still based on the national arrangements. This had not caused any problems and in practice all staff were managed through Bromley HR procedures.

Some costs were apportioned 50:50 to the two boroughs, where there were functions that both needed to run a parking service, but where there were different activity levels, such as in parking appeals and representations, costs were apportioned based on numbers from the previous year. This was considered to be not overcomplicated and broadly fair to both boroughs.

RESOLVED that the report be noted.

424 REVENUES SERVICE MONITORING REPORT
Report CSD14009

The Committee received a report on the performance of the Revenues Service contract provided by Liberata for the six months up to 30th September 2013, including a letter from Amanda Inwood-Field, Liberata's contract Director. It was noted that the table in appendix 3 (page 63 of the agenda) should refer to outstanding debt in thousands of pounds, not millions. This report was considered together with the report on the Benefits Service and representatives from Liberata attended the meeting to answer questions on both reports.

The Chairman congratulated Liberata for doing a good job in difficult circumstances and highlighted the reductions in outstanding Thames Water debt.

Councillor Nicholas Bennett asked about progress with reducing the proportion of income collected as cash and "channel shift" towards more efficient means of collection. On-line, direct debit and telephone payment methods were emphasised, but there was a core of people who still preferred to work in cash. Councillor Bennett requested that the next report include some information on the percentage of money received through the various channels.

Councillor Will harmer suggested that benchmarking data would be useful to compare performance with other boroughs – it was confirmed that there was a London benchmarking group and end of year figures would be available.

Councillor Neil Reddin asked whether the Accounts Payable performance (paragraph 3.12 in the report) had plateaued – Liberata representatives agreed that it would be difficult to achieve a significant improvement in performance. Councillor Tony Owen suggested that debtors should be forced to pay by direct debit when voluntary agreements were secured.

RESOLVED that the report be noted.

425 HOUSING AND COUNCIL TAX BENEFIT SERVICE MONITORING REPORT
Report CSD14010

The Committee received a report detailing performance provided by the Liberata Benefits Service for the six months up to 30th September 2013. This report was considered together with the report on the Revenues Service.

Councillor Tony Owen agreed that performance was good, but queried whether too much store was set on comparing performance with the same period the previous year, when circumstances may have changed considerably, and on allowing a 5% error rate target. It was confirmed that although the contract allowed for 5%, the real target was still 0%.

Councillor Peter Fookes asked whether the case-load of 23,000 was the highest ever, and whether the Council could offer a small discount for e-billing, like many utilities did. It was confirmed that the case-load, although high, had reduced and was not at record levels. Officers were aware that some authorities had begun to offer e-billing.

The Chairman thanked the Liberata representatives for attending the meeting and for their good performance on both services.

RESOLVED that the report be noted.

426 UPDATES FROM PDS CHAIRMEN
Report CSD14004

Updates had been circulated from the Environment PDS Committee's meeting on 19th November 2013 and the Renewal and Recreation PDS Committee's meeting on 26th November 2013.

427 WORK PROGRAMME
Report CSD14005

The Committee noted the latest version of its work programme.

Members noted that the report they had requested on project management was still outstanding and requested that it should be brought to one of their next meetings.

Councillor William Huntington-Thresher informed Members that there was a presentation on the future of the Priory on 16th January.

Councillor Tony Owen commented that the skills and abilities of new Members should be captured as part of the Member Induction Programme in 2014, and added that the programme should extend to a fundamental review of what the Council did. The Director of Finance offered to follow up this point with fellow Directors. Other Members commented that the 2010 Induction had been very effective, and it was confirmed that work was under way for the 2014 programme. Councillor Nicholas Bennett reported that the Constitution Improvement Working Group had considered Induction at its last meeting, but he emphasised that any changes to Portfolios were in the gift of the Leader.

Councillor Nicholas Bennett reported that the Costs and Charges Working Group had met on 12th December, and one further meeting had been arranged for 23rd January. He hoped to report back at the next meeting.

428 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006, AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries
refer to matters
involving exempt information

429 EXEMPT MINUTES OF THE MEETING HELD ON 13th NOVEMBER 2013

The exempt minutes of the meeting held on 13th November 2013 were confirmed.

430 PRE-DECISION SCRUTINY OF EXEMPT RESOURCES PORTFOLIO HOLDER REPORTS

The Committee scrutinised the following proposed decision of the Resources Portfolio Holder.

430.1 Manorfields, Avalon Road, Orpington

The Committee considered the future of the former Manorfields care home site and recommended that it be retained by the Council.

431 PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS

The Committee scrutinised a report on the Executive's agenda for the meeting on 15th January 2014 concerning the Economic Development and Investment Fund.

The Meeting ended at 9.50 pm Chairman

APPENDIX 1

MINUTE 419 - QUESTIONS TO THE RESOURCES PORTFOLIO HOLDER

From Councillor Tom Papworth for the Portfolio Holder for Resources:

(1) On September 23rd Councillor Nicholas Bennett asked at Full Council for a list by location with the estimated value of each property and land holding owned by the Council and the total sum. In the reply, it was stated that "The Council keeps a register of its property assets... A schedule of the properties and their values is available." Can the Portfolio Holder for Resources confirm where that information is available and whether it is available to the public?

Reply:

The full register of property assets is available to Members of the Council, but this contains confidential valuation information which it would not be in the Council's interest, or the public interest, to disclose more widely. A summary of property assets has been tabled (see overleaf).

(2) In light of George Osborne's announcement in the Autumn Statement that in 2015/6 London councils will be required to transfer £70 million of their New Homes Bonus to the Mayor of London, how much of LBB expects to lose in 2015/6?

Reply:

London Boroughs are expected to lose a third of the New Homes Bonus from 2015/16. For Bromley, based on latest estimates this equates to an income loss of £2.1m.

The actual impact will not be known until January 2015 when the Council receives its revised allocation of New Homes Bonus for 2015/16.

Question 1: Council Property Holdings

Education & Care Services – Adult Services	**Value for Accounting Purposes (in accordance with CIPFA and RICS requirements) (£)**
Care Services	13,025,000
Health Authority Clinics	0
Equity Share	2,073
TOTAL	**14,075,000**
Education & Care Services - Education	
Primary Schools	306,326,000
Secondary Schools	0
Special Schools	33,186,000
Youth Centres & Field Studies Centres	5,331,000
Pupil Referral Units	8,744,000
Day Nurseries	1,174,000
Adult Education Centres	32,101,000
TOTAL	**392,502,000**
Corporate Services	
Investment	50,606,000
Surplus Properties	13,178,000
Green Belt	4,188,000
Sundry Properties	653,000
Residential Declared surplus	327,000
Other Properties	26,811,000
TOTAL	**95,763,000**
Environmental Services	
Public Conveniences	2,650,000
Depots	7,906,000
Parks buildings	18,332,000
Car Parks	21,459,000
Chapels	1,525,000
Miscellaneous	394,000
Contractors Depots	354,000
TOTAL	**52,620,000**
Renewal & Recreation	
Libraries	29,565,000
Leisure Centres	62,504,000
Theatres & Public Halls	11,412,000
Golf Courses	2,427,000
TOTAL	**106,384,000**

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Report No.
CSD14026

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**5th February 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**MATTERS ARISING FROM PREVIOUS MEETINGS**
Contact Officer:	Graham Walton, Democratic Services Manager Tel: 0208 461 7743 E-mail: graham.walton@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	N/A

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1. Reason for report

1.1 Appendix 1 to this report updates Members on matters arising from previous meetings which continue to be “live.” Three matters are listed concerning an update on the effectiveness of the Winter Health Project, further information on the Bromley Youth Employment Project and the inclusion of information on collection methods in the next Revenues Monitoring Report.

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2. RECOMMENDATION(S)

The Committee is invited to consider progress on matters arising from previous meetings.

Corporate Policy

1. Policy Status: Existing Policy:
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Democratic Services
4. Total current budget for this head: £367,636
5. Source of funding: 2013/14 Revenue Budget

Staff

1. Number of staff (current and additional): 10 posts (8.55fte)
2. If from existing staff resources, number of staff hours: Monitoring the Committee's matters arising takes a few hours between each meeting.

Legal

1. Legal Requirement: None:
2. Call-in: Not Applicable: This report does not involve an executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of members of the Committee.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

Non-Applicable Sections:	Policy/Finance/Legal/Personnel
Background Documents: (Access via Contact Officer)	Minutes of previous meetings

Appendix 1

Minute Number/ Title/Date	PDS Request	Update	Action By	Completion Date
336 **Executive Reports: (12) Winter Health Project** (5th June 2013)	The Committee requested an update in a year's time	The issue will be included in the Work Programme	Public Health Associate Director	June 2014
404 **Bromley Youth Employment Project** (13th November 2013)	The Committee asked for progress to be reviewed in three months by the Portfolio Holder, and for the College to provide information on each internship, including whether interns are graduates and the company they are employed by.	A further update report is included on the current agenda.	Assistant Director, Culture	February 2014
424 **Revenues Service Monitoring Report** (8th January 2014)	Requested that the next monitoring report include some information on "channel shift" to more efficient means of collection and the percentage of money received through various channels.	To be included in the next monitoring report	Head of Revenues and Benefits	June 2014

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LONDON BOROUGH OF BROMLEY

FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS PUBLISHED ON: 14th January 2014

PERIOD COVERED: January 2014 - April 2014

DATE FOR PUBLISHING NEXT FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS: 4th March 2014

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
COUNCIL						
COUNCIL TAX LEVEL 2014/15	Council	24 February 2014 Executive and key stakeholders	Meeting(s)	Contact Officer: Peter Turner Tel: 020 8313 4338 peter.turner@bromley.gov.uk	Public meeting	Report and relevant background documents
REVENUE BUDGET 2014/15	Council	24 February 2014 Executive, PDS Committees, Business Community and Local Residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4338 peter.turner@bromley.gov.uk	Public meeting	Report and relevant background documents
CAPITAL PROGRAMME 2014/15 ONWARDS	Council	24 February 2014 Executive and key stakeholders	Meeting(s)	Contact Officer: Martin Reeves Tel: 020 8313 4291 martin.reeves@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
ANNUAL INVESTMENT STRATEGY 2014-15	Council	24 February 2014 Resources Portfolio Holder and Executive and Resources PDS Committee	Meeting	Contact Officer: Martin Reeves Tel: 020 8313 4291 martin.reeves@bromley.gov.uk	Public meeting	Report and relevant background documents
EXECUTIVE						
BETTER CARE FUND (BCF) - FORMERLY THE INTEGRATION TRANSFORMATION FUND	Executive	15 January 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Richard Hills Tel: 020 8313 4198 Richard.Hills@bromley.gov.uk	Public meeting	Report and relevant background documents
PROMISE PROGRAMME - DRAW-DOWN OF NHS FUNDS	Executive	15 January 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Richard Hills Tel: 020 8313 4198 Richard.Hills@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
LEARNING DISABILITY SECTION 75 AGREEMENT	Executive	15 January 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Lorna Blackwood Tel: 020 8313 4110 lorna.blackwood@bromley.gov.uk	Public meeting	Report and relevant background documents
PROCUREMENT STRATEGY FOR TENANCY SUPPORT SERVICES FOR HOMELESS PEOPLE	Executive	15 January 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Wendy Norman Tel: 020 8313 4212 Wendy.Norman@bromley.gov.uk	Public meeting	Report and relevant background documents
BUSINESS IMPROVEMENT DISTRICT STRATEGY FOR TOWN CENTRES 2014 - 2015	Executive	15 January 2014 Renewal and Recreation PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Martin Pinnell Tel: 020 8313 4457 martin.pinnell@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
UPDATE ON THE ECONOMIC DEVELOPMENT AND INVESTMENT FUND	Executive	15 January 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Heather Hosking Tel: 020 8313 4421 heather.hosking@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential
GATEWAY REVIEW OF LD SERVICES	Executive	12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Colin Lusted Tel: 0208 461 7650 Colin.Lusted@bromley.gov.uk	Public meeting	Report and relevant background documents
INTEGRATION OF HEALTH AND SOCIAL CARE	Executive	Not before 12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Lorna Blackwood Tel: 020 8313 4110 lorna.blackwood@bromley.gov.uk	Public meeting	Report and relevant background documents
COMMUNITY LINKS BROMLEY CONTRACT	Executive	Not before 12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Lorna Blackwood Tel: 020 8313 4110 lorna.blackwood@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
GATEWAY REPORT - GLEBE FOUNDATION SPECIAL SCHOOL (CAPITAL WORKS)	Executive	Not before 12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Public meeting	Report and relevant background documents
GATEWAY REVIEW OF TENANCY SUPPORT SCHEMES FOR YOUNG PEOPLE	Executive	Not before 12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Wendy Norman Tel: 020 8313 4212 Wendy.Norman@bromley.gov.uk	Public meeting	Report and relevant background documents
APPOINTMENTS TO THE FRAMEWORK FOR PUBLIC HEALTH SERVICES	Executive	Not before 12 February 2014 Executive and Resources PDS Committee	Meeting	Contact Officer: Michael Hurst Tel: 020 8461 7802 Michael.Hurst@bromley.gov.uk	Public meeting	Report and relevant background documents
CARE SERVICES PORTFOLIO						
FRAMEWORK AGREEMENT FOR SERVICES FOR CHILDREN WITH DISABILITIES	Portfolio Holder for Care Services (including Public Health)	Not before 22 January 2014 Care Services PDS Committee	Meeting	Contact Officer: Hilary Rogers Tel: 020 8776 3172 Hilary.Rogers@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
EDUCATION PORTFOLIO						
GATEWAY REPORT - NURSERIES	Portfolio Holder for Education	Not before 30 January 2014 Education PDS Committee	Meeting	Contact Officer: Nina Newell Tel: 020 8461 7275 Nina.Newell@bromley.gov.uk	Public meeting	Report and relevant background documents
ENVIRONMENT PORTFOLIO						
PLANNED HIGHWAYS MAINTENANCE PROGRAMME	Portfolio Holder for Environment	Not before 29 January 2014 Environment PDS Committee	Meeting	Contact Officer: Paul Redman Tel: 020 8313 4930 Paul.Redman@bromley.gov.uk	Public meeting	Report and relevant background documents
ENVIRONMENT PORTFOLIO PLAN 2014/15	Portfolio Holder for Environment	Not before 25 March 2014 Environment PDS Committee	Meeting	Contact Officer: Gavin Moore Tel: 0208 313 4539 gavin.moore@bromley.gov.uk	Public meeting	Report and relevant background documents
PUBLIC PROTECTION AND SAFETY PORTFOLIO						
RENEWAL AND RECREATION PORTFOLIO						
RESOURCES PORTFOLIO						

London Borough of Bromley: 020 8464 3333 www.bromley.gov.uk

Contact Officer: Keith Pringle, Chief Executive's Department: 020 8313 4508, keith.pringle@bromley.gov.uk

Report No.
DRR14/015

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**RESOURCES PORTFOLIO HOLDER**
Date:	**For Pre-Decision Scrutiny by the Executive and Resources Policy Development and Scrutiny Committee on Wednesday 5 February 2014**
Decision Type:	Non-Urgent Non-Executive Key Non-Key
Title:	**BROMLEY YOUTH EMPLOYMENT PROJECT: PERFORMANCE UPDATE FOR QUARTER 2**
Contact Officer:	Colin Brand, Assistant Director Leisure and Culture Tel: 0208 313 4107 E-mail: colin.brand@bromley.gov.uk
Chief Officer:	Nigel Davies, Executive Director of Environment & Community Services
Ward:	(All Wards);

1. Reason for report

1.1 This report provides a progress update on the delivery of the Bromley Youth Employment Project which is being delivered by Bromley College of Further and Higher Education on behalf of the Council.

1.2 After disappointing performance in the first quarter, this report outlines the College's performance in the second quarter and identifies that a satisfactory improvement has not been achieved.

1.3 Although the College have recovered their performance in relation to the delivery of apprenticeships, they have conceded that they will not recover their performance in relation to the internship profile over the life of the project.

1.4 This report therefore recommends that members terminate the contract with the College for the delivery of this project. As the contract specification included a payment mechanism whereby funds will only be released when evidence is released to substantiate that specific outcomes have been achieved or delivered, this report considers further options open to members with regard to the outstanding balance of money.

1.5 Given the changes to employment support for young people and the reduced number of young people claiming Job Seekers Allowance in the borough, it is recommended that a task and finish group be established, overseen by a member working party, to consider alternative ways to deliver the Council's objectives relating to youth unemployment in a second phase of support.

2. RECOMMENDATION(S)

2.1 The Executive and Resources PDS Committee is asked to examine Bromley College's progress in delivering the project and consider the report's recommendations for the future of the project and provide their comments to the Resources Portfolio Holder.

2.2 It is recommended that the Resources Portfolio Holder, after reviewing Bromley College's progress in the delivery of the project, agree to:

- **Terminate the contract with the College for the delivery of the Bromley Youth Employment Project by providing three months' notice following the decision.**
- **Approve the reallocation of the earmarked reserve to support the objectives identified in paragraph 3.21**
- **Approve the creation of a task and finish group, overseen by a member working party, to undertake an options appraisal to identify the best way to achieve those objectives, with a report being brought back with the outcome of that appraisal in June 2014.**

Corporate Policy

1. Policy Status: Existing Policy

2. BBB Priority: Regeneration

Financial

1. Cost of proposal: £500k

2. Ongoing costs: Non-Recurring Cost

3. Budget head/performance centre: Earmarked reserves for Member Priority Initiaitves

4. Total current budget for this head: £500k

5. Source of funding: Earmarked reserves for Member Priority Initiatives

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Staff

1. Number of staff (current and additional): 1 existing FTE

2. If from existing staff resources, number of staff hours: Approx 1.5 hours a week

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Legal

1. Legal Requirement: Statutory Requirement Non-Statutory - Government Guidance None: Further Details

2. Call-in: Applicable Not Applicable: Further Details

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 198 unemployed residents aged between 18 and 24.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable

2. Summary of Ward Councillors comments:

3. COMMENTARY

Background

3.1 Council on 26th March 2012 approved the setting aside of £2.26m in an earmarked reserve for Member Priority Initiatives. £500k was approved for the scheme to help tackle youth unemployment in the borough through supporting the creation of sustainable job opportunities.

3.2 At the meeting of the Executive & Resources PDS on 14th June 2012, the Resources Portfolio Holder approved the proposals to procure an employment and skills service provider to deliver the youth employment project which would support unemployed 18-24 year old residents to access sustainable employment by way of creation of apprenticeship and internship opportunities across a 3 year period (2013 – 2016).

3.3 On 31st January 2013, the Resources Portfolio Holder awarded the contract to deliver the project to Bromley College of Further and Higher Education ('the College') for the sum of £500k which included the delivery of 132 internship and 66 apprenticeship opportunities to a total of 198 young people in the borough. The contract documentation set out a payment model that protected the Council's investment against non-delivery by awarding the delivery of evidenced outputs related to the core outcomes. The quality of the tender for the project was good and offered better value for money than other tenders received.

3.4 After a delayed start, the College's progress for the first quarter was reported to the Executive & Resources PDS on 13th November 2013. The College's delivery against their profile had been disappointing for that quarter with only 3 apprenticeships and 2 internships being created.

3.5 The College cited two changes to the specification that they believed would enable them to achieve their delivery profile, which was agreed by members. The specification was amended to enable apprenticeship contracts to be for a minimum of 30 hours a week, and to be paid at apprenticeship minimum wage (rather than national minimum wage). The minimum number of hours for an internship was also amended to 35 hours a week.

Performance in Quarter 2

3.6 At the November meeting of the Executive and Resources PDS, it was agreed that progress should be reviewed after a further quarter of delivery to determine whether the College's performance had improved in light of the requested changes made to the specification.

3.7 To date, the College have delivered the following number of apprenticeships and internships against their profile. The numbers for the first quarter increased after the evidence for additional outputs was provided.

	Month	Profiled Apprenticeship Starts	Actual Apprenticeship Starts	Variance
Quarter 1	Jul-13	3	3	0
	Aug-13	4	2	-2
	Sep-13	10	11	1
Quarter 2	Oct-13	10	14	4
	Nov-13	6	4	-2
	Dec-13	3	3	0
Quarter 3	Jan-14	2	5	3
TOTAL		**38**	**42**	**4**

	Month	Profiled Internship Starts	Actual Internship Starts	Variance
Quarter 1	Jul-13	5	0	-5
	Aug-13	6	0	-6
	Sep-13	10	4	-6
Quarter 2	Oct-13	8	0	-8
	Nov-13	6	1	-5
	Dec-13	3	0	-3
Quarter 3	Jan-14	5	1	-4
TOTAL		**43**	**6**	**-37**

3.8 As the tables above show, although the College have now recovered their performance in relation to apprenticeships, they have failed to recover their performance for internships.

3.9 The College's performance in relation to their profile for internships is unsatisfactory, with only 6 internships being secured in the first two quarters of project delivery (only 14% against their profile). The College's performance in this area has been challenged at contract monitoring meetings with the Contract Manager. However, reasons for non-performance cited have been disappointing, particularly given that none of the reasons offered have resulted from a change to the market since the contract was tendered.

3.10 Members are reminded that the specification was written to deliver a set of outcomes. The number of internships and apprenticeships delivered was determined by the provider and formed part of the value for money assessment. The method for delivering the outcome was also for the provider to determine as part of their tender return.

3.11 The College are finding it difficult to recruit employers to provide paid and sustainable job opportunities for young, unemployed Bromley residents. They have explained that this is because:

- Employers are now more aware of apprenticeships and prefer the structured approach apprenticeships provide when employing young people

- Increasingly, employers are creating part time work opportunities – the specification currently seeks to create full time sustainable opportunities

- Employers are unwilling to commit to providing sustainable jobs as markets continue to be in a state of flux while the economy recovers.

3.12 The College have now disclosed that they do not think that they can recover their profile for the delivery of internships and recognise that they over-estimated their ability to deliver this requirement of the contact.

3.13 The College's continued non-performance has compromised the Council and increased the risk of challenge, given the position of other competitors at award. The College's financial score on their tender was considerably higher than the unsuccessful tenderers, based on the number of internships and apprenticeships they committed to deliver. Arguably, the other tenderers bid to deliver a lower number of employment opportunities for young unemployed people taking into the account the requirement to deliver both apprenticeship and internship opportunities. Although the College have the potential to deliver the apprenticeship numbers originally quoted, to further amend or split the delivery of the contract would result in a material and substantive change to the requirement, changing the economic balance of the contract. The College's non-performance and inability to deliver the tendered number of outcomes leaves them in breach of the contract and compromises the Council's position should contract delivery continue unsuccessfully. With this in mind, officers must recommend that the Council terminates the contract with the College on the basis of default by the provider

Summary of the Project

3.14 Although the College cannot perform against their tendered profile, the project has successfully supported the creation of employment opportunities for a total of 48 young unemployed residents to date and made a real difference to those individuals. It has also supported local businesses with financial contributions to support employment costs. One employer said:

'Caroline has been taken on as our Junior Admin Assistant and she really is doing well with us. She's bright, has a great personality, is a fast learner and has the enthusiasm and "can-do" attitude that we look for when we employ someone at Cleverbox. The project has been really beneficial to Caroline as she was unemployed and had struggled to find a job since leaving uni. It's been beneficial to us at Cleverbox as we have taken on a bright new talent and also received a grant to assist us with the cost of this employment.'

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3.15 Furthermore, the contract for the project ensured that the Council's investment was protected through a payment by results mechanism. The total spend on outputs to date is £30,682. If members are minded to honour the sustainable output payments in relation to those 48 employment opportunities already created by the project the total potential spend is £151,705, leaving the a remainder of £348,295 that could be reinvested into supporting youth employment in the borough, should members be minded to reallocate the funds in this way.

Next Steps

Changing landscape

3.16 The original specification was drawn up with input from the National Apprenticeship Service, Jobcentre Plus and colleagues across the Council. Since then, there have been significant changes to youth unemployment rates and welfare provision accompanied by recovery within the national economy.

3.17 The table below demonstrates that since members earmarked reserves to help tackle youth unemployment in the borough, the number of young unemployed individuals claiming Jobseekers Allowance in the borough has reduced significantly by 46%. This compares to a regional reduction of 43% and a national reduction of 41%.

	Bromley		London		Great Britain	
	Number of individuals	Rate (%)	Number of individuals	Rate (%)	Number of individuals	Rate (%)
Feb-12	1,585	7.0	57,095	7.2	484,465	8.4
May-12	1,325	5.8	51,250	6.4	434,670	7.5
Aug-12	1,330	5.8	49,455	6.2	431,180	7.5
Nov-12	1,270	5.6	49,020	6.2	403,625	7.0
Feb-13	1,245	5.4	47,055	5.9	417,500	7.2
May-13	1,040	4.6	42,200	5.3	370,980	6.4
Aug-13	965	4.2	40,955	5.1	351,880	6.1
Nov-13	940	4.1	34,974	4.4	297,205	5.1
Dec-13	855	3.9	32,560	4.1	283,855	4.9

Of those young people claiming Job Seekers Allowance in December 2013 in the borough, 25% have been claiming Job Seekers Allowance for over 6 months and are being supported to find employment through the government's Work Programme.

3.18 These statistics suggest that employment opportunities for young people are increasing as the United Kingdom begins to experience economic growth.

3.19 There has also been an increase in the provision of focused support available for those young people who are further from the labour market or experience specific barriers to employment. For example, a pilot scheme in 2013 from the Department for Works and Pensions funded early intervention support for young people when they begin to claim Job Seekers Allowance. At the end of January 2014, a £108m scheme to tackle youth unemployment in the UK was announced from the BIG Lottery Fund, with an allocation being targeted at London through London Youth. Furthermore, welfare reform has led to a cultural shift within the system and Jobcentre Plus has launched new ways of working with claimants.

3.20 Given these changes, it is suggested that it would be beneficial to consider the work to date to constitute completion of phase one and reassess the best way to support young people into sustainable employment, using the remaining earmarked reserves for a second phase of support that takes into account new ways of working with young unemployed people.

Options Appraisal

3.21 Members' priorities behind the creation of the Bromley Youth Employment Project were identified as follows:

- To tackle youth unemployment locally through supporting the creation of sustainable job opportunities for young unemployed Bromley residents

- To provide support to local business seeking to employ young people to support private sector growth

- To reduce the number of young people claiming Job Seeker's Allowance in the borough

3.22 Should members be minded to reinvest the remaining balance of earmarked reserves into these objectives, it is recommended that a task and finish group be established to explore other ways to deliver the objectives described in 3.21 through an options appraisal. It is recommended that this task and finish group be overseen by a member working party, and that the outcome of this options appraisal is reported back to the June meeting of the Executive and Resources PDS.

3.23 It is recommended that the task and finish group is led by the Bromley Education Business Partnership and includes representatives from:

- Business

- Employment and Skills

- Regeneration

- Commissioning

- Human Resources

The task and finish group would be advised by procurement, legal and finance colleagues throughout the process.

4. POLICY IMPLICATIONS

4.1 The project supports the Council's broader objectives around regeneration, children and young people and supporting independence. The project is a Building a Better Bromley priority for 2012/13

5. FINANCIAL IMPLICATIONS

5.1 Members previously approved the setting aside of £2.26m in an earmarked reserve for Member Priority Initiatives. £500k was approved for a scheme to help tackle youth unemployment in the borough.

5.2 In January 2013, Bromley College of Further and Higher Education were awarded the contract to deliver 198 apprenticeship and internship opportunities for young unemployed residents after demonstrating best value for money.

5.3 The contract specification includes a payment mechanism whereby funds will only be released when evidence is provided to substantiate that specific outcomes have been achieved/delivered at the various stages of the project.

5.4 The current spend to date is £30,682 for attachment fees already received.

5.5 If all these attachment fees result in the specified outputs being achieved and should Members be minded to honour the output payments, the total future liability would be an additional £121,023 resulting in a total spend of £151,705

5.6 If members are minded to terminate the contract with the College, there would currently be a balance of £348,295 remaining.

6. LEGAL IMPLICATIONS

6.1 The Council entered into a contract for the delivery of this service on 1st April 2013. This contract requires that the service is delivered in accordance with the specification and a profile of starts.

6.2 Clause 3.2 of the contract stipulates that

'the Contract Manager and Project Manager shall work together to ensure that the Services are delivered in accordance with the contract and the Specification.'

6.3 As evidenced from the tables in clause 3.7 of this report, there is a disparity between the profiled apprenticeship and internship starts and the actual apprenticeship and internship starts for the first two quarters of delivery.

6.4 Given the current poor performance of the contractor, it is recommended that we terminate the contract before the termination date of 31st March 2016.

6.5 The Council shall serve a notice of termination on the contractor and set out within the termination notice the reason for the termination namely continuous poor performance by the contractor. Termination of the contract shall be in accordance with clause 21.1 of the contract which stipulates that the Council is to give at least 3 months written notice.

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	Bromley Youth Employment Project – Update (November 2013) Bromley Youth Employment Project – Award of Contract (31st January 2013) Bromley Youth Employment Project – Renewal & Recreation PDS on 10th July 2012, Executive & Resources PDS on 14th June 2012 Full Council meeting held on 26th March 2012

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Report No.
CSD14033

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder**
Date:	**For Pre-Decision Scrutiny by the Executive and Resources Policy Development and Scrutiny Committee on Wednesday 5 February 2014**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**BROMLEY REGISTRATION SERVICE - LOCAL GOVERNANCE SCHEME**
Contact Officer:	Carol Tyson, Registration Manager/Superintendent Registrar Tel: 020 8461 7957 E-mail: carol.tyson@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	Alll

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1. Reason for report

1.1 This report provides details of the proposal to move Bromley Registration Service, responsible for the registration of births, deaths and marriages, to a local governance scheme.

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2. RECOMMENDATIONS

The Executive and Resources PDS Committee is requested to consider the proposed decision by the Resources Portfolio Holder and

The Resources Portfolio Holder is recommended to agree that the Bromley Registration Service move to a local governance scheme by April 2014 and that the Bromley Registration Service commit to the national Code of Practice and Good Practice Guide.

Corporate Policy

1. Policy Status: N/A.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: N/A.

3. Budget head/performance centre: £221,790

4. Total current budget for this head: £221,790

5. Source of funding: Base budget

Staff

1. Number of staff (current and additional): 13 permanent staff, 28 casual staff

2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory requirement.

2. Call-in: Call-in is applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 17,000 (2012/13)

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments:

3. COMMENTARY

3.1 Under the current governance arrangements the Registration Service Act 1953 confers upon the Local Authority obligations and powers in regard to the registration of births, deaths and marriages. The current local Scheme as amended came into operation on 1st January 1987 and is known as “The Bromley Registration Scheme 1986”. As part of the Civil Registration Modernisation agenda local authorities are being given greater freedom to deliver the local registration service in partnership with the Registrar General. The purpose of this agenda is to ensure the delivery of statutory services and encourage good practice which will enable the local authority to plan, develop and deliver a registration service which meets the needs of the local community.

3.2 A new governance scheme means that changes to the local registration service may be adopted without the need to apply to the General Register Office for a formal amendment to the existing scheme. For example, the opening or closure of a further service delivery point, the increase or decrease of principal post holders and the move of a register office or head office may all be effected to meet with local customer needs and expectations, without the need for a formal scheme change.

3.3 The benefits of a local governance scheme can include:

- Greater freedom and flexibility to tailor the delivery of the local registration service;
- Development of a more customer focused approach;
- Proper Officer to have more responsibility and accountability for the delivery of the local registration service;
- Lays a foundation for the future delivery of local registration services;
- Local registration service is more integrated with the rest of council services

By signing up to a new governance scheme, local authorities commit to the national Code of Practice and Good Practice Guide, and to having in place a reliable system for monitoring performance and annual reporting to the Registrar General.

3.4 Under the new revised governance arrangements, Bromley will commit to the service delivery standards contained in the Code of Practice for Local Registration Authorities in England and Wales developed by the General Register Office (GRO) and LACORS (the Local Authorities Coordinators of Regulatory Services). The Code of Practice is complemented by a Good Practice Guide jointly developed by the GRO and LACORS. This guide provides information on specific national standards the local authority must meet together with aspirational standards. We will submit an annual report on performance to the Registrar General which will include the key performance indicators.

3.5 Bromley Registration Service has been moving towards local governance over a period of years, and in particular since a successful inspection by the General Register Office in 2009 which deemed the service offered to be “excellent”. The service consistently meets performance indicators and service delivery standards. The move to local governance will bring Bromley into line with other high-performing Register Offices. In order to facilitate the move to local governance a service delivery plan has been drawn up which details the scope of the service, staffing levels, and details of how the service is performing in relation to key performance indicators and service delivery standards. A 30 day consultation period was undertaken with all staff within the service, and there were no objections to the proposal to move to local governance. There are no changes planned to the level of staffing or to the way in which the service is currently delivered.

4. POLICY IMPLICATIONS

4.1 None

5. FINANCIAL IMPLICATIONS

5.1 None

6. LEGAL IMPLICATIONS

6.1 None

7. PERSONNEL IMPLICATIONS

7.1 None

Non-Applicable Sections:	4. Policy implications 5. Financial implications 6. Legal implications 7. Personnel Implications
Background Documents: (Access via Contact Officer)	• Service Delivery Plan • Staff structure • London Borough of Bromley Registration of Births, Deaths and Marriages Scheme under Section 14 of the Registration services Act 1953

Report No.
FSD14010

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**RESOURCES PORTFOLIO HOLDER PRE SCRUTINY BY EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**Wednesday 5 February 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**RECRUITMENT OF JOINT HEAD OF IT - LONDON BOROUGHS OF BROMLEY AND SOUTHWARK**
Contact Officer:	Peter Turner, Director of Finance Tel: 020 8313 4338 E-mail: peter.turner@bromley.gov.uk Mark Bowen, Director of Corporate Services Tel: 020 8313 4355 E-mail mark.bowen@bromley.gov.uk
Chief Officer:	Director of Finance Director of Corporate Services
Ward:	N/A

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1. Reason for report

1.1 This report seeks approval for service changes to secure the joint appointment of a Head of IT for the London Boroughs of Bromley and Southwark. This represents the first stage of a shared service opportunity and the successful post holder will be required to produce a business case to identify opportunities for financial savings and/ or service improvements.

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2. RECOMMENDATION(S)

The Resources Portfolio Holder is asked to

2.1 Subject to separate confirmation by London Borough of Southwark, agree to approve the service changes to enable the recruitment of a joint Head of IT to cover the London Boroughs of Bromley and Southwark.

2.2 To note that following the recruitment of a joint Head of IT, a detailed business case will be reported back to the Resources Portfolio Holder to identify proposals for the further integration of IT services between the boroughs and the potential benefits including consideration of service delivery models.

Corporate Policy

1. Policy Status: Not Applicable Existing Policy New Policy: Further Details

2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: Recruitment costs will be met from existing budgets

2. Ongoing costs: Joint Head of IT will provide savings in existing staffing budget

3. Budget head/performance centre:Main code 400 Information Systems and Telephony

4. Total current budget for this head: The total cost of Bromley's Information Systems and Telephony Services is £7.3m (2013/14 Budget)

5. Source of funding: Revenue Budget

Staff

1. Number of staff (current and additional): 24fte

2. If from existing staff resources, number of staff hours: Joint post reducing staff hours

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Legal

1. Legal Requirement: Statutory Requirement Non-Statutory - Government Guidance None: Further Details

2. Call-in: Applicable Not Applicable: Further Details

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): IT services impact on many customers both internal and external ranging from provision of a kety tool in supporting service delivery to access to information available to the public using technology

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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable

2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1. In broad terms, IT services cover help desk facilities, project delivery, systems maintenance, systems implementation, procurement of hardware and software, key strategic advice, ensuring a "fit for purpose" technical architecture, inventory asset management, ensuring systems remain supported, reviewing license fees and information security. All these functions are performed by each individual authority and there remains scope for rationalisation between organisations. There may also be opportunities for more joined up work with potential benefits.

3.2 The Head of IT Services post at Bromley has been vacant for approximately one year. During this period there has been acting up arrangements and the recruitment of this key post was delayed whilst alternative opportunities for joint working were being explored. Any opportunity for joint working is on the basis of providing real benefits to Bromley, both financial and service related benefits. The previous strategy for IT now needs to be updated and required changes implemented which makes the recruitment of a replacement more critical.

3.3 Bromley and Southwark Councils both have a vacant Head of IT post and use the same main contractor namely Capita Secure Information Systems (CSIS) for the provision of IT services. Using the same contractor provides a further opportunity to achieve benefits from joint working.

3.4 The ongoing austerity period combined with Bromley being a commissioning authority results in the need for a fundamental review of the strategic and operational IT requirements of the Council and ensure a service that remains resilient to support key services whilst embracing future cost saving opportunities. A service that can adapt and be flexible to meet the business needs of the organisation.

3.5 The IT Division has 24 full time equivalent posts and a revenue budget of £7.3m which includes the Capita contract. There are also resources set aside in the Council's capital programme for implementing key IT projects. Southwark have 28 full time equivalent posts and a revenue budget of £11m.

3.6 The main benefits in looking at integration are:

3.6.1 Help strengthen contract management

This is particularly opportune given the sharing of the same contractor.

3.6.2 More effective use of combined resources

. An effective IT service requires staff with some specialist skills and knowledge and joint working provides an opportunity to share such key resources rather than buy in more expensive provision. The council has to implement many new changes including for example, implementation of Windows 7 to replace an unsupported Windows XP. Combining resources would reduce implementation costs.

3.6.3 Ensure that the overall service remains resilient in supporting the organisation

The impact of the austerity period will result in further cost reductions and Bromley will need to retain sufficient core resources to meet ongoing service and statutory demands. As the organisation becomes smaller there is a greater risk of losing resilience to adapt to the future changes

3.6.4 Improve resilience of infrastructure

The Council will need to maintain key IT infrastructure to support its IT business needs. A wider resource base with sharing of costs will enable the Council to provide more cost effective back up and disaster recovery options.

3.6.5 Improve capacity for strategic development and joint investment

The Council will need to update its IT strategy to reflect the future landscape for local authorities, reflecting greater partnership opportunities, addressing a smaller and changing organisation in the future, meeting the changes arising from a Commissioning Authority etc. Sharing resources will improve capacity to meet these changes.

3.6.6 Joint procurement opportunities with potential savings as well as opportunities to reduce licence fees

The purchasing power of both authorities combined will enable greater opportunities for procurement savings as well as enable both authorities to be "better placed" to negotiate improvements in licence fees.

3.6.7 Greater flexibility to deal with future downsizing of organisations whilst protecting existing staff

It is anticipated that the combined resources will provide greater opportunities to redeploy staff as vacancies arise as well as provide better opportunities for the retained staff.

3.6.8 Broaden and improve the type of services offered from IT by both boroughs

By sharing specialist skills between boroughs individual authorities can utilise a much wider range of services .

3.6.9 Provide a platform for sharing with other local authorities in the future

This will provide an opportunity for wider joint working if savings and service benefits can be evidenced. Two other local authorities have expressed an interest in being part of a joint service in the future. Service delivery models could be explored to find the most cost effective solution.

3.7 There are inherent risks around a joint service relating to ensuring each authority's priorities are delivered. Governance arrangements will be critical to ensure that this risk is mitigated.

3.8 The purpose of this report is to seek approval for a joint recruitment of a Head of IT and not to agree to an integrated joint IT service. Any decision to integrate both services will be dependent on a strong business case being delivered to identify opportunities for financial savings and service benefits. However the benefits identified in 3.6 above illustrate the benefits of seeking a joint Head of IT at this stage.

3.9 There have been initial discussions with CSIS about the potential benefits they could offer from a joint integrated service. They have been positive about the potential benefits for both Councils and the potential opportunity to deliver savings from a combined joint approach. Examples of the benefits they have identified include:

(a) Obvious savings of the joint post driving consistency in approach, standardisation, removing duplication and ultimately combining a linked road map (strategies would still be separate based on each council's desired outcome).

(b) Programme management and shared resources – a consistent approach in governance including boards (one capability across both councils) – driving standardisation and efficiency.

(c) Vendor management and third party contracts – driving benefits by joined up licence management and support contracts, likely involving third party rationalisation and cost savings.

(d) Joint procurement – one capability across both councils, joined up systems and process removing duplication and costs

(e) Shared applications – needs a real appetite but shared application and hosting on same infrastructure with data management and security separate.

(f) Application management – combined application support team, shared knowledge, de-risk single points of failure and potentially remove cost.

(g) Knowledge management – combined storage and management of data with joint reporting tools and dash boards.

(h) Change in quality management – combined teams and processes across both councils managing the process driving ITIL practices.

(i) Future road maps – joint road maps and architecture, innovation forums, trialling new technology, pilots etc – only doing this once to drive the same outcome/reduce costs.

3.10 A joint appointment is expected to attract a higher calibre candidate for the role. The job holder will have direct responsibility for the development of the Councils' future IT strategies and the management and control of budgets to a combined value of over £18 million and influence over the expenditure of procured services. The joint Head of IT will be expected to manage the operational leads in each of the Boroughs who are responsible for about 52 staff between them and who will continue to ensure that operational service delivery meets local needs and priorities. There have already been other joint recruitment posts which have identified savings opportunities – this includes for example, London Boroughs of Kingston and Sutton as well as the Royal Borough of Kensington & Chelsea and London Borough of Hammersmith & Fulham. The initial proposals in this report relate to sharing a post between the two authorities which will provide some initial savings but the wider aim is to look at the potential opportunities of sharing resources and any savings that can arise. However, this report just relates to the recruitment of a joint post and any detailed proposals in terms of the future of the service, will be reported back following a full business case.

3.11 The Director of Corporate Services will continue to have responsibility for the IT services at Bromley. However the merging IT services, which has evolved following discussion between the respective Directors of Finance for each authority, is a significant undertaking. It will require appropriate governance to be in place to ensure that the operational aspects of the service continue to function whilst also enabling strategic development and joint investment as appropriate. The governance will include representation from across both boroughs and the Director of Corporate Services and the Director of Finance will work jointly to steer the work of the shared IT service and resolve issues of prioritisation. As part of managing the joint working the Director of Finance at Southwark will be responsible for managing the new post and will work with the Bromley's Director of Finance on assessing the financial business case for integration and the transformational change agenda.

3.12 The joint head of IT will be required to prepare detailed proposals for the integration of IT services across the two councils. It is important to note that there have been reductions in the cost of IT and staffing levels. The proposal for shared services with Southwark will offer the best response to this challenge and is a good starting point in dealing with core technology, service culture and identifying complementary services. The focus on the business case will be on the broad range of benefits a shared service can bring as well being financially driven. The bulk of any financial benefits will be achieved once a shared service is in place. There will be some immediate benefit savings for a consolidated post.

3.13 It will be important to explore the most appropriate delivery model in the medium term, method of sharing the benefits and the balance between cost reductions and service quality across the two boroughs. There will also be a need to seek additional benefits to the CSIS contract with negotiations focusing on providing a more flexible approach with options to expand or contract dependent on the direction of both organisations.

3.14 The sharing of the same contractor as well as both boroughs having a vacant post is an opportunity to consider the potential benefits of recruiting a joint Head of IT but also in the next phase, to look at the opportunity for integration of services to provide potential savings for both local authorities.

4. POLICY IMPLICATIONS

The proposal supports the provision of a high quality IT service to assist the Council in meeting and maintaining its objective of being an Excellent Council.

5. FINANCIAL IMPLICATIONS

5.1 The report requests the approval of a Joint Head of IT which will be jointly funded by both boroughs. The jointly funded post will replace the Council’s Assistant Director of IT post in Bromley with an initial saving achieved through moving to a partly Council funded post.

5.2 The 2013/14 Budget for the Assistant Director of IT is £86k and it is anticipated that through this shared service, savings in the region of £24k will be achieved in a full year (after allowing for the job evaluation). This saving will be used to offset future budget pressures.

5.3 Any joint funding of the post would also require joint funding of any staff related costs including for example, future redundancy liabilities.

5.4 There will be a joint Memorandum of Understanding provided to reflect the respective responsibility of both organisations for a joint funded post.

6. LEGAL IMPLICATIONS

An effective IT service is key to support the Council in meeting its statutory obligations.

7. PERSONNEL IMPLICATIONS

The existing Head of IT post at Bromley is currently vacant although there are acting up arrangements in place for some existing staff. The post of Joint Head of IT will, initially, be hosted by Southwark Council.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]

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Report No. FSD14011	London Borough of Bromley PART 1 - PUBLIC	Agenda Item No.

Decision Maker:	**Resources Portfolio Holder** **Council**
Date:	**For pre-decision scrutiny by Executive and Resources PDS Committee on 5th February 2014** **Council 24th February 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**TREASURY MANAGEMENT - PERFORMANCE QUARTERS 2 & 3 2013/14 & PART-YEAR REVIEW**
Contact Officer:	Martin Reeves, Principal Accountant (Technical & Control) Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	Alll

1. Reason for report

1.1 This report summarises treasury management activity during the quarters ended 30th September and 31st December 2013 and the period 1st April 2013 to 31st December 2013. It also updates Members on the Council's investment with Heritable Bank (paragraph 3.15) and includes a Part-Year Review of the Treasury Management Strategy Statement and Annual Investment Strategy (Annex A). The report ensures that the Council is implementing best practice in accordance with the CIPFA Code of Practice for Treasury Management. Investments as at 31st December 2013 totalled £250.0m (excluding the balance of the Heritable investment) and there was no outstanding external borrowing.

RECOMMENDATION(S)

2.1 The PDS Committee and the Portfolio Holder are asked to:

(a) Note the report and

(b) Recommend that Council approve the changes to the 2013/14 prudential indicators, as set out in Annex B1.

Council is requested to:

(a) Note the report and

(b) Approve changes to the 2013/14 prudential indicators, as set out in Annex B1.

Corporate Policy

1. Policy Status: Existing policy. To maintain appropriate levels of risk, particularly security and liquidity, whilst seeking to achieve the highest rate of return on investments.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: N/A.

3. Budget head/performance centre: Interest on balances

4. Total current budget for this head: £1.591m (net) in 2013/14; currently forecast on target

5. Source of funding: Net investment income

Staff

1. Number of staff (current and additional): 0.25 fte

2. If from existing staff resources, number of staff hours: 9 hours per week

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Legal

1. Legal Requirement: Non-statutory - Government guidance.

2. Call-in: Call-in is applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): n/a

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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.

2. Summary of Ward Councillors comments:

3. COMMENTARY

General

3.1 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required, as a minimum, to approve an annual treasury strategy in advance of the year, a part-year review report and an annual report following the year comparing actual activity to the strategy. In practice, the Director of Finance has reported quarterly on treasury management activity for many years, as well as reporting the annual strategy before the year and the annual report after the year-end. This report includes a part-year review for 2013/14 and details of treasury management activity during the quarters ended 30th September and 31st December 2013 and the period 1st April 2013 to 31st December 2013. The 2014/15 annual strategy, including the MRP (Minimum Revenue Provision) Policy Statement and prudential indicators, is reported elsewhere on the agenda.

Treasury Performance in the quarters ended 30th September and 31st December 2013

3.2 **Borrowing:** The Council's healthy cashflow position continued through the whole of 2012/13 and through 2013/14 to date, as a result of which no borrowing has been required at all since 2010/11, when one small overnight loan (for £800k) was taken out (in March 2011).

3.3 **Investments:** The following table sets out details of investment activity during the September and December quarters and during the financial year 2013/14 to date:-

	Qtr ended 30/9/13		Qtr ended 31/12/13		1/4/13 to 31/12/13	
Main investment portfolio	**Deposits**	**Ave Rate**	**Deposits**	**Ave Rate**	**Deposits**	**Ave Rate**
	£m	**%**	**£m**	**%**	**£m**	**%**
Balance of "core" investments b/f	165.00	1.00	180.00	0.92	167.50	1.88
New investments made in period	65.00	0.68	55.00	0.89	152.50	0.75
Investments redeemed in period	-50.00	1.01	-55.00	1.55	-140.00	1.28
"Core" investments at end of period	180.00	0.92	180.00	0.79	180.00	0.79
Money Market Funds	21.00	para 3.10	18.90	para 3.10	18.90	para 3.10
RBS 95 day notice account	15.00	para 3.11	15.00	para 3.11	15.00	para 3.11
Svenska Handelsbanken instant access	15.00	0.60	15.00	0.60	15.00	0.60
Deutsche Bank 95 day notice	-	-	5.00	0.74	5.00	0.74
Standard Chartered Bank - Corporate Bond	-	-	1.10	0.70	1.10	0.70
Payden Sterling Reserve Fund	15.00	para 3.12	15.00	para 3.12	15.00	para 3.12
Total investments at end of period	**246.00**	**n/a**	**250.00**	**n/a**	**250.00**	**n/a**
Heritable deposit - frozen (para xxxx)					5.00	6.42

3.4 Details of the outstanding investments at 31st December 2013 are shown in maturity date order in Appendix 1 and by individual counterparty in Appendix 2. The average return on all new "core" investments was 0.68% during the September quarter and 0.89% during the December quarter which may be compared with the average 3 month LIBID rates of 0.39% and 0.40% respectively and the average 7 day rates of 0.36% and 0.35% respectively. The average rate achieved on new investments placed in the period 1st April to 31st December 2013 was 0.75%, compared to the average 3 month LIBID rate of 0.39% and the average 7 day rate of 0.36%.

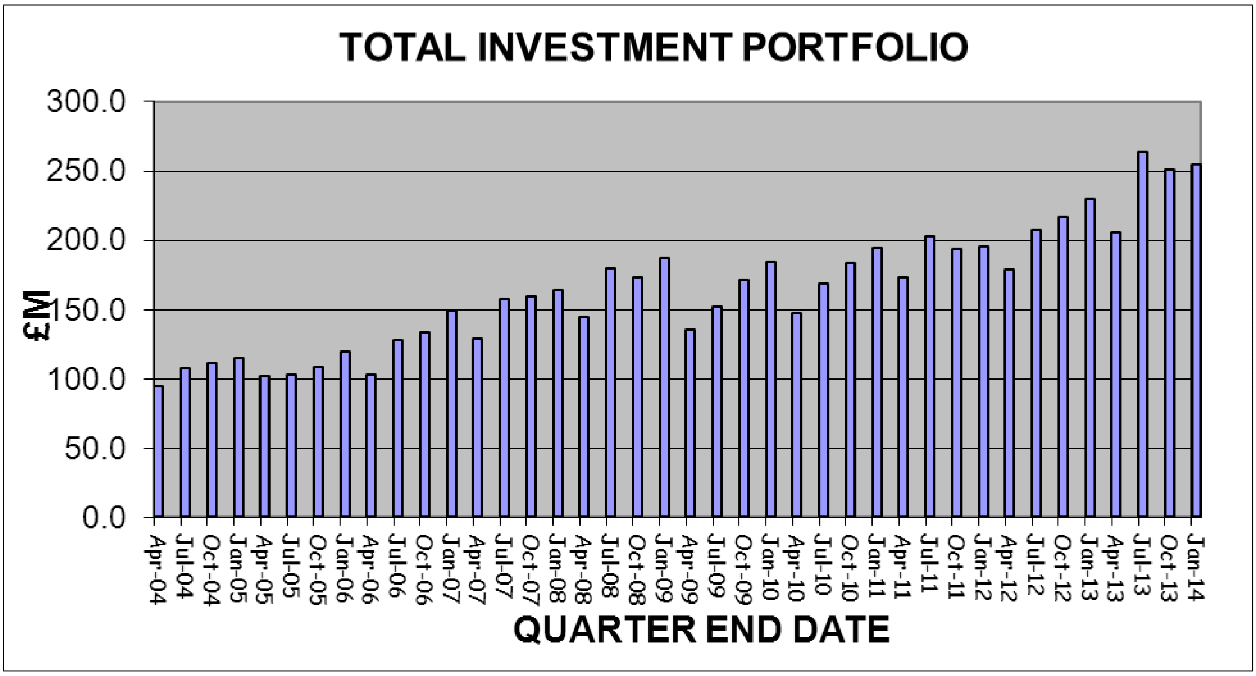
3.5 Base rate has now been 0.5% since March 2009 and the latest forecast by Sector (in late November) is for it to remain at that level until 2016. This is clearly also the view of the Bank of England, whose governor, Mark Carney, has said that the Bank will not consider raising interest rates until the jobless rate has fallen to 7% or below. This would require the creation of around 750,000 jobs and could take 3 years or more. The estimated date for the next increase in base rate has slipped back significantly in the last two years and it is possible that it will slip further. Reports to previous meetings, most recently to the September meeting, have highlighted the fact that options with regard to the reinvestment of maturing deposits have become seriously limited due to bank credit rating downgrades. Changes to lending limits and eligibility criteria have in the past been temporarily successful in alleviating this, but we are now back in the position of not having many investment options other than placing money with instant access accounts at relatively low interest rates. Active UK banks on our list now comprise only Lloyds TSB, RBS, HSBC, Barclays, Santander UK and Nationwide and all of these have reduced their interest rates significantly.

3.6 Our external advisers, Sector, continue to recommend caution and, between September 2011 and January 2013, were recommending that no investment be placed for longer than 3 months with any bank other than Lloyds and RBS (a maximum of 1 year was recommended in their case). In January 2013, however, they lifted their temporary investment duration cap due to a perceived improvement in market conditions, namely a reduction in some of the excess fears surrounding the continued existence of the Eurozone and improvements in liquidity in financial markets. Since then, we have been able to invest with some of our eligible UK counterparties for up to 6 months instead of 3, which will have had a small beneficial impact on interest earnings.

3.7 In recent quarters, in consultation with Sector, we have been looking at other options and have placed investments for periods between one and three years with a number of other local authorities. We have also opened a new account with Deutsche Bank (£5m in a 95-day notice account paying around 0.74%) and have made our first corporate bond investment, with Standard Chartered Bank (£1.1m at 0.70% maturing in April 2014). These investments are all included in Appendices 1 and 2. Since the end of the December quarter, we have agreed a further 3 year investment with another local authority (start date 26th March 2014 at 1.60%) and have invested for 6 months with a new counterparty, Goldman Sachs, at a rate of 0.74%, which was negotiated by Sector. While these rates do not sound particularly attractive, they are better than we are currently able to obtain for the same periods elsewhere in the market and are, in the view of Sector and other experts, likely to prove good deals in the fullness of time.

3.8 Lloyds TSB has consistently offered better rates than other UK banks, but has reduced its rates significantly in the last year and is currently offering 0.65% for 3 months up to 0.98% for 1 year (they were paying 3.00% for 1 year as recently as July 2012). All the other UK banks and building societies on our lending list are now paying around 0.47% for 3 months and around 0.56% for 6 months. The Director of Finance will continue to monitor rates and counterparty quality and take account of external advice prior to any investment decisions.

3.9 The graph below shows total investments at quarter-end dates back to 1st April 2004 (including the Heritable deposit) and shows how available funds have increased steadily over the years, largely due to increased and earlier government funding. This has been a significant contributor to the over-achievement of investment income against budget in recent years, although this has now been fully factored into the revenue budget.



Other accounts

3.10 Money Market Funds

The Council currently has 7 AAA-rated Money Market Fund accounts, with Prime Rate, Ignis, Insight, Morgan Stanley, Blackrock, Fidelity and Legal & General, all of which have a maximum investment limit of £15m. In common with market rates for fixed-term investments, interest rates on money market funds have fallen considerably in recent years. The Ignis fund currently offers the best rate (around 0.44%), which is only slightly below the level currently being offered for 3 months by most of our eligible UK banks and building societies. The total balance held in Money Market Funds has fluctuated considerably during the year, moving from £6.1m as at 1st April 2013 to £64.1m as at 30th June 2013, £21.0m as at 30th September 2013, £18.9m as at 31st December 2013 and £43.1m as at 21st January 2014. If and when other investment options become available, this balance will reduce, as Money Market Funds currently offer the lowest interest of all our eligible investment vehicles with the exception of the Government Debt Management and Deposit Fund (currently 0.25%).

Money Market Fund	Date Account Opened	Ave. Rate 2013/14 %	Ave. Daily Balance 2013/14 £m	Actual Balance 31/12/13 £m	Actual Balance 21/01/14 £m	Current Rate 21/01/14 %
Prime Rate	15/06/2009	0.42	10.0	3.9	15.0	0.41
Ignis	25/01/2010	0.43	11.5	15.0	15.0	0.44
Insight	03/07/2009	0.39	6.2	-	-	0.40
Morgan Stanley	01/11/2012	0.41	6.8	-	13.1	0.40
Legal & General	23/08/2012	0.34	2.2	-	-	0.34
Blackrock	16/09/2009	0.31	0.1	-	-	0.31
Fidelity	20/11/2002	n/a	-	-	-	0.30
TOTAL			36.8	18.9	43.1	

3.11 Notice Accounts

Svenska Handelsbanken

In August 2013, the Council placed £15m in a new instant access account with the Swedish Bank, Svenska Handelsbanken. The account pays 0.60% and the £15m is still invested as at 21st January 2014. The average daily balance to date in 2013/14 is £6.8m.

RBS

In March 2013, RBS announced a new 95-day notice account paying a rate of 0.80%. The Council made an initial deposit of £12.5m in March and increased this to £15m in April 2013. The rate was reduced to 0.60% in October 2013, but the £15m remains invested as at 21st January 2014. The average daily balance to date in 2013/14 is £12.0m and an average rate of 0.74% has been earned in the year to date.

Deutsche Bank

In the autumn of 2013, Sector notified the Council that they had negotiated a 95-day notice account facility with Deutsche Bank at a rate of 0.75%. Deutsche is an eligible counterparty on our lending list with a maximum investment sum of £5m and, on 25th November 2013, this sum was deposited.

3.12 Corporate Bonds and Payden Sterling Reserve Fund

At its meeting on 12th November 2012, the Council approved the addition of corporate bonds (minimum credit rating AA-, maximum period 5 years) and the Payden Sterling Reserve Fund to our lending list. On 27th November, following advice from Sector, we made our first investment in a corporate bond, with Standard Chartered Bank. The bond has a maturity date on 28th April 2014 and a coupon value of 0.70%. In November 2012, £15m was invested in the Payden Fund and that sum is still invested as at 21st January 2014. The longer-term nature of the Payden Fund means that a better return will be secured by holding to maturity, although we could at any time withdraw our money by giving 3 days' notice. As at 31st December 2013, our share of the Payden Sterling Reserve Fund was valued at £15,114,428, which represented a return of 0.68% since inception.

3.13 External Cash Management

External cash managers, Tradition UK Ltd, currently manage £20m of our cash portfolio and provide useful advice and information on treasury management matters. In 2012/13, Tradition UK achieved a return of 1.53% (mainly as a result of two longer term investments placed with Lloyds TSB in August 2011 and July 2012, when rates were around 3%, both of which matured in the 2nd quarter of 2013/14). Tradition UK work to the same counterparty list as the Council's in-house team and so have also been constrained by strategy changes approved after the Icelandic Bank crisis and by recent ratings downgrades. Details of externally managed funds placed on deposit as at the time of writing this report are shown below. Since the end of the December quarter, Tradition UK have been looking at options for future investments, with particular focus on the maturity of £12.5m due on 26th March 2014. As a result, £2.5m has been invested for three years out of that date with another local authority at a rate of 1.60%.

Bank	Sum	Start Date	Maturity	Period	Rate
HSBC	£12.5m	26/03/13	26/03/14	1 year	0.65%
Lloyds TSB	£2.5m	04/07/13	04/07/14	1 year	1.01%
Lloyds TSB	£5m	16/08/13	18/08/14	1 year	1.01%

3.14 Investment in CCLA Property Fund

In September 2013, the Portfolio Holder and Full Council approved the inclusion of collective (pooled) investment schemes as eligible investment vehicles in the Council's Investment Strategy with an overall limit of £25m and a maximum duration of 5 years. Such investment would require the approval of the Director of Finance in consultation with the Resources Portfolio Holder. The Council has yet to invest in such funds, but, following consultation between the Director of Finance and the Resources Portfolio Holder, an account is shortly to be opened with the CCLA Local Authorities' Property Fund and it is expected that an initial deposit of £5m will be made at the end of January. This will be included in future quarterly monitoring reports.

3.15 Investment with Heritable Bank

Members will be aware from regular updates to the Resources Portfolio Holder and the Executive that the Council had £5m invested with the Heritable Bank, a UK subsidiary of the Icelandic bank, Landsbanki, when it was placed in administration in early-October 2008 at which time our investment was, and still is, frozen. An initial dividend was paid to the Council in July 2009 and, since then, a further 13 dividends have been received. To date, 94.0% (£4,783k) of our total claim (£5,087k) has been returned to us, leaving a balance of £304k (6.0%). Council officers and our external advisers remain hopeful of a full recovery.

For information, the claim we were obliged to submit consisted of the principal sum (£5m) plus interest due to the date on which Heritable was placed in administration (around £87,000). We were not able to lodge a claim for the full amount of interest (£321,000) that would have been due at the original investment maturity date (29/6/09). In accordance with proper accounting practice and guidance from CIPFA, we made provision in our 2008/09 accounts for an impairment loss of £1.64m and met this from the General Fund in that year. In line with revised guidance from CIPFA relating to the 2009/10 accounts, we were able to reduce the impairment by £300k and this sum was credited to the General Fund. An improvement in the administrator's recovery estimate in 2011 to between 86% and 90% (previously it was between 79% and 85%) enabled us to reverse a further £730k of the impairment in 2011/12. The Council's accounts include a provision for a net loss of £610k as at 31st March 2013 (12% of the claim, based on the midpoint of the administrator's estimate), but, as we have now recovered 94%, we will be able to reverse more of the impairment in 2013/14 (around £300k). We are currently waiting for an update from the administrator.

Part-Year Review of Treasury Management Strategy Statement and Annual Investment Strategy for 2013/14

3.16 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required to receive a part-year review report on performance against the approved strategy. The Annual Investment Strategy was approved by Council in February 2013 and a part-year review is included at Annex A.

Regulatory Framework, Risk and Performance

3.17 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

3.18 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

4. POLICY IMPLICATIONS

4.1 In line with government guidance, the Council's policy is to seek to achieve the highest rate of return on investments whilst maintaining appropriate levels of risk, particularly security and liquidity.

5. FINANCIAL IMPLICATIONS

5.1 An average rate of 1% has been assumed for interest on new investments in the 2013/14 revenue budget, in line with the estimates provided by the Council's external treasury advisers, Sector, earlier in the year and with officers' views. The Bank of England base rate is still expected to rise, but the expected start of the rise has been put back to 2016 and could be even later. The latest financial forecast assumes 1% for new investments in all years from 2014/15 to 2017/18. A variation of 0.25% in these assumptions would result in a variation in interest earnings of around £400k pa from 2014/15. At this stage in the year, it is forecast that the 2013/14 outturn will be broadly in line with the budget. As is stated in paragraph 3.15, however, the Council will have the option of reversing around £300k of the impairment loss on the Icelandic Bank (Heritable) investment that is in our 2012/13 accounts (provision for an overall impairment loss of £610k). If actioned in 2013/14, this will increase interest earnings in 2013/14 by £0.3m.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	CIPFA Code of Practice on Treasury Management CIPFA Prudential Code for Capital Finance in Local Authorities CLG Guidance on Investments External advice from Sector Treasury Services

ANNEX A

Treasury Management Strategy Statement and Annual Investment Strategy

Part-year Review Report 2013/14

1 Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. In practice, the Council has not in the past borrowed to finance its capital expenditure and has no plans to do so at present.

As a consequence treasury management is defined as:

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

2 Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 was adopted by this Council in February 2013.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Part-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Executive & Resources PDS Committee:

This part-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first nine months of 2013/14;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2013/14;
- A review of the Council's borrowing strategy for 2013/14;
- A review of any debt rescheduling undertaken during 2013/14;
- A review of compliance with Capital and Treasury Prudential Limits for 2013/14.

3 Economic update

3.1 Economic background

- After strong UK growth of 0.7% in quarter 2 and 0.8% in quarter 3, it appears that UK GDP is likely to have grown at an even faster pace in quarter 4 of 2013. Forward surveys are also very encouraging in terms of strong growth and there are positive indications that recovery is broadening away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster towards the threshold of 7%, set by the MPC before it said it would consider any increases in Bank Rate, than it expected last August when that threshold was initially set. Accordingly, markets are expecting a first increase in early 2015 though recent comments from MPC members have emphasised they would want to see strong growth well established, and an increase in real incomes, before they would consider raising Bank Rate.
- Also encouraging has been a sharp fall in inflation (CPI) to 2.1% in November and forward indications are that inflation will continue to be subdued. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and fostered optimism for achieving a balance in the cyclically adjusted budget within five years, a year earlier than previously forecast.
- The big news in financial markets was that the Federal Reserve, in December, felt sufficiently confident that the premise for strong growth had been established in America that it could start to taper its asset purchases by reducing them by $10bn per month from January 2014. These encouraging growth scenarios in the USA and UK led to a sharp jump up, in December, in short dated gilts; this, accordingly, impacted 5 and 10 year PWLB rates.

3.2 Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
5yr PWLB rate	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB rate	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%

Capita Asset Services undertook a review of its interest rate forecasts in late November, after the Bank of England's latest quarterly Inflation Report. This latest forecast now includes a first increase in Bank Rate in quarter 2 of 2016 (previously quarter 3) and reflects greater caution as to the speed with which the MPC will start increasing Bank Rate than the current expectations of financial markets.

SUMMARY OUTLOOK

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market, Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. Labour productivity must improve significantly before increases in pay rates are warranted. With regard to the US, the main world economy, it faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth, although labour force participation rates remain lower than ideal.

As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by this Council in February 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cashflow needs, but also to seek out value available in periods up to 12 months, with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information.

5 Investment Portfolio 2013/14

As is set out in Section 3 (Economic Update), it continues to be a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short term strategy. Given this risk adverse environment, investment returns are likely to remain low.

Details of the Council's investment activity during the first nine months of 2013/14 are provided in paragraphs 3.3 to 3.13 of the covering report and lists of current investments are provided in Appendices 1 (in maturity date order) and 2 (by counterparty). Excluding the frozen Heritable investment of £5m, the Council held £250.0m of investments as at 31st December 2013 (£201.1m as at 31st March 2013).

The Director of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first nine months of 2013/14.

The Council's budgeted investment return for 2013/14 is £1.591m, and performance for the year to date is broadly in line with the budget.

6 Borrowing

The Council's capital financing requirement (CFR) as at 1st April 2013 was £3.8m. The CFR denotes the Council's underlying need to borrow for capital purposes and, for Bromley, relates to outstanding finance lease liabilities in respect of plant, equipment and vehicles. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The Council does not borrow to finance its capital expenditure and has, in recent years, only had to borrow short-term (for cashflow purposes) on a very few occasions.

No borrowing is currently anticipated during this financial year or in any later financial year.

Prudential and Treasury Indicators – Part-Year Review 2013/14

The old capital control system was replaced in April 2004 by a prudential system based largely on self-regulation by local authorities themselves. At the heart of the system is The Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. The Code requires the Council to set a number of prudential indicators designed to monitor and control capital expenditure, financing and borrowing. The indicators for 2013/14 were approved by the Executive and the Council in February 2013 and this Annex sets out the actual performance against those indicators in the first nine months, updating them where necessary. Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy.

The Council is required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This original 2001 Code was adopted by the full Council in February 2002 and the revised 2011 Code was adopted by full Council in February 2013.

Prudential Indicators for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the Capital Programme for 2013/14 was agreed in February 2013. The increase in the latest estimate for 2013/14 is mainly the result of the significant level of slippage in expenditure planned for 2012/13 and to the approval of additional investment property acquisitions, both of which have been highlighted in previous reports to the Executive and to PDS Committees.

Capital Expenditure by Portfolio	**2013/14 Original Estimate £m**	**2013/14 Revised Estimate £m**
Education	12.0	12.8
Renewal & Recreation	4.8	6.3
Environment	7.8	8.9
Care Services	8.8	5.0
Resources	3.0	14.0
Less: estimated slippage	-5.0	-5.0
Total	**31.4**	**42.0**

Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure.

Capital Expenditure	**2013/14 Original Estimate £m**	**2013/14 Revised Estimate £m**
Supported	31.4	42.0
Unsupported	0.0	0.0
Total spend	**31.4**	**42.0**
Financed by:		
Capital receipts	4.8	4.4
Capital grants	12.6	9.6
Other external contributions	8.9	11.3
Revenue contributions	5.1	16.7
Total financing	**31.4**	**42.0**
Borrowing need	**0.0**	**0.0**

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits", which comprise external / internal borrowing and other long-term liabilities, mainly finance leases. The Council's approved Treasury and Capital Prudential Indicators (affordability limits) are outlined in the approved TMSS. The table below shows the expected "worst case" debt position over the period. This is termed the Operational Boundary. Bromley has an operational "borrowing" limit (Operational Boundary) of £30m, although in practice, this limit is never in danger of being breached.

The Authorised Limit, which represents the limit beyond which borrowing is prohibited, is another of the prudential indicators and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003 and, for Bromley, this figure has been set at £60m.

The table also shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. The Council's capital financing requirement (CFR) as at 1st April 2013 was £3.8m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The Council's CFR relates to liabilities arising from finance leases entered into in recent years in respect of various items of plant and equipment. The Council currently has no external borrowing as such.

Prudential Indicators	**2013/14 Original Estimate £m**	**2013/14 Revised Estimate £m**
CFR	**3.0**	**3.5**
Debt – Operational Boundary		
Borrowing	10.0	10.0
Other long-term liabilities	20.0	20.0
Total Operational Boundary	**30.0**	**30.0**
Debt – Authorised Boundary		
Borrowing	30.0	30.0
Other long-term liabilities	30.0	30.0
Total Operational Boundary	**60.0**	**60.0**

Other Prudential Indicators

Other indicators designed to control overall borrowing and exposures to interest rate movements are included in the summary table below, which will require the approval of full Council.

ANNEX B1 Prudential and Treasury Indicators - Summary

	2013/14	2013/14
	Original Estimate	Revised Estimate
	£m	£m
Total Capital Expenditure	£31.4m	£42.0m
Ratio of financing costs to net revenue stream	-2.0%	-1.5%
Net borrowing requirement (net investments for Bromley)		
brought forward 1 April	£176.6m	£197.3m
carried forward 31 March	£179.8m	£200.0m
in year borrowing requirement (reduction in net investments for Bromley)	-£3.2m	-£2.7m
Estimated CFR as at 31 March (finance lease liability)	£3.0m	£3.5m
(NB. Actual CFR as at 31 March 2013 (finance lease liability) = £3.8m)		
Annual change in Cap. Financing Requirement	-£0.3m	-£0.3m
Incremental impact of capital investment decisions	**£ p**	**£ p**
Increase in council tax (band D) per annum	-	-

TREASURY MANAGEMENT INDICATORS	2013/14 Original Estimate £m	2013/14 Revised Estimate £m
Authorised Limit for external debt -		
borrowing	£30.0	£30.0
other long term liabilities	£30.0	£30.0
TOTAL	£60.0	£60.0
Operational Boundary for external debt -		
borrowing	£10.0	£10.0
other long term liabilities	£20.0	£20.0
TOTAL	£30.0	£30.0
Upper limit for fixed interest rate exposure	100%	100%
Upper limit for variable rate exposure	20%	20%
Upper limit for total principal sums invested beyond year-end dates	£80.0	£136.6

INVESTMENTS HELD AS AT 31/12/13

	FROM	TO	RATE	£m	TOTAL £m	LIMIT	REMAINING
UK BANKS							
HSBC BANK plc	26/03/13	26/03/14	0.65000	12.5			
HSBC BANK plc	20/05/13	20/05/14	0.65000	17.5	30.0	30.0	0.0
BARCLAYS BANK PLC	30/12/13	31/03/14	0.45000	4.0			
BARCLAYS BANK PLC	05/11/13	06/05/14	0.53000	6.0	10.0	10.0	0.0
LLOYDS TSB BANK	28/03/13	28/03/14	1.10000	5.0			
LLOYDS TSB BANK	11/04/13	11/04/14	1.10000	5.0			
LLOYDS TSB BANK	04/07/13	04/07/14	1.01000	2.5			
LLOYDS TSB BANK	16/08/13	18/08/14	1.01000	5.0			
LLOYDS TSB BANK	19/09/13	19/09/14	0.98000	2.5			
LLOYDS TSB BANK	28/10/13	28/10/14	0.98000	15.0			
LLOYDS TSB BANK	19/11/13	19/11/14	0.98000	5.0	40.0	40.0	0.0
ROYAL BANK OF SCOTLAND	18/01/13	17/01/14	0.82000	10.0			
ROYAL BANK OF SCOTLAND	05/03/13	05/03/14	0.75000	5.0			
ROYAL BANK OF SCOTLAND-95 day notice account	19/04/13	95 days	0.60000	15.0	30.0	40.0	10.0
SUMITOMO MITSUI BANKING CORP	02/10/13	02/01/14	0.50000	10.0	10.0	10.0	0.0
SANTANDER UK	30/09/13	31/03/14	0.60000	10.0	10.0	10.0	0.0
STANDARD CHARTERED BANK (Corporate Bond)	27/11/13	28/04/14	0.70000	1.1	1.1	20.0	18.9
OVERSEAS BANKS							
SVENSKA HANDELSBANKEN	Instant access		0.60000	15.0	15.0	15.0	0.0
DEUTSCHE BANK	95 day notice		0.74000	5.0	5.0	5.0	0.0
UK BUILDING SOCIETIES							
NATIONWIDE BUILDING SOCIETY	16/07/13	16/01/14	0.50000	5.0			
NATIONWIDE BUILDING SOCIETY	05/11/13	06/05/14	0.53000	5.0	10.0	10.0	0.0
OTHER LOCAL AUTHORITIES							
BIRMINGHAM CITY COUNCIL	11/02/13	11/02/14	0.50000	5.0	5.0	15.0	10.0
LANCASHIRE COUNTY COUNCIL	18/02/13	18/02/15	0.85000	15.0	15.0	15.0	0.0
NORTHUMBERLAND COUNTY COUNCIL	01/03/13	02/03/15	0.85000	10.0	10.0	15.0	5.0
NEWCASTLE CITY COUNCIL	01/07/13	01/07/15	0.70000	5.0			
NEWCASTLE CITY COUNCIL	29/07/13	29/07/15	0.70000	10.0	15.0	15.0	0.0
WARRINGTON BOROUGH COUNCIL	31/10/13	31/10/16	1.45000	5.0	5.0	15.0	10.0
LONDON FIRE & EMERGENCY PLANNING AUTHORITY	28/11/13	28/11/16	1.50000	5.0	5.0	15.0	10.0
OTHER ACCOUNTS							
PRIME RATE STERLING LIQUIDITY FUND	Instant access		0.42	3.9	3.9	15.0	11.1
IGNIS STERLING LIQUIDITY FUND	Instant access		0.44	15.0	15.0	15.0	0.0
PAYDEN STERLING RESERVE FUND	Instant access			15.0	15.0	15.0	0.0
TOTAL INVESTMENTS AS AT 31/12/13				**250.0**	**250.0**		

ICELANDIC BANK DEPOSIT (not included above)

Heritable Bank - total claim (principal & interest)	28/06/07	29/06/09	6.42	5,087,065
Less: Dividend received to 31/12/13				-4,782,724
Principal sum unrecovered as at 31/12/13				304,341
Provision in 2012/13 accounts for non-recovery (12% of total claim)				610,000

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Report No. FSD14012	**London Borough of Bromley**	**Agenda Item No.**

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder** **Council**		
Date:	**For pre-decision scrutiny by Executive and Resources PDS Committee on 5th February 2014** **Council meeting 24th February 2014**		
Decision Type:	Non-Urgent	Non-Executive	Key
Title:	**TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2014/15**		
Contact Officer:	Martin Reeves, Principal Accountant (Technical & Control) Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk		
Chief Officer:	Director of Finance		
Ward:	All		

1. Reason for report

1.1 This report presents the Treasury Management Strategy and the Annual Investment Strategy for 2014/15, which are required by the CIPFA Code of Practice for Treasury Management in the Public Services (revised in 2009 and updated in 2011) to be approved by the Council. The report also includes prudential indicators and the MRP (Minimum Revenue Provision) Policy Statement, both of which also require the approval of the Council.

RECOMMENDATION(S)

The PDS Committee, the Portfolio Holder and full Council are asked to:

2.1 Note the report and

2.2 Agree to adopt the Treasury Management Statement and the Annual Investment Strategy for 2014/15 (Appendix 1 on pages 6-29 of this report), including the prudential indicators (summarised on page 29) and the Minimum Revenue Provision (MRP) policy statement (page 9).

Corporate Policy

1. Policy Status: Existing policy. To maintain appropriate levels of risk, particularly security and liquidity, whilst seeking to achieve the highest rate of return on investments.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: N/A.

3. Budget head/performance centre: Interest on balances

4. Total current budget for this head: £1.591m (net) in 2013/14; currently forecast on target

5. Source of funding: Net investment income

Staff

1. Number of staff (current and additional): 0.25 fte

2. If from existing staff resources, number of staff hours: 9 hours per week

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Legal

1. Legal Requirement: Non-statutory - Government guidance.

2. Call-in: Call-in is applicable The Annual Investment Strategy and Prudential Indicators require Council approval

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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): n/a

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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.

2. Summary of Ward Councillors comments:

3. COMMENTARY

General

3.1 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required to approve an annual treasury strategy in advance of the year, a part-year review report and an annual report following the year describing the activity compared to the strategy. In practice, the Director of Finance has reported quarterly on treasury management activity for many years and has always met the requirements with regard to the annual strategy, the part-year review and the annual report. The part-year review for 2013/14 appears elsewhere on this agenda. This report presents the annual strategy, including the MRP Policy Statement (page 9) and prudential indicators (summarised on page 29) for 2014/15 to 2016/17. Details of treasury management activity during the quarter ended 31st December 2013 and the period 1st April 2013 to 31st December 2013 are included in a report elsewhere on the agenda.

Treasury Management Strategy Statement and Annual Investment Strategy 2014/15

3.2 Appendix 1 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2014/15. This combines the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services (revised in 2009 and updated in 2011) and the Prudential Code. The Strategy includes throughout details of proposed prudential indicators, which are summarised in Annex 3 (page 29) and will be submitted for approval to the February Council meeting. Many of the indicators are academic as far as the Council is concerned, as they seek to control debt and borrowing, but they are a statutory requirement.

3.3 Members will be aware that, since the Icelandic bank crisis in October 2008, the Council has approved a number of changes to the eligibility criteria and maximum exposure limits (both monetary and time) for banks and building societies. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one of which meets the Council's criteria while the other does not, the institution will fall outside the lending criteria. The Council also applies a minimum sovereign rating of AA+ to investment counterparties.

3.4 While the Council effectively determines its own eligible counterparties and limits, it also uses Sector Treasury Services as an advisor in investment matters. Sector use a sophisticated modelling approach that combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes indicate Sector's recommendations on the maximum duration for investments. The Council will use its own eligibility criteria for all investment decisions, but will also be mindful of Sector's advice and information and will not use any counterparty not considered by Sector to be a reasonable risk. In line with the requirements of the CIPFA Treasury Management Code of Practice, the Council will always ensure the security of the principal sum and the Council's liquidity position before the interest rate.

3.5 As is highlighted in the Treasury Performance report elsewhere on the agenda, a number of UK banks have been the subject of credit ratings downgrades in recent years, which has resulted in reductions to the number of eligible counterparties and to monetary and duration limits on our lending list. It should be emphasised that the downgrades were, in most cases, relatively minor and were not an indication of a likely bank default, but, nevertheless, they were enough to impact on our lending list. As a result, the total of investments placed with money market funds has increased significantly in the last year.

3.6 Although investment options remain limited, no changes to eligibility criteria for individual banks and building societies are proposed at this stage. Sector's advice since September 2011 has been to place investments for short periods (a maximum of 3 months) with all but the two part-nationalised banks (Lloyds TSB and RBS), for which a maximum duration of 1 year is recommended. Whilst our current approved strategy would permit investment for longer periods (up to 2 years with Lloyds TSB and RBS and up to 1 year with some of the other UK banks and building societies), we have taken a cautious view and have followed Sector's advice. On 11th January 2013, however, Sector lifted the temporary 3 month cap and, since then, we have been able to invest for slightly longer periods with some of the UK banks and building societies on our list, which has enabled slightly higher rates to be achieved.

Regulatory Framework, Risk and Performance

3.7 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the CLG has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

3.8 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

4. POLICY IMPLICATIONS

4.1 In line with government guidance, the Council's policy is to maintain appropriate levels of risk, particularly with a view to ensuring security and liquidity, and to seek to achieve the highest rate of return on investments within these risk parameters.

5. FINANCIAL IMPLICATIONS

5.1 An average rate of 1% was assumed for interest on new investments in the 2013/14 revenue budget, in line with the estimates provided by the Council's external treasury advisers, Sector, earlier in the year and with officers' views. The Bank of England base rate is still expected to rise, but the expected start of the rise has been put back to 2016 and could be even later. The latest financial forecast assumes 1% for new investments in all years from 2014/15 to 2017/18. A variation of 0.25% in these assumptions would result in a variation in interest earnings of around £400k pa from 2014/15. At this stage in the year, it is forecast that the 2013/14 outturn will be broadly in line with the budget. As is explained in paragraph 3.15 of the Treasury Performance report elsewhere on the agenda, however, the Council will have the option of reversing around £300k of the impairment loss on the Icelandic Bank (Heritable) investment that is in our 2012/13 accounts (provision for an overall impairment loss of £610k). If actioned in 2013/14, this will increase interest earnings in 2013/14 by £0.3m.

Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	CIPFA Code of Practice on Treasury Management CIPFA Prudential Code for Capital Finance in Local Authorities CLG Guidance on Investments External advice from Sector Treasury Services

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APPENDIX 1: Treasury Management Strategy Statement Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2014/15

1. Introduction

1.1 Background

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

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

The second main function of the treasury management service is the funding of the Council's capital plans, which provide a guide to the borrowing need of the Council. Although the Council does not borrow to finance its capital spending plans, officers still plan and forecast the longer term cash flow position in order to ensure that the Council can meet its capital spending obligations and that it maintains balances (working capital) at a prudent and sustainable level.

1.2 Statutory and reporting requirements

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by Members before being recommended to the Council. This role is undertaken by the Executive & Resources Policy Development & Scrutiny Committee.

Prudential and Treasury Indicators and Treasury Strategy (this report) - This covers:
- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A Part-Year Treasury Management Report (included in a report elsewhere on this agenda) – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

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

The Code also requires the Council to:

- Create and maintain a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.

- Create and maintain Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
- Delegate responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.3 Treasury Management Strategy for 2014/15

The proposed strategy for 2014/15 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector.

The strategy covers two main areas:

Capital Issues
- the capital plans and the prudential indicators;
- the MRP strategy.

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

2. The Capital Prudential Indicators 2013/14 to 2016/17

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Education	10.6	12.8	15.3	0.5	0.6
Care Services	2.5	5.0	6.8	0.9	0.7
Environment	7.6	8.9	8.3	4.1	4.0
Renewal & Recreation	2.0	6.3	3.5	0.2	0.0
Resources	5.7	14.0	1.8	0.8	0.0
Sub-Total	**28.4**	**47.0**	**35.7**	**6.5**	**5.3**
Add: Future new schemes	0.0	0.0	2.5	2.5	2.5
Less: Estimated slippage	0.0	-5.0	1.0	1.0	1.0
Grand Total	**28.4**	**42.0**	**39.2**	**10.0**	**8.8**

NB. The above financing need excludes other long term liabilities (finance lease arrangements), which already include borrowing instruments.

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

Capital Expenditure	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Total Expenditure	**28.4**	**42.0**	**39.2**	**10.0**	**8.8**
Financed by:					
Capital receipts	4.7	4.4	9.9	4.5	3.5
Capital grants/contributions	16.8	20.9	24.8	5.3	5.1
General Fund	-	-	-	-	-
Revenue contributions *	6.9	16.7	4.5	0.2	0.2
Net financing need	**28.4**	**42.0**	**39.2**	**10.0**	**8.8**

* These are approved contributions from the revenue budget, earmarked to fund specific schemes.

The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. If the CFR is positive, the Council may borrow from the Public Works Loans Board (PWLB) or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The Council's CFR represents liabilities arising from finance leases entered into in recent years in respect of various items of plant and equipment. The Council currently has no external borrowing as such. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

CFR	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
Total CFR	**3.8**	**3.5**	**3.2**	**2.9**	**2.6**
Movement in CFR	**-0.3**	**-0.3**	**-0.3**	**-0.3**	**-0.3**

Movement in CFR represented by					
Net financing need for the year (above)	0.0	0.0	0.0	0.0	0.0
Less MRP/VRP and other financing movements	-0.3	-0.3	-0.3	-0.3	-0.3
Movement in CFR	**-0.3**	**-0.3**	**-0.3**	**-0.3**	**-0.3**

MRP Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to make additional voluntary payments (voluntary revenue provision - VRP).

CLG Regulations require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

***The Council is recommended to approve the following MRP Statement*:**

MRP will be based on the estimated lives of the assets, in accordance with the regulations, and will follow standard depreciation accounting procedures. Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

In practice, the Council's capital financing MRP is assessed as 4% of the outstanding balance on the finance leases the Council has entered into. A Voluntary Revenue Provision (VRP) may also be made in respect of additional repayments.

The Use of the Council's Resources and the Investment Position

The application of resources (capital receipts, reserves, etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales, etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
General Fund balance	20.0	20.3	20.3	20.3	20.3
Capital receipts	11.8	20.5	23.0	22.0	20.0
Capital grants	16.2	15.0	10.0	5.0	5.0
Provisions	8.1	8.0	8.0	8.0	8.0
Other (earmarked reserves)	85.2	76.1	66.9	56.0	46.0
Total core funds	**141.3**	**139.9**	**128.2**	**111.3**	**99.3**
Working capital*	61.1	60.1	60.0	60.0	60.0
Under/over borrowing**	0.0	0.0	0.0	0.0	0.0
Expected investments	**202.4**	**200.0**	**188.2**	**171.3**	**159.3**

*Working capital balances shown are estimated year end; these may be higher mid-year.

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

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

%	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	%	%	%	%	%
Non-HRA	-1.5	-1.5	-1.3	-1.3	-1.3

Estimates of the incremental impact of capital investment decisions on Band D council tax. This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended to the Executive in February compared to the Council's existing approved commitments and current plans. Only a small proportion of the changes proposed will involve a contribution from Council resources and this will not impact on the level of Council Tax in future years. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£	£	£	£	£
Council tax - band D	-	-	-	-	-

3. Treasury Management Strategy

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2013 is summarised below, together with forward projections. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
External borrowing					
Borrowing at 1 April	-	-	-	-	-
Expected change in borrowing	-	-	-	-	-
Other long-term liabilities (OLTL)	3.8	3.5	3.2	2.9	2.6
Expected change in OLTL	-	-0.3	-0.3	-0.3	-0.3
Actual borrowing at 31 March	**-**	**-**	**-**	**-**	**-**
CFR – the borrowing need	**3.8**	**3.2**	**2.9**	**2.6**	**2.3**
Under / (over) borrowing	**3.8**	**3.2**	**2.9**	**2.6**	**2.3**
Investments	**202.4**	**200.0**	**188.2**	**171.3**	**159.3**
Total investments at 31 March					
Investment change	-	1.8	11.5	16.6	11.7
Net investments	**-198.6**	**-196.8**	**-185.3**	**-168.7**	**-157.0**

Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Finance Director reports that the Council complied with this prudential indicator in the current year and does not envisage non-compliance in the future. This view takes into account current commitments, existing plans, and the proposals in this year's budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary. This is the total figure that external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

Operational boundary £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Borrowing	10.0	10.0	10.0	10.0
Other long term liabilities	20.0	10.0	10.0	10.0
Total Operational Boundary	30.0	20.0	20.0	20.0

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

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following Authorised Limit:

Authorised limit £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m
Borrowing	30.0	30.0	30.0	30.0
Other long term liabilities	30.0	30.0	30.0	30.0
Total Authorised Limit	60.0	60.0	60.0	60.0

3.3 Prospects for Interest Rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector view on short term (Bank Rate) and longer fixed interest rates.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2014	0.50	0.50	0.80	2.50	4.40	4.40
June 2014	0.50	0.50	0.80	2.60	4.50	4.50
Sept 2014	0.50	0.50	0.80	2.70	4.50	4.50
Dec 2014	0.50	0.50	0.80	2.70	4.60	4.60
March 2015	0.50	0.50	0.80	2.80	4.60	4.70
June 2015	0.50	0.50	0.80	2.80	4.70	4.80
Sept 2015	0.50	0.50	1.00	2.90	4.80	4.90
Dec 2015	0.50	0.50	1.20	3.00	4.90	5.00
March 2016	0.50	0.50	1.40	3.10	5.00	5.10
June 2016	0.75	0.60	1.60	3.20	5.10	5.20
Sept 2016	1.00	0.70	1.80	3.30	5.10	5.20
Dec 2016	1.00	0.90	2.00	3.40	5.10	5.20
March 2017	1.25	1.30	2.30	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

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

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing Strategy

The Council currently does not borrow to finance capital expenditure and finances all expenditure from external grants and contributions, capital receipts or internal balances. The Council does, however, have a Capital Financing Requirement (CFR) of £3.8m, which is the outstanding liability on finance leases taken out in respect of plant, equipment and vehicles.

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy and will monitor interest rates in financial markets.

Treasury Management Limits on Activity
There are three debt-related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- Maturity structure of borrowing. These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

£m	2013/14	2014/15	2015/16
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	20%	20%	20%

Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	**Upper**
Under 12 months (temporary borrowing only)	100%	100%
12 months to 2 years	N/A	N/A
2 years to 5 years	N/A	N/A
5 years to 10 years	N/A	N/A
10 years and above	N/A	N/A

3.5 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Annual Investment Strategy

3.6.1 Investment Policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

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

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

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

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

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

3.6.2 Creditworthiness policy

Investment instruments identified for use in the financial year are listed in Annex 2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

Investment Counterparty Selection Criteria - The primary principles governing the Council's investment criteria are the security and liquidity of its investments, although the yield or return on the investment is also a key consideration. After these main principles, the Council will ensure that:

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

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

The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one of which meets the Council's criteria, while the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by Sector, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.

In addition, the Council receives weekly credit lists as part of the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS (Credit Default Swap) spreads to give early warning of likely changes in credit ratings (these provide an indication of the likelihood of bank default);
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and a recommendation on the maximum duration for investments. The Council would not be able to replicate this level of detail using in-house resources, but uses this information, together with its own view on the acceptable level of counterparty risk, to inform its creditworthiness policy. The Council will also apply a minimum sovereign rating of AA+ to investment counterparties.

The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

- **Banks 1** - good credit quality **–** the Council will only use banks which:
  a) are UK banks;
  b) are non-UK and domiciled in a country with a minimum long-term sovereign rating of AA+;
  c) have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

    - Short term – Fitch F1; Moody’s P-1; S&P A-1
    - Long term – Fitch A-; Moody’s A3; S&P A-

- **Banks 2** – Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

- **Bank subsidiary and treasury operation** - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings in Banks 1 above.

- **Building societies** - The Council will use all societies that meet the ratings in Banks 1 above.

- **Money Market Funds** – The Council will use AAA-rated Money Market Funds.

- **UK Government** (including gilts and the DMADF)

- **Other Local Authorities, Parish Councils, etc.**

- **Collective (pooled) investment schemes**

- **Supranational institutions**

- **Corporate Bonds**

- **Certificates of Deposit, Commercial Paper and Floating Rate Notes**

The Council’s detailed eligibility criteria for investments with counterparties are included in Annex 2.

All credit ratings will be continuously monitored. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- if a downgrade results in the counterparty no longer meeting the Council’s minimum criteria, its further use for new investments will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

Further advice is also received from the Council’s external cash manager, Tradition UK.

Sole reliance will not be placed on these external advisers. In addition, this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support. The Council forms a view and determines its investment policy and actions after taking all these factors into account.

3.6.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using these credit criteria as at the date of this report is shown below. This list will be amended by officers should ratings change in accordance with this policy.

The Council may only place investments with counterparties in countries with sovereign ratings of AAA and AA+. Eligible countries are currently as follows:

AAA

- Australia
- Canada

- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- USA

AA+

- France
- Hong Kong
- UK

3.6.4 Investment Strategy

In-house funds: The Council's core portfolio is around £200m although cashflow variations during the course of the year have the effect from time to time of increasing the total investment portfolio to a maximum of around £260m. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Interest returns outlook: Bank Rate has been unchanged at 0.50% since March 2009 and is forecast to remain unchanged until 2016, when it is expected to start to rise. Bank Rate forecasts for financial year ends (March) are as follows:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

Sector's suggested budget for investment returns on investments placed for up to three months during each financial year is shown below, together with the assumptions made by the Council in the financial forecast, which are based on a longer average duration.

	Sector 3-month View	Council View
2014/15	0.50%	1.00%
2015/16	0.50%	1.00%
2016/17	1.00%	1.00%
2017/18	2.00%	1.00%

Invesment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

As at year end	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m
Principal sums invested > 364 days	136.6	100.0	100.0	100.0

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, short notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

3.7 End of year investment report

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

3.8 External fund managers

£20m of the Council's funds are externally managed on a discretionary basis by Tradition UK. They are required to comply with the Annual Investment Strategy and are permitted to use specified and non-specified investments, subject to the Council's own counterparty eligibility criteria and lending limits. Their performance is closely monitored by the Director of Finance and is reported quarterly to the Resources Portfolio Holder and the Executive & Resources PDS Committee.

3.9 Policy on the use of external service providers

The Council uses Sector as its external treasury management advisors and Tradition UK as external cash fund managers.

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

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

3.10 Scheme of delegation

(i) Full board/council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Boards/committees/council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

3.11 Role of the section 151 officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

ANNEXES

1. Economic background
2. Specified and non specified investments – Eligibility Criteria
3. Prudential Indicators – summary for approval by Council

ANNEX 1. Economic Background

THE UK ECONOMY

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 - quarter 1 (+0.3%), 2 (+0.7%) and 3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

> *In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC's intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.*

Forward surveys are currently very positive in indicating that growth prospects are also strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates.

Forward guidance. The Bank of England issued forward guidance in August which stated that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November. The UK unemployment rate has already fallen to 7.4% on the three month rate to October 2013 (although the rate in October alone was actually 7.0%). The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that there is potential for a significant amount of GDP growth to be accommodated without a major reduction in unemployment. However, it has been particularly encouraging that the strong economic growth in 2013 has also been accompanied by a rapid increase in employment and forward hiring indicators are also currently very positive. It is therefore increasingly likely that early in 2014, the MPC will need to amend its forward guidance by reducing its 7.0% threshold rate and/or by adding further wording similar to the Fed's move in December (see below).

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy aimed at supporting the purchase of second hand properties, will also start in earnest in January

2014. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.1% in November. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

THE GLOBAL ECONOMY

The Eurozone (EZ). The sovereign debt crisis has eased considerably during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year EZ bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness,

USA. The economy has managed to return to robust growth in Q2 2013 of 2.5% y/y and 4.1% y/y in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve therefore decided in December to reduce its $85bn per month asset purchases programme of quantitative easing by $10bn. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until 'well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal'. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China. There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, while the political deadlock and infighting between Democrats and Republicans over the budget has almost been resolved the raising of the debt limit, has only been kicked down the road. A final resolution of these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the

EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Prolonged political disagreement over the raising of the US debt ceiling.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.
- A lack of political will in France, (the second largest economy in the EZ), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

ANNEX 2. Specified and Non-Specified Investments
Eligibility Criteria for investment counterparties

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria (i.e. non-sterling and placed for periods greater than 1 year).

A variety of investment instruments will be used. Subject to the credit quality of the institution and depending on the type of investment made, investments will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

SPECIFIED INVESTMENTS
These investments are sterling investments of not more than one-year maturity or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are relatively low risk investments where the possibility of loss of principal or investment income is small. These would include investments with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with a maximum of 1 year to maturity).
2. A local authority, parish council or community council (maximum duration of 1 year).
3. Corporate or supranational bonds of no more than 1 year's duration.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This includes the Payden Sterling Reserve Fund.
5. A bank or building society that has been awarded a high credit rating by a credit rating agency (only investments placed for a maximum of 1 year).
6. Certificates of deposit, commercial paper or floating rate notes (maximum duration of 1 year).

Minimum credit ratings (as rated by Fitch, Moody's and Standard & Poors) and monetary and time period limits for all of the above categories are set out below. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one of which meets the Council's criteria while the other does not, the institution will fall outside the lending criteria. The Council will take into account other factors in determining whether an investment should be placed with a particular counterparty, but all investment decisions will be based initially on these credit ratings criteria. The Council will also apply a minimum sovereign rating of AA+ to investment counterparties.

NON-SPECIFIED INVESTMENTS
Non-specified investments are any other type of investment (i.e. not defined as Specified above) and can be for any period over 1 year. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

	Non Specified Investment Category	Limit (£ or %)
a.	***Bank Deposits*** with a maturity of more than one year. These can be placed in accordance with the limits of the Council's counterparty list criteria (i.e. subject to satisfaction of Fitch, Moody's and Standard & Poors credit ratings criteria shown below).	£40m group limit with Lloyds TSB and RBS.
b.	***Building Society Deposits*** with a maturity of more than one year. These can be placed in accordance with the limits of the Council's counterparty list criteria (i.e. subject to satisfaction of	None permitted at present.

	Fitch, Moody's and Standard & Poors credit ratings criteria shown below).	
c.	***Deposits with other local authorities*** with a maturity of greater than 1 year and up to a maximum of 3 years. Maximum total investment of £15m with each local authority.	£15m limit with each local authority; maximum duration 3 years.
d.	***Gilt edged securities*** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The use of UK Government gilts is restricted to fixed date, fixed rate stock with a maximum maturity of five years. The total investment in gilts is limited to £25m and will normally be held to maturity, but the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. The Finance Director must personally approve gilt investments. The Council currently has no exposure to gilt investments.	£25m in total; maximum duration 5 years.
e.	***Non-rated subsidiary*** of a credit-rated institution that satisfies the Council's counterparty list criteria. Investments with non-rated subsidiaries are permitted, but the credit-rated parent company and its subsidiaries will be set an overall group limit for the total of funds to be invested at any time.	Subject to group limit dependent on parent company's ratings.
f.	***Corporate Bonds*** with a duration of greater than 1 year and up to a maximum of 5 years, subject to satisfaction of credit ratings criteria as set out below.	£25m in total; maximum duration 5 years.
g.	***Collective (pooled) investment schemes*** with a duration of greater than 1 year and up to a maximum of 5 years. The total investment in collective (pooled) investment schemes is limited to £25m.	£25m in total; maximum duration 5 years.
h.	***Certificates of Deposit, Commercial Paper and Floating Rate Notes*** with a duration of greater than 1 year, subject to satisfaction of credit ratings criteria as set out below.	Subject to group banking limits dependent on bank / building society credit ratings.

CRITERIA FOR FUNDS MANAGED INTERNALLY AND EXTERNALLY

- **Banks General** - good credit quality **–** the Council may only use banks which:
  a) are UK banks;
  b) are non-UK and domiciled in a country with a minimum long-term sovereign rating of AA+;
  c) have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

  - Short term – Fitch F1; Moody's P-1; S&P A-1
  - Long term – Fitch A-; Moody's A3; S&P A-

- **Banks 1A – UK and Overseas Banks (highest ratings)** - the Council may place investments up to a total of £30m for a maximum period of 1 year with UK banks (and up to a total of £15m for a maximum period of 1 year with Overseas banks) that have at least the following Fitch, Moody's and Standard & Poors ratings (where rated).

	Short-Term	Long-Term
Fitch	F1+	AA-
Moody's	P-1	Aa3
S & P	A-1+	AA-

Banks 1B – UK and Overseas Banks (very high ratings) - the Council may place investments up to a total of £20m for a maximum period of 1 year with UK banks (and up to a total of £10m for a maximum period of 6 months with Overseas banks) that have at least the following Fitch, Moody's and Standard & Poors ratings (where rated).

	Short-Term	Long-Term
Fitch	F1	A
Moody's	P-1	A1
S & P	A-1	A+

Banks 1C – UK and Overseas Banks (high ratings) – the Council may place investments up to a total of £10m for a maximum period of 6 months with UK banks (and up to a total of £5m for a maximum period of 3 months with Overseas banks) that have at least the following Fitch, Moody's and Standard & Poors ratings (where rated):

	Short-Term	Long-Term
Fitch	F1	A-
Moodys	P-1	A3
S & P	A-1	A-

- **Banks 2 - Part nationalised UK banks (Lloyds TSB and Royal Bank of Scotland)** - the Council may place investments up to a total of £40m for up to 2 years with the part-nationalised UK banks Lloyds TSB and the Royal Bank of Scotland provided they remain part-nationalised or their short and long-term ratings remain at least F1/A- (Fitch), P-2/A3 (Moodys) and A-1/A- (S&P).

- **Bank subsidiary and treasury operation** - The Council may use these where the parent bank has provided an appropriate guarantee and has the necessary ratings in Banks 1 above. The total investment limit and period will be determined by the parent company credit ratings.

- **Building societies** - The Council may use all societies that meet the ratings in Banks 1 above.

- **Sovereign Ratings** – The Council may only use counterparties in countries with sovereign ratings of AAA and AA+.
- **Money Market Funds** – The Council may invest in AAA rated Money Market Funds. The total invested in each of these Funds must not exceed £15m at any time. This includes the Payden Sterling Reserve Fund for which a limit of £15m is also applied.

- **UK Government (including gilts and the DMADF)** – The Council may invest in the government's DMO facility for a maximum of 1 year, but with no limit on total investment. The use of UK Government gilts is restricted to a total of £25m and to fixed date, fixed rate stock with a maximum maturity of 5 years. The Finance Director must personally approve gilt investments.
- **Local Authorities, Parish Councils etc** – The Council may invest with any local authority, subject to a maximum exposure of £15m for up to 3 years with each local authority.

- **Business Reserve Accounts** - Business reserve accounts may be used from time to time, but value and time limits will apply to counterparties as detailed above.

- **Corporate Bonds** – Investment in corporate bonds with a minimum credit rating of AA- is permitted, subject to a maximum duration of 5 years and a maximum total exposure of £25m.

- **Collective (pooled) investment schemes** – these are permitted up to a maximum duration of 5 years and a maximum (total) of £25m.

- **Certificates of Deposit, Commercial Paper and Floating Rate Notes** – These are permitted, subject to satisfaction of minimum credit ratings in Banks General above.

ANNEX 3 Prudential and Treasury Indicators

Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy and require the approval of the Council. They are included separately in Appendix 3 together with relevant narrative and are summarised here for submission to the Council meeting for approval.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised Code (published in 2009 and updated in 2011) was initially adopted by full Council on 15th February 2010.

PRUDENTIAL INDICATORS	2012/13	2013/14	2014/15	2015/16	2016/17
	actual	estimate	estimate	estimate	estimate
Total Capital Expenditure	£28.4m	£42.0m	£39.2m	£10.0m	£8.8m
Ratio of financing costs to net revenue stream	-1.5%	-1.5%	-1.3%	-1.3%	-1.3%
Net borrowing requirement (net investments for Bromley)					
brought forward 1 April	£197.3m	£198.6m	£196.8m	£185.3m	£168.7m
carried forward 31 March	£198.6m	£196.8m	£185.3m	£168.7m	£157.0m
in year borrowing requirement (movement in net investments for Bromley)	+£1.3m	-£1.8m	-£11.5m	-£16.6m	-£11.7m
Capital Financing Requirement as at 31 March	£3.8m	£3.5m	£3.2m	£2.9m	£2.6m
Annual change in Cap. Financing Requirement	-£0.3m	-£0.3m	-£0.3m	-£0.3m	-£0.3m
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in council tax (band D) per annum	-	-	-	-	-

TREASURY MANAGEMENT INDICATORS	2012/13	2013/14	2014/15	2015/16	2016/17
	actual	estimate	estimate	estimate	estimate
Authorised Limit for external debt -					
borrowing	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
other long term liabilities	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
TOTAL	£60.0m	£60.0m	£60.0m	£60.0m	£60.0m
Operational Boundary for external debt -					
borrowing	£10.0m	£10.0m	£10.0m	£10.0m	£10.0m
other long term liabilities	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m
TOTAL	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
Upper limit for fixed interest rate exposure	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	20%	20%	20%	20%	20%
Upper limit for total principal sums invested for more than 364 days beyond year-end dates	£201.1m	£136.6m	£100.0m	£100.0m	£100.0m

Report No.
CSD14027

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**5th February 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS**
Contact Officer:	Graham Walton, Democratic Services Manager Tel: 0208 461 7743 E-mail: graham.walton@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	N/A

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1. Reason for report

1.1 This report draws the Committee's attention to reports on the draft agenda for the next meeting of the Executive on 12th February 2014. Members are requested to bring a copy of their Executive agenda to the PDS Committee's meeting.

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2. RECOMMENDATION(S)

The Committee is recommended to select priority issues from the Executive agenda for pre-decision scrutiny.

Corporate Policy

1. Policy Status: Existing Policy: One of the major roles of PDS Committees is to scrutinise proposals coming before executive bodies for decision. This supports the "Excellent Council" BBB priority.

2. BBB Priority: Excellent Council:

Financial

1. Cost of proposal: No Cost:

2. Ongoing costs: Not Applicable:

3. Budget head/performance centre: Democratic Services

4. Total current budget for this head: £367,636

5. Source of funding: 2013/14 Revenue budget

Staff

1. Number of staff (current and additional): 10 (8.55 fte)

2. If from existing staff resources, number of staff hours: Preparing this report takes less than one hour of staff time.

Legal

1. Legal Requirement: None:

2. Call-in: Not Applicable: This report does not involve an executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of Members of the Committee.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 At each meeting, Members of this Committee have the opportunity to carry out pre-decision scrutiny of items for decision at forthcoming Executive meetings. This report identifies the reports expected for the next meeting of the Executive on 12th February 2014 and suggests which ones the Committee may wish to prioritise for scrutiny. At the time of writing, this is the draft list of reports and the Executive's agenda may change before it is published on 30th January 2013.

Part 1
Budget Monitoring 2013/14 *1*
2014/15 Council Tax *1 2*
Capital Programme Monitoring *1*
Apppointments to the Framework for Public Health Services
Funding for Public Health Weight Management Pilot Schemes
Procurement Strategy for Tenancy Support Services for Homeless People *2*
Gateway Review – Operational Building Maintenance Budgets *1*
Adoption of North Kent AONB Management Plan
Review of Councillor IT and Telephone Support *1*

Part 2
(No reports)

* *(Reports marked 1 are recommended for pre-decision scrutiny by this Committee; reports marked 2 are key or private decisions.)*

3.2 Under the Council's arrangements for decision making by individual executive portfolio holders, reports covering the Resources Portfolio Holder's proposed decisions are set out under separate headings on this agenda.

Non-Applicable Sections:	Policy/Finance/Legal/Personnel
Background Documents: (Access via Contact Officer)	Forward Plan as published 14th January 2014

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Report No.
CSD14028

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive and Resources PDS Committee**		
Date:	**5th February 2014**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**BRIEF UPDATES FROM PDS CHAIRMEN**		
Contact Officer:	Graham Walton, Democratic Services Manager Tel: 020 8461 7743 E-mail: *graham.walton@bromley.gov.uk*		
Chief Officer:	Mark Bowen, Director of Corporate Services		
Ward:	N/A		

1. Reason for report

1.1 This report provides an opportunity for PDS Committee Chairmen to report on the recent work of their Committees, preferably in a written summary. Since this Committee's last meeting on 8th January 2014 the meetings have been held of all the other PDS Committees as follows –

Public Protection & Safety PDS Committee: 21st January 2014

Care Services PDS Committee: 22nd January 2014

Renewal & Recreation PDS Committee: 28th January 2014

Environment PDS Committee: 29th January 2014

Education PDS Committee: 30th January 2014

1.2 Written summaries will be circulated before the meeting wherever possible.

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2. RECOMMENDATION

The Committee is asked to note the updates provided by PDS Committee Chairmen.

Corporate Policy

1. Policy Status: Existing Policy: One of the roles of PDS Committees is to scrutinise proposals coming before executive bodies for decision – this supports the Excellent Council BBB priority.
2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost
2. Ongoing costs: Not Applicable
3. Budget head/performance centre: Democratic Services
4. Total current budget for this head: £367,636 (2013/14 controllable budget)
5. Source of funding: Existing revenue budget.

Staff

1. Number of staff (current and additional): There are 10 posts (8.55 fte) in the Democratic Services Team.
2. If from existing staff resources, number of staff hours: Preparing this report takes less than one hour of staff time per meeting.

Legal

1. Legal Requirement: None
2. Call-in: Not Applicable: This report does not involve an executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of members of the Committee.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	None

Report No.
CSD14029

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**5th February 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**WORK PROGRAMME 2013/14**
Contact Officer:	Graham Walton, Democratic Services Manager Tel: 0208 461 7743 E-mail: *graham.walton@bromley.gov.uk*
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	N/A

1. Reason for report

1.1 This report offers the Committee the opportunity to consider its work programme for 2013/14, including scheduled meetings and all PDS working groups. The Committee now has eight meetings scheduled during 2013/14 – the dates are set out in Appendix 1, with a list of the items to be considered. The report summarises Sub-Committees and working groups from across all PDS Committees – these are listed at Appendix 2.

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2. RECOMMENDATIONS

2.1 The Committee is requested to consider its work programme for 2013/14 and the appointment of PDS Working Groups.

Corporate Policy

1. Policy Status: Existing Policy: All PDS Committee receive a report on their work programmes.

2. BBB Priority: Excellent Council:

Financial

1. Cost of proposal: No Cost:

2. Ongoing costs: Not Applicable:

3. Budget head/performance centre: Democratic Services

4. Total current budget for this head: £367,636

5. Source of funding: 2013/14 revenue budget

Staff

1. Number of staff (current and additional): 10 posts (8.55fte)

2. If from existing staff resources, number of staff hours: Maintaining the work programme takes less than an hour between meetings.

Legal

1. Legal Requirement: None:

2. Call-in: Not Applicable: This report does not involve an executive decision

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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of members of the Committee.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable

2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

Meeting Schedule

3.1 Each PDS Committee determines its own work programme, balancing the roles of (i) holding the Executive to account, (ii) policy development and review and (iii) external scrutiny. This Committee has the additional role of providing a lead on scrutiny issues and coordinating PDS work.

3.2 PDS Committees need to prioritise their key issues. The work programme also needs to allow room for items that arise through the year, including Member requests, call-ins and referrals from other Committees. Committees need to ensure that their workloads are realistic and balanced, allowing sufficient time for important issues to be properly scrutinised. Members also need to consider the most appropriate means to pursue each issue – the current overview and scrutiny arrangements offer a variety of approaches, whether through a report to a meeting, a time-limited working group review, a presentation, a meeting focused on a single key issue or any other method.

3.3 A schedule of the Committee's meetings in 2013/14 is attached at Appendix 1. The timing of meetings is tied to the need to pre-scrutinise Executive agendas. Question sessions with the Leader, Resources Portfolio Holder and Chief Executive have been added to the programme throughout the year.

3.4 The Committee has previously requested a report on project management arrangements, which has been delayed. Further discuusions are being held to ensure that a report is produced for the meeting on 27th March 2014.

Sub-Committees and Working Groups

3.4 In Appendix 2, PDS Sub-Committees, Working Groups and other sub-groups are set out following the first PDS meetings of 2013/14 for both for this Committee and other PDS Committees. The Policy Development and Scrutiny Toolkit suggests that each Committee should aim to carry out no more than two or three full scale reviews each year, and it offers guidance and techniques for prioritising reviews. At a time of pressure on Member and officer resources it is important that any additional work is carefully targeted at priority issues where improvements can be achieved. In recent years, this Committee has examined a number of issues through its Working Groups - part of the Committee's workload may include follow-up work on some of these reviews (such as the work of the New Technology Working Group). The Costs and Charges Working Group has now held two meetings (12th December 2013 and 23rd January 2014) and is ready to report its conclusions.

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Previous Work Programme reports.

Appendix 1

COMMITTEE MEETING SCHEDULE 2013/14

Meeting 1: Wednesday 12th June 20132
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Section 106 Monitoring
Membership of London Councils

Meeting 2: Wednesday 18th July 2013
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Contracts Register (Resources and Corporate)
Housing Benefits and Revenues Monitoring Reports
Scrutiny of the Resources Portfolio Holder

Meeting 3: Wednesday 4th September 2013
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Scrutiny of the Chief Executive

Meeting 4: Thursday 10th October 2013
Standard items (Matters Arising/Forward Plan/ Executive Agenda/PDS Updates/Work Programme)
Scrutiny of the Leader
Contracts Register (Resources and Corporate)

Meeting 5: Wednesday 13th November 2013
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Bromley Youth Employment Project

Meeting 6: Wednesday 8th January 2014
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Contracts Register (Resources and Corporate)
Scrutiny of the Resources Portfolio Holder
Housing Benefits Monitoring (including Discretionary Housing Payments)
Revenues Monitoring
Parking Shared Service

Meeting 7: Wednesday 5th February 2014
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Scrutiny of the Chief Executive
Report from the Costs and Charges Working Group
Update on the Bromley Youth Employment Project

Meeting 8: Thursday 27th March 2014
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Contracts Register (Resources and Corporate)
Project Management
Annual PDS Report 2013/14
Scrutiny of the Leader

2014/15
Further Update on 2012/13 Winter Health Programme

Appendix 2

PDS SUB-COMMITEES AND WORKING GROUPS

SUBJECT	DURATION	MEMBERSHIP
EXECUTIVE & RESOURCES PDS		
New Technology Working Group	Originally reported in May 2011. Reconvened January 2013 and last met on 26th November 2013	Cllrs Will Harmer, Nicholas Bennett, Judi Ellis, Roxhannah Fawthrop, Kate Lymer and Russell Mellor.
Council Costs and charges	First meeting held on 12th December 2013, second meeting on 23rd January 2014.	Cllrs Nicholas Bennett, Eric Bosshard, Peter Dean, Julian Grainger, Russell Mellor, Tony Owen and Neil Reddin, with Cllrs Graham Arthur and Colin Smith
CARE SERVICES PDS		
Health Scrutiny Sub-Committee	Two meetings are scheduled a year – next meeting is due to be on 30th January 2014.	All Care Services PDS Members.
EDUCATION PDS		
Education Budget Sub-Committee	Four meetings scheduled a year – last meeting was on 7th January 2014	Cllrs Bance, Benington, Nicholas Bennett, Grainger, McBride and Reddin.
School Places Working Group	Last met on 25th November 2013	Cllrs Nicholas Bennett, Fortune, Phillips and Reddin

ENVIRONMENT PDS		
Local Implementation Plan (LIP) Working Group	Met on 10th September 2013	Cllrs William Huntington-Thresher, Judi Ellis, Julian Grainger and Milner.
Parking Working Group	Met on 9th October 2013	Cllrs Samaris Huntington-Thresher and William Huntington-Thresher.
Highways Assets Working Group	No recent meetings	Cllrs William Huntington-Thresher, Reg Adams, Judi Ellis and Samaris Huntington-Thresher
PUBLIC PROTECTION & SAFETY PDS		
RENEWAL & RECREATION PDS		
Penge Town Centre Working Group	Established at the meeting on 11th June 2013 – awaiting advice on the viability of a potential BID.	Cllr Bance plus others to be appointed when due to commence.
Bromley Town Centre Working Group	Established at the meeting on 18th September 2013.	Cllrs Benington, Turner and Dykes, Cllr Morgan and three members from Environment PDS Committee

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Agenda Item 16a

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

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Agenda Item 16b

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

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