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DATE: 27 January 2015

To: Members of the

EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Councillor Eric Bosshard (Chairman)

Councillors Nicholas Bennett J.P., Peter Fookes, Ellie Harmer, Samaris Huntington-Thresher, William Huntington-Thresher, David Livett, Kate Lymer, Russell Mellor, Keith Onslow, Tony Owen, Ian F. Payne, Pauline Tunnicliffe and Angela Wilkins

A meeting of the Executive and Resources Policy Development and Scrutiny Committee will be held at Bromley Civic Centre on **WEDNESDAY 4 FEBRUARY 2015 AT 7.00 PM**

MARK BOWEN

Director of Corporate Services

*Copies of the documents referred to below can be obtained from
<http://cds.bromley.gov.uk/>*

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 29th January 2015.

**4 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING
HELD ON 7TH JANUARY 2015 (EXCLUDING EXEMPT ITEMS) (Pages 5 - 16)**

5 MATTERS ARISING FROM PREVIOUS MEETINGS (Pages 17 - 20)

6 FORWARD PLAN OF PRIVATE AND KEY EXECUTIVE DECISIONS (Pages 21 - 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 29th January 2015.

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 FORMER EDC CARETAKER'S HOUSE, PRINCES PLAIN, BROMLEY
(Pages 29 - 32)

Bromley Common and Keston Ward

b LAND ADJACENT TO 29 CHESTERFIELD CLOSE, ORPINGTON
(Pages 33 - 36)

Cray Valley East Ward

c TREASURY MANAGEMENT PERFORMANCE - Q3 2014/15
(Pages 37 - 46)

d TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2015/16 (Pages 47 - 78)

HOLDING THE EXECUTIVE TO ACCOUNT

9 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS (Pages 79 - 82)

Members of the Committee are requested to have a copy of the agenda for the Executive meeting on 11th February 2015 at the meeting.

POLICY DEVELOPMENT AND OTHER ITEMS

10 REVENUES SERVICE MONITORING REPORT (Pages 83 - 98)

11 BENEFITS SERVICE MONITORING REPORT (Pages 99 - 116)

12 UPDATES FROM PDS CHAIRMEN (Pages 117 - 118)

13 WORK PROGRAMME (Pages 119 - 124)

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 7TH JANUARY 2015 (Pages 125 - 126)

16 RESOURCES PORTFOLIO - PRE DECISION SCRUTINY (PART 2)

a PROVISION OF INSURANCE SERVICE - ROYAL BOROUGH OF GREENWICH (Pages 127 - 132)

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 7 January 2015

Present:

Councillor Eric Bosshard (Chairman)
Councillor Will Harmer (Vice-Chairman)
Councillors Douglas Auld, Nicholas Bennett J.P.,
Ian Dunn, Ellie Harmer, Samaris Huntington-Thresher,
William Huntington-Thresher, David Livett, Kate Lymer,
Russell Mellor, Keith Onslow, Ian F. Payne,
Pauline Tunnicliffe and Angela Wilkins

Also Present:

Councillor Graham Arthur, Councillor Stephen Carr and
Councillor Robert Evans

85 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Douglas Auld replaced Councillor Tony Owen and Councillor Ian Dunn replaced Councillor Peter Fookes. Apologies for lateness were received from Councillors Russell Mellor and Samaris Huntington-Thresher.

86 DECLARATIONS OF INTEREST

There were no declarations of interest.

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

No questions had been received.

88 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 19TH NOVEMBER 2014 (EXCLUDING EXEMPT ITEMS)

RESOLVED that the minutes of the meeting held on 19th November 2014 (excluding exempt information) be confirmed.

89 MATTERS ARISING FROM PREVIOUS MEETINGS Report CSD15001

The Committee received a summary of matters arising from previous meetings.

90 FORWARD PLAN OF PRIVATE AND KEY EXECUTIVE DECISIONS

The Committee noted the Forward Plan of Key and Private Executive decisions as published on 16th December 2014.

91 CONTRACTS REGISTER

The Committee received the Contracts Register for (a) Resources Portfolio contracts over £50k and (b) contracts across all departments with a value in excess of £200k. A Member asked about the Adecco contract for agency worker provision; it was confirmed that all costs under this contract were recharged to departmental budgets.

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

No questions had been received.

93 SCRUTINY OF THE RESOURCES PORTFOLIO HOLDER

The Resources Portfolio Holder, Councillor Graham Arthur, attended the meeting to give an update on his work and answer questions from the Committee. He began by commenting on the new arrangements for individual voter registration, where there had been some teething problems, and on postal votes, which were expected to rise to 25 - 30% for the coming general election.

The commissioning programme was now gathering pace, and all PDS Committees would be receiving reports on services. Although this was a time of uncertainty for many staff, some staff who had already transferred to contractors had reported that the move had been very positive. Although CIPFA had stated that about 40% of Councils would be unable to balance their budgets in two years, this would definitely not include Bromley. He felt that at the recent public meetings people had been more informed about the financial pressure on the Council and accepted the need for a measured Council Tax increase and for people to do more to help themselves, as long as there remained a safety net for those unable to help themselves.

The Council had separated capital and revenue spending and was debt-free. Reserves were used to increase expenditure to support frontline services – due to careful investment an additional £1.15m interest would be earned in the current year. Collection of Council Tax was exceeding the stretch target and fears that the new Council Tax support arrangements would reduce collection rates had not materialised. However there were new burdens such as the restrictions on parking enforcement which would result in lost income of about £1m. The Portfolio Holder urged all Councillors to lobby M.P.s on such issues. The Council seemed to be penalised for being efficient, but difficult decisions would not be avoided and the budget would be balanced.

The Chairman commented that it was important that the Council developed sources of income within its own control and invited Members to put questions to the Portfolio Holder. Responding to a question about how contractors were assessed and reviewed, the Portfolio Holder stated that the Council had been a contracting organisation for more than 20 years and a range of monitoring methods were used. However, he felt that it was important to base each contract on outcomes and for Members to monitor closely, listening to what their residents said about services. In particular he advised Members to visit the Customer Contact Centre and to take the opportunity to listen in on calls.

A Member asked whether, with the increasing proportion of postal votes, there was scope for savings from combining polling stations and reducing staff where there were two or more stations in the same building. Other than for local Council elections, costs were reimbursed by central government.

The Chairman commented that it was important to communicate with residents and explain the Council's actions. The Portfolio Holder stated that the development of the customer portal was a huge opportunity to develop dialogue with residents.

A Member asked whether there would be improvements to the Council's spam filtering systems. The Portfolio Holder agreed that the recent increase in spam was concerning, and officers confirmed that they were always endeavouring to keep the right balance between stopping spam and allowing legitimate messages to be delivered.

94 RESOURCES PORTFOLIO - PRE-DECISION SCRUTINY

The Committee considered the following reports for pre-decision scrutiny where the Resources Portfolio Holder was minded to take a decision.

94.1 Land Adjacent To 24 Chesterfield Close, Orpington Report DRR14/114

It was proposed to dispose of a parcel of land adjacent to 24 Chesterfield Road, Orpington. The Chairman requested that comments from the ward Councillors be circulated to the Committee.

RESOLVED that the recommendation to declare the land adjacent to 24 Chesterfield Close, Orpington, surplus to Council requirements to enable its sale be supported.

94.2 CAPITAL PROGRAMME MONITORING - 2ND QUARTER **2014/15** Report FSD14083

On 26th November 2014 the Executive had received the second quarterly monitoring report for 2014/15 and agreed a revised capital programme for the four year period 2014/15 to 2017/18.

RESOLVED that the proposal to note and confirm the changes to the Resources Capital Programme made by the Executive in November be supported.

95 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS
Report CSD15002

The Committee considered the following reports on the part 1 agenda for the meeting of the Executive on 14th January 2015.

(5) Draft 2015/16 Budget and Update on the Council's Financial Strategy 2016/17 to 2018/19
Report FSD15001

The report set out the initial draft budget for 2015/16 and indicated actions to reduce the Council's medium term "budget gap." The report set out potential savings to be considered by the Executive, but there were still outstanding issues and areas of uncertainty remaining. All PDS committees would be asked for their views before the Executive made its final recommendations to Council.

The Committee commented on a number of issues as follows –

- A Member commented that he found it unusual that the Council had three separate long term insurance policies expiring at different times, and that it would be better to approach insurers now and move towards a common renewal date, packaging these risks together.
- It was noted that the recent Working Group on the Effectiveness of Children's Centres had recommended 10% savings from the 2015/16 and 2016/17 budgets.
- It was noted that a strategic decision was being taken to charge Renewal Team and some Strategic Property costs to the Economic Development Fund and the Investment Fund respectively.
- A Member queried why the central contingency for the street cleansing contract could be reduced from £200k to £60k. It was explained that the context was that a saving of £1m had been made on the contract and a large contingency had been needed in case this saving could not be delivered; as no problems had been encountered it was possible to substantially reduce the provision.
- There was a £1m reduction in parking enforcement income; the Portfolio Holder had already been lobbying government on this issue.

The Chairman concluded that costs must continue to be contained.

RESOLVED that the recommendations be supported.

(6) Invest to Save
Report RES14078

At the September meeting of the Executive the Resources Portfolio Holder had asked for a report on the overall progress on Invest to Save schemes, including the amounts paid back so far. Many schemes had already repaid the amounts taken from the Invest to Save Fund, but there were also a few schemes where the anticipated savings had not yet been achieved, and this was having an impact on the projected budget overspend. Feedback on individual schemes had already been provided to the relevant PDS Committees and they were encouraged to focus on schemes where there was major under-achievement.

An additional table summarising the financial implications was tabled.

Councillor William Huntington-Thresher, as Chairman of the Environment PDS Committee, commented that the Green Garden Waste and Textile collection service was not intended as an invest to save project – rather, it was a service that had to cover its costs.

RESOLVED that the recommendations be supported.

(7) Gateway Review of Housing IT Systems
Report CS14106

The Council's contracts for Housing Systems software suppliers, currently held by Northgate and Home Connections, expired in March 2016. A gateway review of current and future system requirements had been carried out and the market had been surveyed to understand what alternative systems were available. It was proposed to procure a fully integrated Housing IT system from a framework developed by Crown Commercial Services.

An updated version of Appendix 2b was tabled which factored in reductions in the additional costs of upgrades and maintenance.

Members commented that the procurement exercise should be tightly controlled and that it was important to get the system specifications right from the start. It was also suggested that the Council should be buying a proven system.

RESOLVED that the recommendations be supported.

**96 SUNDRY DEBTORS AND ACCOUNTS PAYABLE SERVICE
MONITORING REPORT**
Report FSD14089

The report summarised information on the performance of the Sundry Debtors and Accounts Payable Services provided by Liberata up to 30th September 2014. A letter from Liberata's Contract Director was also considered, and representatives from Liberata attended the meeting to answer questions.

Members discussed utility debt, and in particular Thames Water debts, which formed a large proportion of the outstanding amounts. It was explained that Thames Water had disputed every invoice, but it was anticipated that the service department would have all issues resolved by the end of the financial year. Members also discussed the issue of debts that were written off – although this totalled £495k this was within the provision for bad debts – and outstanding debt for trade waste, which had reduced to £360k.

RESOLVED that the information in the report and the letter from Liberata be noted.

97 CUSTOMER SERVICES MONITORING REPORT
Report CSD14167

The report summarised information on the performance of the Customer Services contract provided by Liberata up to 30th November 2014. A letter from Liberata's Contract Director was also considered, and representatives from Liberata attended the meeting to answer questions.

A Member commented that there appeared to be no clear pattern on the success of channel shift; officers suggested that this would need to be judged over a longer period.

A Member asked whether the customer satisfaction surveys referred to in the report were conducted by an independent organisation. It was confirmed that the surveys were carried out by Liberata staff, but not those employed on the Bromley contract, and that Council officers approved the surveys. Liberata offered to send more detailed feedback to Members. The launch of the Web Portal would be key for this contract and further surveys would be carried out with early adopters.

A Member asked about the training issues mentioned in the letter from Liberata. Liberata had identified a skills gap when the Customer Service Centre had transferred to them and some key staff had been lost, but a programme of training had been put in place.

A Member asked about progress with the customer contact health check on School Admissions. Information was awaited from the service department, after which any proposals would go to the Commissioning Board. Progress would be reported in the next contract and budget monitoring reports.

RESOLVED that the information in the report and the letter from Liberata be noted.

98 WINTER HEALTH PROJECT

The Winter Health Project ran from December 2012 to March 2013 as part of the implementation of the Department of Health's Cold Weather Plan, following a successful bid to the Department's Warm Homes Healthy People

Fund for a one-off grant to address Excess Winter Deaths in Bromley in 2012/13. The Committee had previously considered the project in June 2013 and requested a further report after another year.

The objectives of the Project were to raise awareness of winter health issues and work with stakeholders. Partners included Age Concern and the Council's Home Improvement Team. The reasons for Bromley having higher than expected deaths in winter compared to London or England were complex. Members requested further information about the numbers of deaths and the context for this, but full data was still awaited from the Office for National Statistics (ONS).

Although the Project and the funding had ceased in 2013 officers were trying to ensure that the work became part of core business and a working group had been established to bring stakeholders together. Volunteer Health Champions had been trained and these would continue to be supported. Further work was needed with the Clinical Commissioning Group (CCG) to influence the contract with GPs and reach community pharmacists.

A more detailed report on the Excess Winter Deaths was available to Members.

RESOLVED that the progress made following the completion of the Winter Health project in April 2013 and the recommendations for 2015/16 be noted.

99 BROMLEY UNIT COST REPORT 2014/15
Report FSD14087

The Committee considered a report produced by LG Futures comparing unit costs for local authorities in England using budgeted expenditure from councils' revenue account returns for 2014/15. The report was intended to act as an initial guide for further investigation into areas where unit costs differed to those of similar authorities and where there might be scope for savings.

Members commented that although there was potential in the report, in practice there was not sufficient context or assurance that accurate comparisons were being made. It was accepted that the baseline reviews were a better starting point for reviewing services and budgets.

RESOLVED that the findings in the report be noted.

100 UPDATES FROM PDS CHAIRMEN
Report CSD15003

Updates were received from PDS Chairmen regarding the Renewal and Recreation PDS Committee on 16th November 2014 and the Public Protection and Safety PDS Committee on 2nd December 2014.

**101 WORK PROGRAMME 2014/15
CSD15004**

The Committee reviewed its work programme. The Chairman requested a report on Invest to Save Projects and Contracts for the meeting on 12th March. It was noted that the Care Services PDS Budget Sub-Committee was currently on hold, and that Councillor Mellor should be added to the membership list for the New Technology Working Group.

**102 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**

**103 EXEMPT MINUTES OF THE MEETING HELD ON 19th
NOVEMBER 2014**

The exempt minutes of the meeting held on 19th November 2014 were confirmed.

**104 PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE
REPORTS**

The Committee scrutinised a report on the Executive's part 2 agenda for the meeting on 14th January 2015 concerning the Award of Contracts for Capital Schemes at Parish CE Primary School and St Paul's Cray CE Primary School.

105 COUNCILLOR WILL HARMER

The Vice-Chairman, Councillor Will Harmer, was leaving the Committee as he had been appointed as Executive Assistant to the Leader. The Chairman thanked him for his service on the Committee.

The Meeting ended at 9.25 pm

Chairman

Executive & Resources PDS Committee: 7th January 2015 Updates from PDS Chairmen

Renewal and Recreation PDS Committee – 18th November 2014

Budget Monitoring 2014/15

Members considered the latest budget monitoring position for 2014/15 based on expenditure and activity levels up to 30 September 2014. The total portfolio budget showed a projected overspend of £69k.

Members also considered the level of expenditure and progress with the implementation of the selected projects within the Member Priority Initiatives.

Library service Strategy

A recent library review had resulted in the closure of the Mobile Library and the merger of Penge and Anerley Libraries. Bromley Libraries opening hours were also reduced from 605 to 527.5 per week.

Due to the continued financial constraints faced by the Council, it was necessary for consideration to be given to the most cost-effective and efficient way of managing the borough's library service going forward.

The report considered by Members outlined the strategy for taking the Library Service forward post completion of the baseline opening hours work stream. It also set out the detail behind the strategy which was underpinned by the development of community managed libraries and the exposure of the core library offer to the market for market testing.

It was confirmed that no libraries would close as a result of the review. The Chairman encouraged residents to e-mail comments to him and asked for their patience and forbearance whilst the review was being undertaken.

It was reported that the Council had invested in three new libraries to date. Both the new Orpington and Biggin Hill libraries had proved to be very successful and the recently established library at Penge had seen an improvement upon the former Penge and Anerley library.

It was confirmed that the standard length of time had been set aside to seek expressions of interest in community-run libraries for which a significant amount of publicity was anticipated. Marketing of library services was undertaken mainly on-line via social media such as Facebook and Twitter but were also publicised at social functions i.e. local festivals.

Review of Bromley Town Centre Markets

As requested by PDS Members in September 2014, a review of the current operation of the Bromley town centre market had been undertaken and proposals concerning its future development were submitted for consideration.

The report also requested the drawdown of some initial seed funding to assist with development, planning and design costs.

MyTime Active Annual Report 2013/14

In accordance with contractual arrangements between the Council and Mytime at the point of transfer of the services and the updated agreement dated 1 November 2011, Mytime submitted its Annual Report for 2013/14 for Member consideration.

The report outlined Mytime's achievements for the year and previewed its future spending proposals for 2015/16. In particular, Members were asked to consider the release of £330k from the Investment Fund to upgrade facilities at the Beckenham Spa.

Ms Mayne (CEO) explained that Mytime worked in a commercially sensitive environment. Profits were not distributed to shareholders but were carried forward to the following year for reinvestment purposes. Of the £31m income achieved last year, £29m was reinvested.

Mr Barkway explained that Mytime no longer operated joint facilities with schools, most of which had taken over sole responsibility. Mytime did, however, operate a before and after school club and also actively engaged with 59% of schools by offering swimming lessons.

Bromley Mytime had successfully engaged people in community activities with enthusiasm being shown once again this year for The London Youth Games.

Members considered an update on Town Centre Management and business support activities which had taken place since the previous update in September 2014.

The Chairman noted forthcoming events and commended the Head of Town Centre Management and Business Support for producing a good report.

Town Centres Development Programme Update

Members considered the progress achieved in delivering the Town Centres Development Programme and the findings of the Growth Study and proposed programme of action.

Endorsement was sought for the development of project proposal bids for the Mayor's High Street Fund which required submission to the GLA by 1 December 2014.

The Chairman commended the Renewal Team for the Council's successful outcome of its four bids for New Homes Bonus funding

Planning Service – Progress with Customer Service and Planning Application Performance

In April 2013, the Development Control Committee endorsed a revised Outline Planning Improvement Plan as a framework for improvements to the Planning Service.

Members considered updates on improvements made to the Planning Division's telephone service to customers and on planning application performance.

The Chief Planner gave a presentation in relation to Customer Service Performance and reported the following:-

- A new telephone system had been installed and calls were now being dealt with efficiently.
- The volume of applications being dealt with had increased by 10%.
- 25% of the Development Control Team had been lost during June-September due to staff 'moving-on' or resigning. This however, was rectified by hiring six new members of staff who started in October-November.

More attention and improvement was needed in dealing with applications under delegated authority - 15% of applications were submitted to Committee and attempts were being made to reduce this level. The number of applications refused was 25% compared with the national average of 12%; this, however was due in part to the policy regime in Bromley, having to take into consideration Areas of Special Residential Character; Conservation Areas and the Green Belt area. Bromley's recent refusal rates were significantly higher than Bexley and Richmond Councils. Improvements across the board were also being sought in regard to appeal costs against the Council. It was stated that nearly 50% of applications were dismissed on appeal and was concerned about a lack of consistency between Inspectors as some appeals having been refused several times were then given approval at a later date. The Chief Planner confirmed that Inspectors do take into account previous appeal decisions where relevant to the latest proposal.

It was commented that many complaints concerning a lack of contact and information from planning staff and the length of time taken for case officers to be assigned to individual applications.

Comment was made to the objectives set out in the Outline Planning Improvement Plan and stated there was still a long way to go. Targets were not being met in regard to both major and minor applications, this was questioned. The Chief Planner referred to the reasons in the report and in recent months the staff turnover.

Members were informed that a higher than average proportion of applications were submitted to Committee however, this was not solely because the application contained more than 3 dwellings. Any application could be contentious (i.e. loss of light or amenity) and the Chief Planner had every confidence that Members were well-placed to identify such applications and 'call' them in.

Councillor Morgan was surprised to note the high rate of refusal of applications and asked that the reason for this be investigated.

The Chief Planner reported that 56% of applications had been dismissed and 44% allowed upon appeal. The national average allowed upon appeal was approximately 35%.

**Councillor Ian Payne,
Chairman, Renewal & Recreation PDS Committee**

Public Protection & Safety PDS Committee - 2nd December 2014

1. The third meeting of the Public Protection & Safety PDS Committee for the municipal year 2014/2015 was held on the 2nd December 2014.

2. The Police Update was provided by the Deputy Borough Commander, Superintendent Parm Sandhu. The statistical data relating to MOPAC 7 targets was positive. Overall crime was down, and theft and burglary crime figures had reduced. There was however an increase in the number of crimes with injury; non-domestic abuse was up by 23%, and domestic abuse had increased by 15%. It was noted that there had been a change in the way that offences against the person were being classified, partially explaining the increase.

The Committee was advised that Operation Equinox was currently ongoing. This was an operation to reduce the number of crimes involving injury, and was concentrated in Beckenham Town Centre. Operation Bumble Bee was also ongoing which is an initiative to reduce burglary.

Current police staffing levels in Bromley were 486, compared with a recommended level of the 459 under the Local Policing Model.

Bromley Police were now using body worn video equipment which had resulted in a 30% increase in guilty pleas, which was the highest increase in the Met.

3. The Portfolio Holder gave an update to the Committee on a number of matters, which included the installation of 3 CCTV cameras covering the alleyway between the Odeon Bromley and the Hill Car Park, new initiatives to tackle fly tipping, informing the Committee on the recent gang activities in Bromley, and the recent Peer Gang Review by the Ministry of Justice.

4. Paul Lehane, Head of Service for Food, Licensing, Safety and Emergency Planning gave a presentation on his team's area of work for the benefit of the new members on the Committee.

5. The latest budget monitoring position for 2014/2015 for the PP&S PDS based on the expenditure and activity levels up to 30th September 2014 shows an underspend of £35k.

6. The Youth Programme Manager Jan Smith updated on the Summer Diversionary Activities 2014. These were a great success overall, although there was a two week period when the programme was affected adversely by wet weather. The Committee was pleased that the proportion of older children had increased since last year, and that Youth Services would be looking at ways of increasing partnership working, reducing costs, and generating revenue going forward.

7. It was discussed that a joint meeting would be planned with the Education PDS Committee on the 3rd February 2015 to examine the proposed merger of Youth Services, the Youth Offending Team and the Bromley Education Business Partnership.

8. The Committee had an enjoyable visit to the Police Dog Training Centre in Keston in November. Visits are being planned to the new Fire Station at Orpington in the new year, as well as a visit to the Emergency Planning Centre in Merton in February.

Councillor Kate Lymer
Chairman, Public Protection and Safety PDS Committee

Report No.
CSD15010

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: EXECUTIVE AND RESOURCES
POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: 4th February 2015

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

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 treasury management, Ward Councillor comments on the proposals for land adjacent to 24 Chesterfield Close and a report on invest to save projects and contracts.
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2. **RECOMMENDATIONS**

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: £373,410
 5. Source of funding: 2014/15 Revenue Budget
-

Staff

1. Number of staff (current and additional): 10 posts (8.75fte)
 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.
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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.
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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

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

Minute Number/ Title/Date	PDS Request	Update	Action By	Completion Date
8 Treasury Management – Annual Report (5 th June 2014)	Director of Finance to discuss treasury management issues with Cllr Livett	Director of Finance has met with Cllr Livett	Director of Finance	Ongoing
94.1 24 Chesterfield Close, Orpington (7 th January 2015)	Comments from Ward Councillors to be circulated to the Committee.	Ward Member comments were circulated on 19 th January 2015.	Estates Surveyor/ Democratic Services Manager	January 2015
101 Work Programme (7 th January 2015)	Chairman requested a report to the 12 th March meeting on Invest to Save Projects and Contracts.	Report has been added to the Work Programme	Deputy Director of Finance	March 2015

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LONDON BOROUGH OF BROMLEY

FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS PUBLISHED ON: 13th January 2015

PERIOD COVERED: 13th January 2015 - May 2015

DATE FOR PUBLISHING NEXT FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS: 24th February 2015

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 2015/16	Council	23 February 2015 Executive, PDS Committees, Business Community and Local Residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	<u>Public Meeting</u>	Report and relevant background documents
REVENUE BUDGET 2015/16	Council	23 February 2015 Executive, PDS Committees, Business Community and Local Residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	<u>Public Meeting</u>	Report and relevant background documents
CAPITAL PROGRAMME 2015/16 ONWARDS	Council	23 February 2015 Executive and key stakeholders	Meetings	Contact Officer: Martin Reeves Tel: 020 8313 4291 martin.reeves@bromley.gov.uk	<u>Public Meeting</u>	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 2015/16	Council	23 February 2015 Executive and Executive & Resources PDS Committee	Meetings	Contact Officer: Martin Reeves Tel: 020 8313 4291 martin.reeves@bromley.gov.uk	<u>Public Meeting</u>	Report and relevant background documents
EXECUTIVE						
AWARD OF CONTRACT FOR CAPITAL SCHEME AT PARISH CE PRIMARY SCHOOL AND ST PAUL'S CRAY CE PRIMARY SCHOOL	Executive	14 January 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	<u>Private meeting - Exempt information - Financial/business affairs of a person or body</u>	Part 2 report - confidential
AWARD OF CONTRACT FOR CAPITAL SCHEME AT THE GLEBE SCHOOL	Executive	11 February 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	<u>Private meeting - Exempt information - Financial/business affairs of a person or body</u>	Part 2 report - confidential

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?
BEACON HOUSE - REFURBISHMENT FOR EDUCATION USES	Executive	11 February 2015 Education PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Jane Bailey Tel: 020 8313 4146 jane.bailey@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
GATEWAY REVIEW 0,1 & 2 APPROVAL OF 2015/16 OPERATIONAL BUILDING MAINTENANCE BUDGETS, PLANNED MAINTENANCE PROGRAMMES AND PREFERRED PROCUREMENT OPTION	Executive	11 February 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Catherine Pimm Tel: 020 8461 7834 Catherine.Pimm@bromley.gov.uk	<u>Public meeting</u>	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?
ADULT SOCIAL CARE GATEWAY REPORT	Executive	11 February 2015 Care Services PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Terry Parkin Tel: 020 8313 4060 Terry.Parkin@bromley.gov.uk	<u>Private meeting - Exempt information - Financial/business affairs of a person or body</u>	Part 2 report - confidential
EXTRA CARE HOUSING	Executive	11 February 2015 Care Services PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Lorna Blackwood Tel: 020 8313 4110 lorna.blackwood@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
DIRECT CARE UPDATE	Executive	11 February 2015 Care Services PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Alicia Munday Alicia.Munday@bromley.gov.uk	<u>Private meeting - Exempt information - Financial/business affairs of a person or body</u>	Part 2 report - confidential

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TENANCY SUSTAINMENT FOR YOUNG PEOPLE	Executive	11 February 2015 Care Services PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Wendy Norman Tel: 020 8313 4212 Wendy.Norman@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
BIGGIN HILL HERITAGE CENTRE	Executive	11 February 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Colin Brand Tel: 0208 313 4107 colin.brand@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
THE FUTURE OF ANERLEY TOWN HALL	Executive	11 February 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Neil Thompson Tel: 020 8313 4603 neil.thompson@bromley.gov.uk	<u>Public meeting</u>	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?
CLOSURE OF BECKENHAM, BROMLEY AND WEST WICKHAM PUBLIC TOILETS	Executive	11 February 2015 Environment PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Dan Jones Tel: 0208 313 4211 Dan.Jones@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
HEALTH AND SAFETY AT BROMLEY SCHOOLS	Executive	25 March 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
ADULT EDUCATION	Executive	25 March 2015 Education PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Carol Arnfield Tel: 020 8461 8659 Carol.Arnfield@bromley.gov.uk	<u>Private meeting - Exempt information - Financial/business affairs of a person or body</u>	Part 2 report – confidential

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?
COMMISSIONING STREETSCENE AND GREENSPACE SERVICES	Executive	25 March 2015 Environment PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Dan Jones Tel: 0208 313 4211 Dan.Jones@bromley.gov.uk	<u>Public Meeting</u>	Report and relevant background documents
LEASE CAR PROCUREMENT: USE OF CROWN COMMERCIAL SERVICES FRAMEWORK	Executive	25 March 2015 Executive and Resources PDS Committee	Meeting	Contact Officer: Paul Chilton Tel: 020 8313 4849 paul.chilton@bromley.gov.uk	<u>Public Meeting</u>	Report and relevant background documents
SITE G UPDATE	Executive	25 March 2015 Renewal and Recreation PDS Committee and Executive and Resources PDS Committee	Meetings	Contact Officer: Kevin Munnelly Tel: 020 8313 4582 kevin.munnelly@bromley.gov.uk	<u>Public meeting</u>	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?
CARE SERVICES PORTFOLIO						
BROMLEY WELFARE FUND	Portfolio Holder for Care Services (including Public Health)	Not before 04 March 2015 Care Services PDS Committee	Meeting	Contact Officer: Andrew Scott Tel: 0208 313 4283 Andrew.Scott@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
EDUCATION PORTFOLIO						
ENVIRONMENT PORTFOLIO						
PARKING CHARGES	Portfolio Holder for Environment	Not before 20 January 2015 Environment PDS Committee	Meeting	Contact Officer: Ben Stephens Tel: 0208 313 4514 ben.stephens@bromley.gov.uk	<u>Public meeting</u>	Report and relevant background documents
REVISION TO KERBSIDE PAPER COLLECTION SERVICE	Portfolio Holder for Environment	Not before 02 February 2015 Environment PDS Committee Members	At either a Special Environment Portfolio Holder meeting or a Special Environment PDS Committee Meeting	Contact Officer: John Woodruff Tel: 020 8313 4910 john.woodruff@bromley.gov.uk	<u>Public meeting</u>	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.

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 4 February 2015

Decision Type: Non-Urgent Executive Non-Key

Title: **FORMER EDC CARETAKER'S HOUSE, PRINCES PLAIN, BROMLEY**

Contact Officer: Heather Hosking, Head of Strategic Property
Tel: 020 8313 4421 E-mail: heather.hosking@bromley.gov.uk

Chief Officer: Director of Regeneration & Transformation

Ward: Bromley Common and Keston;

1. Reason for report

This report seeks authority to the marketing of this property.

2. **RECOMMENDATION(S)**

2.1 **The Executive and Resources Policy Development and Scrutiny Committee is requested to consider the proposed decision of the Resources Portfolio Holder and**

2.2 **The Resources Portfolio Holder is recommended to agree to declare the caretaker's house at the former Education Development Centre in Princes Plan, Bromley, surplus to Council requirements and to agree that it be offered for sale on the open market.**

Corporate Policy

1. Policy Status: Existing Policy: Maximising the Council's assets
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: Estimated Cost: The sale of this property will generate a capital receipt. Estate agent's fees of £5k will be incurred.
 2. Ongoing costs:: N/A
 3. Budget head/performance centre: Strategic Property
 4. Total current budget for this head: £620k
 5. Source of funding: Existing revenue budget 2014/15
-

Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Statutory Requirement:S123 of the 1972 Local Government Act
 2. Call-in: Applicable:
-

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Any comments received will be reported at the meeting.

3. COMMENTARY

The caretaker's house at the former Education Development Centre in Princes Plain, Bromley is shown on the attached plan. It is situated at the entrance to Princes Plain School. It is a three bedroom house, which has been adapted to meet the needs of a previous occupant who was disabled. It is in need of some updating and redecoration. It has been separated from the school to make it completely self-contained.

The Resources Portfolio Holder agreed in September 2013 to the use of this property to provide temporary accommodation for homeless people. However, the Director of Education Care and Health has advised that it is no longer considered financially worthwhile to use the property in this way. No other Council use has been identified for the property and it is therefore recommended that it be declared surplus to requirements and offered for sale on the open market.

In order to ensure that the property is adequately marketed, including appearing on commonly used property sales websites such as Zoopla or Rightmove, it will be necessary to appoint a local agent to market this property. The fee for this instruction can be met from the Strategic Property budget.

It is anticipated that the sale price will be within the limits of the Director of Regeneration and Transformation's delegated authority .

4. POLICY IMPLICATIONS

The Council's aims include being an authority which manages its assets well. The use of this house for temporary accommodation would assist in fulfilling the Council's statutory rehousing duties

5. FINANCIAL IMPLICATIONS

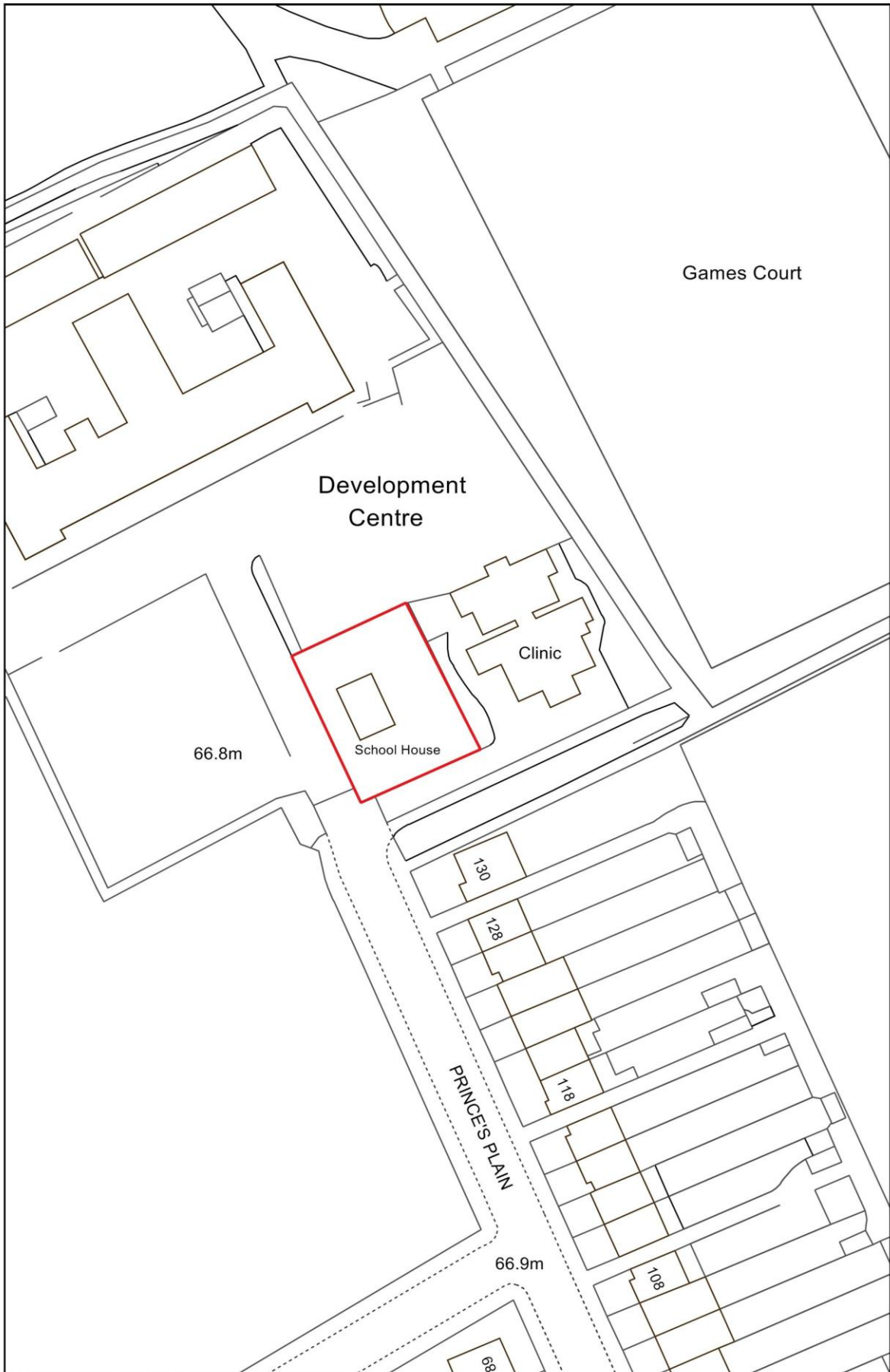
The sale of this property will generate a capital receipt.

The estimated £5k cost for the estate agent fees will be met from within the Strategic Property budget.

6. LEGAL IMPLICATIONS

If the property is sold, S123 of the 1972 Local Government Act will apply. This requires a local authority to secure the best consideration reasonably obtainable when disposing of land (other than on a lease of 7 years or less) unless it has the benefit of an express or general consent of the Secretary of State.

Non-Applicable Sections:	Personnel considerations
Background Documents: (Access via Contact Officer)	



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Report No.
DRR15/004

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: Wednesday 4th February 2015

Decision Type: Non-Urgent Executive Non-Key

Title: LAND ADJACENT TO 29 CHESTERFIELD CLOSE, ORPINGTON

Contact Officer: Antony Cooper, Estates Surveyor, Valuation and Estates
E-mail: Antony.Cooper@bromley.gov.uk

Chief Officer: Director of Regeneration & Transformation

Ward: Cray Valley East;

1. Reason for report

Authority is sought for the disposal of the parcel of land adjacent to 29 Chesterfield Road, Orpington

2. **RECOMMENDATION**

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 declare land adjacent to 29 Chesterfield Close, Orpington, surplus to Council requirements to enable its sale.

Corporate Policy

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

Financial

1. Cost of proposal: A capital receipt will be generated by the sale of this piece of land.
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Not Applicable
 4. Total current budget for this head: Not Applicable
 5. Source of funding: Not Applicable
-

Staff

1. Number of staff (current and additional):
 2. If from existing staff resources, number of staff hours: 30 hours
-

Legal

1. Legal Requirement: Statutory Requirement: S123 Local Government Act
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The former parking area is not in use by the public, so no loss of use will result.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: To be advised at the meeting.

3. COMMENTARY

- 3.1 The triangular parcel of land at the junction of Chesterfield Close and Wotton Green, shown cross hatched on the enclosed plan is owned by the London Borough of Bromley and measures 0.042Ha (0.10 acre).
- 3.2 The land once formed a residential parking area serving the surrounding housing estate, and was retained by the Council at the time of the Housing Stock Transfer in 1992, when responsibility passed to the Council's Technical Services (Highways) department.
- 3.3 At some point within the last 15 to 20 years, access to the land by vehicles has been prevented with the installation of barriers and concrete bollards. This is thought to be as a result of anti-social behaviour involving vandalism, fly-tipping and the dumping of abandoned vehicles. The land is not currently used for any purpose, and is not scheduled for routine cleaning or other maintenance, although it does receive attention by the Council's street cleaning contractor following any adhoc reports of fly tipping and littering.
- 3.4 A recent highway inspection has revealed that the surface condition and boundary walls are in a poor state of repair. The Council's Environment and Community Services department has confirmed that there is no intention to use the land to facilitate any future highway improvements. The section of adjoining road is narrow, but accommodates an adequate two-way traffic flow, and a pedestrian footway on the opposite side of the road. It has therefore confirmed that the land provides no benefit to the local residents, and recommends that the land be declared surplus.
- 3.5 While the site is expected to receive interest from small residential developers, the Council's Planning department has advised that, although based on the character of the surrounding area the most logical alternative use of the site would be for residential, due to the constrained nature of this site and the need to maintain existing boundary lines and sufficient amenity space, the prospects of securing residential development on this site are very limited. There is a street light column on the site and, if development is possible, it will be necessary to relocate this at the purchaser's cost (currently estimated at £2,000).
- 3.6 The value of the sale will be within the limits of the Director of Regeneration and Transformation's delegated authority to agree.

4. POLICY IMPLICATIONS

- 4.1 The Council's Aims include being a Council which manages its assets well.

5. FINANCIAL IMPLICATIONS

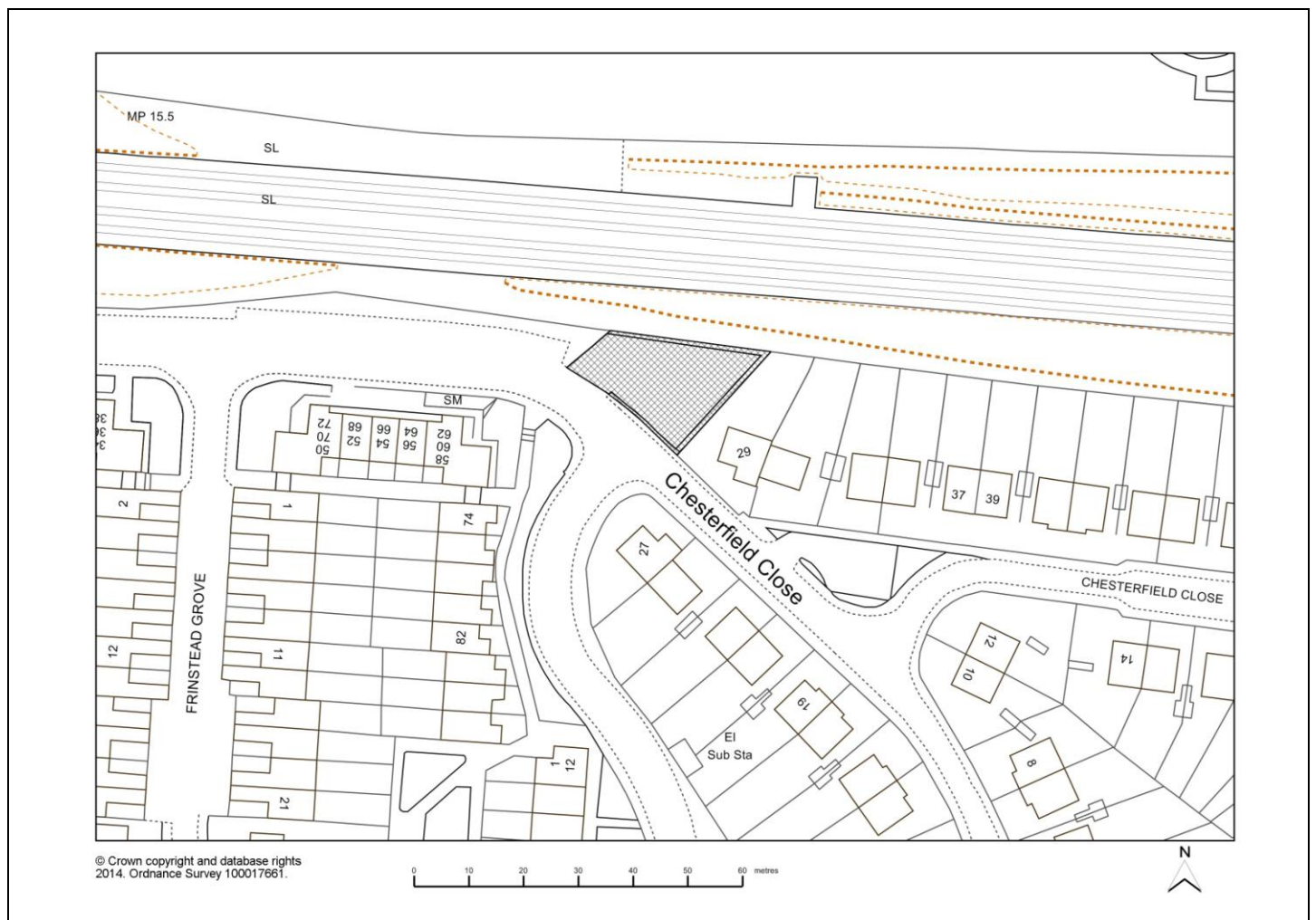
- 5.1 A capital receipt will be generated by the sale of this land.
- 5.2 Should the street light column need to be relocated, the estimated cost of £2,000 will be met by the purchaser.

6. LEGAL IMPLICATIONS

- 6.1 Section 123 of the Local Government Act 1972 requires a local authority to secure the best consideration reasonably obtainable when it disposes of land (other than on a lease of 7 years or less) unless it has the benefit of an express or general consent of the secretary of state. This site would be marketed to ensure compliance with this requirement.

Non-Applicable Sections:	7. PERSONNEL IMPLICATIONS
Background Documents: (Access via Contact Officer)	Index Map Search, dated 5 th January 2015

Land adjacent to 29 Chesterfield Close, Orpington



Report No.
FSD15010

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: Resources Portfolio Holder

Date: For pre-decision scrutiny by Executive and Resources PDS Committee on 4th February 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: TREASURY MANAGEMENT PERFORMANCE - Q3 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 summarises treasury management activity during the quarter ended 31st December 2014 and the period 1st April 2014 to 31st December 2014. It also updates Members on the Council's investment with Heritable Bank (paragraph 3.14). 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 2014 totalled £262.5m (excluding the balance of the Heritable investment) and there was no outstanding external borrowing. For information and comparison, the balance of investments stood at £264.9m as at 30th September 2014 and £250.0m as at 31st December 2013 and, at the time of writing this report (23rd January 2015) it stood at £282.4m.

RECOMMENDATION(S)

- 2.1 The PDS Committee and Portfolio Holder are asked to note the report.

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 interest earnings) in 2014/15; currently forecast to be £1.1m over budget
 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
-

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
-

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 mid-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 details of treasury management activity during the quarter ended 31st December 2014 and the period 1st April 2014 to 31st December 2014. The 2014/15 annual treasury strategy, including the MRP (Minimum Revenue Provision) Policy Statement and prudential indicators, was originally approved by Council in February 2014. Amendments (comprising an increase in the limits for part-nationalised banks, Lloyds and RBS, a lowering of the minimum credit rating for bond investments and the inclusion of diversified growth funds as permitted investments) were approved by Council in October 2014. The annual report for the financial year 2013/14 was approved by the Council in July 2014 and the 2015/16 annual treasury strategy is reported elsewhere on this agenda.
- 3.2 Recent changes in the regulatory environment place a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the actual position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

Treasury Performance in the quarter ended 31st December 2014

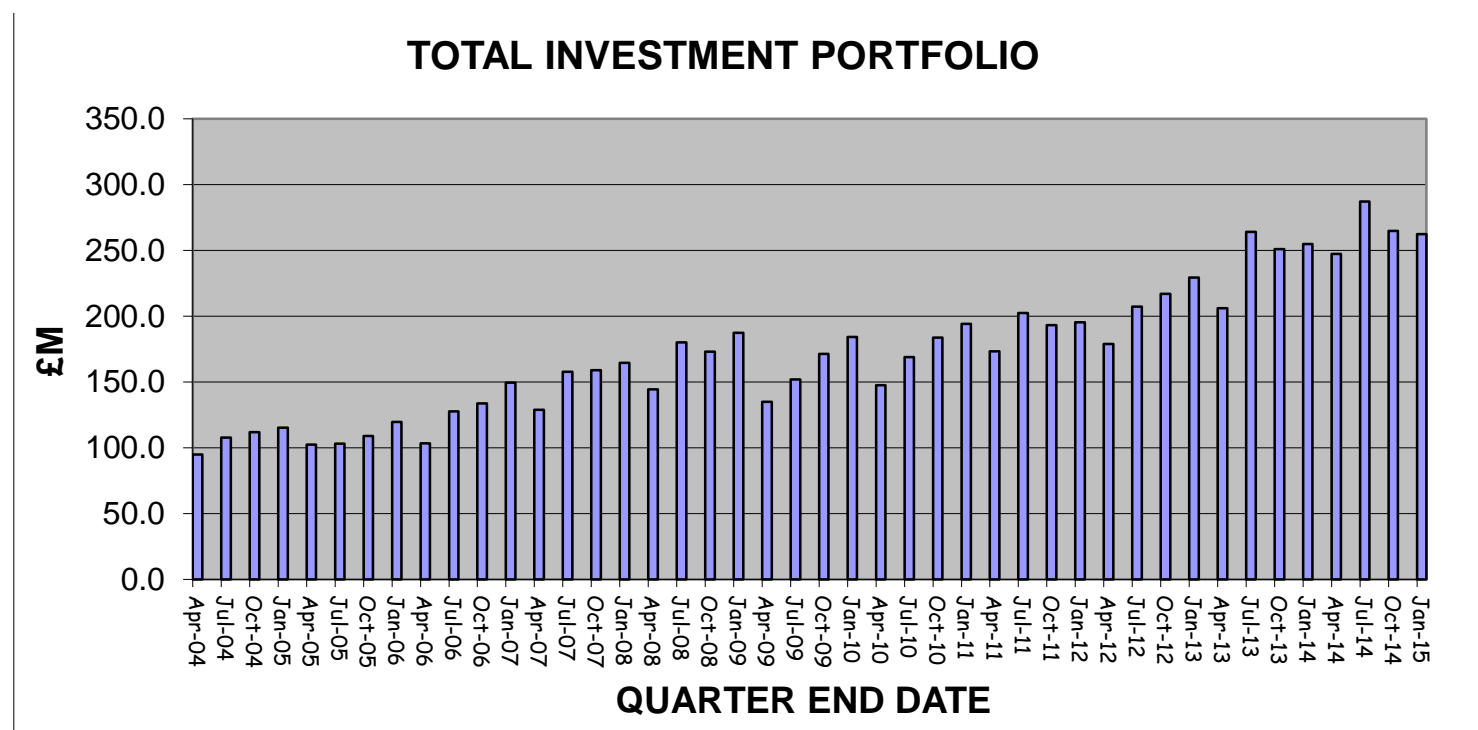
- 3.3 **Borrowing:** The Council's healthy cashflow position has continued through the first three quarters of 2014/15, as a result of which no borrowing has been required.
- 3.4 **Investments:** The following table sets out details of investment activity during the December quarter and during the financial year 2014/15 to date:-

Main investment portfolio	Qtr ended 31/12/14		1/4/14 to 31/12/14	
	Deposits £m	Ave Rate %	Deposits £m	Ave Rate %
Balance of "core" investments b/f	195.50	1.08	172.00	0.83
New investments made in period	73.00	1.57	211.50	1.22
Investments redeemed in period	-31.00	-0.85	-146.00	0.74
"Core" investments at end of period	237.50	1.18	237.50	1.08
Money Market Funds	0.00	para 3.10	0.00	para 3.10
Svenska Handelsbanken instant access	0.00	para 3.11	0.00	para 3.11
Deutsche Bank 95 day notice	5.00	para 3.11	5.00	para 3.11
CCLA Property Fund	10.00	para 3.13	10.00	para 3.13
Diversified Growth Funds	10.00	para 3.13	10.00	para 3.13
Payden Sterling Reserve Fund	0.00	para 3.12	0.00	para 3.12
Total investments at end of period	262.50	n/a	262.50	n/a
Heritable deposit - frozen (para 3.13)			5.00	6.42

- 3.5 The following investments were placed in the December quarter:

- Lloyds Bank – fixed term deposits £5m for 1 year @ 1.00% and £25m for 2 years @ 1.09%
- RBS – CD £40m for 3 years @ 1.85%
- Local authorities - £3m for 3 years @ 1.90%
- Diversified Growth Funds - £5m with both Newton and Standard Life

- 3.6 Details of the outstanding investments at 31st December 2014 are shown in maturity date order in Appendix 1 and by individual counterparty in Appendix 2. An average return of 1% was included for new investments in the 2014/15 budget and the average return on all new “core” investments placed in the December quarter was 1.57%. For comparison, the average LIBID rates for the December quarter were 0.36% for 7 days, 0.43% for 3 months, 0.56% for 6 months and 0.87% for 1 year. The average rate achieved on new investments placed in the period 1st April to 31st December 2014 was 1.22%, compared to the average LIBID rates of 0.35% for 7 days, 0.43% for 3 months, 0.56% for 6 months and 0.88% for 1 year. The improved average rate earned on new investments so far this year mainly reflects longer-term deposits placed with other local authorities and banks and compares favourably with the budget assumption.
- 3.7 Reports to previous meetings have highlighted the fact that options with regard to the reinvestment of maturing deposits have become seriously limited in recent years following bank credit rating downgrades. Changes to lending limits and eligibility criteria, most recently in October 2014 (an increase of £40m (from £40m to £80m) in the lending limits of both Lloyds and RBS and an increase in the maximum period from 2 years to 3 years) have alleviated this to some extent, but we have still found ourselves 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, RBS, HSBC, Barclays, Santander UK and Nationwide and all of these have reduced their interest rates significantly in recent years. The Director of Finance will continue to monitor rates and counterparty quality and take account of external advice prior to any investment decisions.
- 3.8 The graph below shows total investments at quarter-end dates back to 1st April 2004 and shows how available funds have increased steadily over the years. This has been a significant contributor to the over-achievement of investment income against budgeted income in recent years.



Interest Rate Forecast

- 3.9 Base rate has now been 0.5% since March 2009 and the latest forecast by Capita (in January 2015) is for it to begin to slowly rise from towards the end of 2015. Capita’s latest interest rate forecast is shown below, together with their previous forecast, provided in October 2014.

Capita's latest economic forecast is included in the report on the Annual Investment Strategy elsewhere on the agenda.

Date	LATEST FORECAST (Jan 15)				PREVIOUS FORECAST (Oct 14)			
	Base Rate	3 month Libid	6 month Libid	1 year Libid	Base Rate	3 month Libid	6 month Libid	1 year Libid
Mar-15	0.50%	0.50%	0.70%	0.90%	0.50%	0.60%	0.80%	1.00%
Jun-15	0.50%	0.50%	0.70%	1.00%	0.75%	0.80%	1.00%	1.20%
Sep-15	0.50%	0.60%	0.80%	1.10%	0.75%	0.90%	1.10%	1.30%
Dec-15	0.75%	0.80%	1.00%	1.30%	1.00%	1.10%	1.20%	1.40%
Mar-16	0.75%	0.90%	1.10%	1.40%	1.00%	1.30%	1.40%	1.70%
Jun-16	1.00%	1.10%	1.20%	1.50%	1.25%	1.40%	1.50%	1.80%
Sep-16	1.00%	1.10%	1.30%	1.60%	1.25%	1.60%	1.80%	2.10%
Dec-16	1.25%	1.30%	1.50%	1.80%	1.50%	1.90%	2.00%	2.20%
Mar-17	1.25%	1.40%	1.60%	1.90%	1.50%	2.10%	2.20%	2.30%
Jun-17	1.50%	1.50%	1.70%	2.00%	1.75%	2.10%	2.30%	2.40%
Sep-17	1.75%	1.80%	2.00%	2.30%	2.00%	2.30%	2.50%	2.60%
Dec-17	1.75%	1.90%	2.10%	2.40%	2.25%	2.40%	2.70%	2.80%
Mar-18	2.00%	2.10%	2.30%	2.60%	2.50%	2.60%	2.80%	3.00%

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 0.47%). Although there was no money held in Money Market Funds as at 31st December 2014, the total balance has generally been higher in the last two years than previously as bank credit rating downgrades have continued to restrict counterparty eligibility. In the December quarter, Money Market Funds were withdrawn to part-fund the investment of £40m in RBS and £10m in Diversified Growth Funds. 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 Fund	Market	Date Account Opened	Actual Balance 31/03/14	Actual Balance 30/09/14	Actual Balance 30/09/14	Ave. Rate Q1, 2 & 3 2014/15	Ave. Daily balance Q1, 2 & 3	Latest Balance 13/01/15	Latest Rate 13/01/15
			£m	£m	£m	%	£m	£m	%
Prime Rate		15/06/2009	-	14.5	-	0.42	6.5	-	0.45
Ignis		25/01/2010	15.0	9.9	-	0.46	10.9	11.9	0.47
Insight		03/07/2009	4.3	-	-	0.41	6.0	-	0.44
Morgan Stanley		01/11/2012	-	-	-	0.37	0.1	-	0.41
Legal & General		23/08/2012	-	-	-	0.43	5.4	-	0.44
Blackrock		16/09/2009	-	-	-	-	-	-	0.34
Fidelity		20/11/2002	-	-	-	-	-	-	0.38
TOTAL			19.3	24.4	0.0		28.9	11.9	

3.11 Notice Accounts

Svenska Handelsbanken

In August 2013, the Council placed £15m in an instant access account with the Swedish Bank, Svenska Handelsbanken. The account originally paid 0.60%, but the rate was reduced to 0.50%

in July 2014. As investment options were limited and the rate was better than that we were earning on our Money Market Funds, the account was left open until after the Council approved the increased limits for Lloyds and RBS in October. The account was, however, closed on 22nd October 2014 to provide part of the funding for the 3 year CD investment with RBS. The average daily balance in the period 1st April to 22nd October 2014 was £8.5m and an average rate of 0.55% was achieved.

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 and, in April 2014, RBS informed us that the rate would reduce to 0.30% in August, so notice was given to close the account on 25th August 2014. The average daily balance in the period 1st April to 25th August 2014 was £5.0m and an average rate of 0.65% was achieved.

Deutsche Bank

In November 2013, the Council opened a 95-day notice account with Deutsche Bank. At that time, Deutsche was an eligible counterparty on our lending list with a maximum investment sum of £5m, although a recent credit rating downgrade means it is no longer on the list. Following the downgrade, notice to terminate was given at the end of October and the principal sum plus interest will be returned to us on 2nd February 2015. The average daily balance in the first three quarters of 2014/15 was £3.75m and an average rate of 0.67% was achieved.

3.12 Other investments: 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 Capita, we made our first investment in a corporate bond, £1.1m with Standard Chartered Bank. The bond matured on 28th April 2014 with a coupon value of 0.70%. In October, the Council agreed to a lowering of the minimum credit rating for corporate bonds to A-, which may provide us with more investment opportunities in the future. In November 2012, £15m was invested in the Payden Fund and that sum remained invested until it was withdrawn in December to part-fund other investments. The average daily balance in the period 1st April to 19th December 2014 was £10.8m. Over the lifetime of the investment (November 2012 to December 2014) an average rate of 0.98% was achieved.

3.13 Pooled Investment Schemes

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.

CCLA Property Fund

Following consultation between the Director of Finance and the Resources Portfolio Holder, an account was opened in January 2014 with the CCLA Local Authorities' Property Fund and an initial deposit of £5m was made. Following more consultation, a further £5m deposit was made at the end of July 2014. This is viewed as a medium to long-term investment. Dividends are paid quarterly and, to 30th September 2014 (the most recent dividend payment), the investment had returned 5.13% net of fees.

Diversified Growth Funds

In October 2014, the Council approved the inclusion of investment in diversified growth funds in our strategy and, in December, £5m was invested with both Newton and Standard Life. Performance data will be reported in due course.

3.14 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, 14 dividend payments have been received (most recently in August 2013) totalling £4,783k (94%) of our total claim (£5,087k), leaving a balance of £304k (6.0%). Council officers and our external advisers remain hopeful of a full recovery and we are awaiting further information from the administrator.

3.15 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 the first three quarters of 2014/15, Tradition UK achieved a return of 1.24%, which compares with the in-house team rate of 1.22% for new investments placed in the same period. 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 ratings downgrades in recent years. Details of externally managed funds placed on deposit as at the time of writing this report are shown below.

Bank	Sum	Start Date	Maturity	Period	Rate
Lloyds	£7.5m	18/08/14	18/08/16	2 years	1.28%
RBS	£5.0m	26/08/14	26/08/16	2 years	Min 1.52%; max 2.00% (linked to 3 month Libor)
West Dumbartonshire Council	£2.5m	26/03/14	24/03/17	3 years	1.60%
Perth & Kinross Council	£5m	23/03/14	24/03/17	3 years	1.45%

Regulatory Framework, Risk and Performance

3.16 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.

3.17 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 A rate of 1% was assumed in the 2014/15 budget for interest on new investments and the budget for net interest earnings was set at £1,591k. Interest rates still show no real sign of increasing and Capita now expect the Bank of England base rate to begin to rise slowly from the end of 2015. There have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund investment, has resulted in a considerable improvement in interest earnings in 2014/15. At this stage, it is estimated that the 2014/15 outturn for interest earnings will be around £1.1m above budget.

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 Capita Treasury Solutions

APPENDIX 1

INVESTMENTS HELD AS AT 31st DECEMBER 2014

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
FIXED TERM DEPOSITS				
GOLDMAN SACHS	17/07/14	16/01/15	0.74500	5.0
LANCASHIRE COUNTY COUNCIL	18/02/13	18/02/15	0.85000	15.0
NORTHUMBERLAND COUNTY COUNCIL	01/03/13	02/03/15	0.85000	10.0
LLOYDS BANK	31/03/14	31/03/15	0.95000	5.0
LLOYDS BANK	11/04/14	13/04/15	0.95000	5.0
STANDARD CHARTERED (CD - King & Shaxson Client A/c)	28/04/14	28/04/15	0.83000	5.0
RBS (CD - King & Shaxson Client A/c)	28/04/14	28/04/15	0.82000	10.0
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
LLOYDS BANK	19/11/14	19/11/15	1.00000	5.0
KINGSTON-UPON-HILL CITY COUNCIL	02/01/14	04/01/16	0.90000	2.0
GREATER LONDON AUTHORITY	01/04/14	01/04/16	1.14000	15.0
RBS (collar deposit - floor 1.15%; ceiling 1.37%)	21/05/14	23/05/16	1.15000	15.0
LLOYDS BANK	07/07/14	07/07/16	1.25000	2.5
LLOYDS BANK	18/08/14	18/08/16	1.28000	7.5
RBS (collar deposit - floor 1.52%; ceiling 2.00%)	26/08/14	26/08/16	1.52000	15.0
WARRINGTON BOROUGH COUNCIL	31/10/13	31/10/16	1.45000	5.0
LONDON FIRE & EMERGENCY PLANNING AUTHORITY	28/11/13	28/11/16	1.50000	5.0
LLOYDS BANK	04/12/14	05/12/16	1.09000	25.0
WEST DUMBARTONSHIRE COUNCIL	26/03/14	24/03/17	1.60000	2.5
PERTH & KINROSS COUNCIL	23/03/14	24/03/17	1.45000	5.0
NORTHUMBERLAND COUNTY COUNCIL	15/08/14	15/08/17	1.50000	5.0
DONCASTER MBC	15/08/14	15/08/17	1.88000	5.0
LB CROYDON	22/08/14	22/08/17	1.50000	10.0
RBS (CD - King & Shaxson Client A/c)	30/10/14	30/10/17	1.85000	40.0
BLAENAU GWENT CBC	04/12/14	04/12/17	1.90000	3.0
				237.5
OTHER				
Deutsche Bank 95 day notice account	25/11/2013	02/02/2015	0.74	5.0
CCLA Local Authority Property Fund	31/01/2014			10.0
Diversified Growth Fund - Newton	22/12/2014			5.0
- Standard Life	22/12/2014			5.0
TOTAL INVESTMENTS AS AT 31st DECEMBER 2014				262.5
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 31/12/14 (94%)				-4,782,724
Principal sum unrecovered as at 31/12/14				304,341
Provision in 2013/14 accounts for non-recovery (5.9% of total claim)				300,000

INVESTMENTS HELD AS AT 31st DECEMBER 2014

	FROM	TO	RATE	£m	TOTAL £m	LIMIT	REMAINING
UK BANKS							
LLOYDS TSB BANK	31/03/14	31/03/15	0.950	5.0			
LLOYDS TSB BANK	11/04/14	13/04/15	0.950	5.0			
LLOYDS TSB BANK	19/11/14	19/11/15	1.000	5.0			
LLOYDS TSB BANK	07/07/14	07/07/16	1.250	2.5			
LLOYDS TSB BANK	18/08/14	18/08/16	1.280	7.5			
LLOYDS TSB BANK	04/12/14	05/12/16	1.090	25.0	50.0	80.0	30.0
ROYAL BANK OF SCOTLAND-CD Investment	28/04/14	28/04/15	0.820	10.0			
ROYAL BANK OF SCOTLAND-Floor 1.15%; ceiling 1.37%	21/05/14	23/05/16	1.150	15.0			
ROYAL BANK OF SCOTLAND-Floor 1.52%; ceiling 2.00%	26/08/14	26/08/16	1.520	15.0			
ROYAL BANK OF SCOTLAND-CD Investment	30/10/14	30/10/17	1.850	40.0	80.0	80.0	0.0
GOLDMAN SACHS	17/07/14	16/01/15	0.745	5.0	5.0	10.0	5.0
STANDARD CHARTERED BANK-CD Investment	28/04/14	28/04/15	0.830	5.0	5.0	20.0	15.0
OVERSEAS BANKS							
DEUTSCHE BANK (95 day notice)	25/11/13	02/02/15	0.740	5.0	5.0	5.0	0.0
OTHER LOCAL AUTHORITIES							
BLAENAU GWENT CBC	04/12/14	04/12/17	1.900	3.0	3.0	15.0	12.0
DONCASTER MBC	15/08/14	15/08/17	1.880	5.0	5.0	15.0	10.0
GREATER LONDON AUTHORITY	01/04/14	01/04/16	1.140	15.0	15.0	15.0	0.0
KINGSTON-UPON-HILL CITY COUNCIL	02/01/14	04/01/16	0.900	2.0	2.0	15.0	13.0
LANCASHIRE COUNTY COUNCIL	18/02/13	18/02/15	0.850	15.0	15.0	15.0	0.0
LONDON BOROUGH OF CROYDON	22/08/14	22/08/17	1.500	10.0	10.0	15.0	5.0
LONDON FIRE & EMERGENCY PLANNING AUTHORITY	28/11/13	28/11/16	1.500	5.0	5.0	15.0	10.0
NEWCASTLE CITY COUNCIL	01/07/13	01/07/15	0.700	5.0			
NEWCASTLE CITY COUNCIL	29/07/13	29/07/15	0.700	10.0	15.0	15.0	0.0
NORTHUMBERLAND COUNTY COUNCIL	01/03/13	02/03/15	0.850	10.0			
NORTHUMBERLAND COUNTY COUNCIL	15/08/14	15/08/17	1.500	5.0	15.0	15.0	0.0
PERTH & KINROSS COUNCIL	23/03/14	24/03/17	1.450	5.0	5.0	15.0	10.0
WARRINGTON BOROUGH COUNCIL	31/10/13	31/10/16	1.450	5.0	5.0	15.0	10.0
WEST DUMBARTONSHIRE COUNCIL	26/03/14	24/03/17	1.600	2.5	2.5	15.0	12.5
OTHER ACCOUNTS							
CCLA PROPERTY FUND	31/01/14			10.0	10.0	}	
DIVERSIFIED GROWTH FUND - NEWTON	22/12/14			5.0	5.0	25.0	5.0
- STANDARD LIFE	22/12/14			5.0	5.0	}	
TOTAL INVESTMENTS AS AT 31st DECEMBER 2014				262.5	262.5		
ICELANDIC BANK DEPOSIT (not included above)							
Heritable Bank - total claim (principal & interest)	28/06/07	29/06/09	6.420	5087065			
Less: Dividend received to 31/12/14 (94%)				-4782724			
Principal sum unrecovered as at 31/12/14				304341			
Provision in 2013/14 accounts for non-recovery (5.9% of total claim)				300000			

Report No.
FSD15011

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 4th February 2015
Council meeting 23rd February 2015

Decision Type: Urgent Non-Executive Key

Title: **TREASURY MANAGEMENT - ANNUAL INVESTMENT
STRATEGY 2015/16**

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 2015/16, 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 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 2015/16 (Appendix 1 on pages 6-30 of this report), including the prudential indicators (summarised on page 30) and the Minimum Revenue Provision (MRP) policy statement (page 10).

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 investment income) in 2014/15; currently forecast to be £1.1m over budget; draft budget for 2015/16 £2,741k
 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
-

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
-

Customer Impact

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

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 2014/15 was reported to this PDS Committee in November and was approved by Council in December. This report presents the annual strategy (Appendix 1), including the MRP Policy Statement (page 10) and prudential indicators (summarised on page 30) for 2015/16 to 2017/18. Details of treasury management activity during the quarter ended 31st December 2014 and the period 1st April 2014 to 31st December 2014 are included in a report elsewhere on the agenda.

Treasury Management Strategy Statement and Annual Investment Strategy 2015/16

- 3.2 Appendix 1 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2015/16. 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 30) 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 (generally not applicable for Bromley), 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 Capita Treasury Solutions as an advisor in investment matters. Capita 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 Capita'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 Capita's advice and information and will not use any counterparty not considered by Capita 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 recent years.

Regulatory Framework, Risk and Performance

3.6 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 have been made to date);
- 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.

3.7 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 A rate of 1% was assumed in the 2014/15 budget for interest on new investments and the budget for net interest earnings was set at £1,591k. Interest rates still show no real sign of increasing and Capita now expect the Bank of England base rate to begin to rise slowly from the end of 2015. There have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund investment, has resulted in a considerable improvement in interest earnings in 2014/15. At this stage, it is estimated that the 2014/15 outturn for interest earnings will be around £1.1m above budget.

5.2 With regard to 2015/16, the draft budget has been increased to £2,741k to reflect higher interest earnings from investments placed in 2014/15 and higher average balances in that year. These are explained in more detail in the treasury management performance report elsewhere on this agenda.

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 Capita Treasury Solutions

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APPENDIX 1: Treasury Management Strategy Statement Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2015/16

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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 (approved by Council in December 2014) – 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 2015/16

The proposed strategy for 2015/16 in respect of the following aspects of the treasury management function is based on officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Capita Treasury Solutions.

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 2014/15 to 2017/18

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.

2.1 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 (as per the capital monitoring and review report to Executive on 11th February 2015):

Capital Expenditure	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Education	6.0	12.7	42.9	22.1	0.5
Care Services	2.1	1.9	7.9	1.1	0.0
Environment	7.0	10.0	5.7	6.4	4.1
Renewal & Recreation	3.3	4.3	2.5	1.6	0.0
Resources	6.8	23.3	5.6	15.5	0.0
Public Protection & Safety	0.0	0.3	0.0	0.0	0.0
Sub-Total	25.2	52.5	64.6	46.7	4.6
Add: Future new schemes	0.0	0.0	0.0	0.0	2.5
Less: Estimated slippage	0.0	-2.0	-5.0	2.0	2.0
Grand Total	25.2	50.5	59.6	48.7	9.1

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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Total Expenditure	25.2	50.5	59.6	48.7	9.1
Financed by:					
Capital receipts	0.5	3.0	11.9	18.1	4.5
Capital grants/contributions	11.0	16.8	46.4	30.3	4.3
General Fund	-	-	-	-	-
Revenue contributions *	13.7	30.7	1.3	0.3	0.3
Net financing need	25.2	50.5	59.6	48.7	9.1

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

2.2 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 (primarily equipment in schools and vehicles and plant built into highways and waste contracts). 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
Total CFR	2.6	2.3	2.0	1.7	1.4
Movement in CFR	-1.2	-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	-1.2	-0.3	-0.3	-0.3	-0.3
Movement in CFR	-1.2	-0.3	-0.3	-0.3	-0.3

2.3 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.

2.4 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
General Fund balance	20.0	20.5	20.5	20.5	20.5
Capital receipts	22.0	28.5	22.8	12.6	9.1
Capital grants	23.7	30.0	30.0	30.0	30.0
Provisions	9.1	9.0	9.0	9.0	9.0
Other (earmarked reserves)	109.8	84.3	65.0	57.7	58.8
Total core funds	184.6	172.3	147.3	129.8	127.4
Working capital*	63.4	60.0	60.0	60.0	60.0
Under/over borrowing**	0.0	0.0	0.0	0.0	0.0
Investments	248.0	232.3	207.3	189.8	187.4

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

2.5 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. In practice, these indicators are virtually irrelevant for Bromley, as we have no external borrowing other than residual finance leases. The Council is asked to approve the following indicators:

2.6 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.

%	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	%	%	%	%	%
Non-HRA	-	-	-	-	-

2.7 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 very 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.

	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 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 appropriate 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 2014 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	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
	£m	£m	£m	£m	£m
External borrowing					
Borrowing at 1 April	-	-	-	-	-
Expected change in borrowing	-	-	-	-	-
Other long-term liabilities (OLTL)	2.6	2.3	2.0	1.7	1.4
Expected change in OLTL	-	-0.3	-0.3	-0.3	-0.3
Actual borrowing at 31 March	-	-	-	-	-
CFR – the borrowing need	2.6	2.3	2.0	1.7	1.4
Under / (over) borrowing	2.6	2.3	2.0	1.7	1.4
Investments	248.0	232.3	207.3	189.8	187.4
Net investments	245.4	230.0	205.3	188.1	186.0
Change in Net investments	+48.1	-15.4	-24.7	-17.2	-2.1

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 2015/16 and the following two financial years. 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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	10.0	10.0	10.0	10.0
Other long term liabilities	20.0	20.0	20.0	20.0
Total Operational Boundary	30.0	30.0	30.0	30.0

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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 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 Capita Treasury Solutions 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 Capita 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
Mar 2015	0.50	0.50	0.90	2.20	3.40	3.40
Jun 2015	0.50	0.50	1.00	2.20	3.50	3.50
Sep 2015	0.50	0.60	1.10	2.30	3.70	3.70
Dec 2015	0.75	0.80	1.30	2.50	3.80	3.80
Mar 2016	0.75	0.90	1.40	2.60	4.00	4.00
Jun 2016	1.00	1.10	1.50	2.80	4.20	4.20
Sep 2016	1.00	1.10	1.60	2.90	4.30	4.30
Dec 2016	1.25	1.30	1.80	3.00	4.40	4.40
Mar 2017	1.25	1.40	1.90	3.20	4.50	4.50
Jun 2017	1.50	1.50	2.00	3.30	4.60	4.60
Sep 2017	1.75	1.80	2.30	3.40	4.70	4.70
Dec 2017	1.75	1.90	2.40	3.50	4.70	4.70
Mar 2018	2.00	2.10	2.60	3.60	4.80	4.80

UK GDP growth surged during 2013 and the first half of 2014. Since then it appears to have subsided somewhat but still remains strong by UK standards and is expected to continue likewise into 2015 and 2016. There needs to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this recovery to become more firmly established. One drag on the economy has been that wage inflation has only recently started to exceed CPI inflation, so enabling disposable income and living standards to start improving. The plunge in the price of oil brought CPI inflation down to a low of 1.0% in November, the lowest rate since September 2002. Inflation is expected to stay around or below 1.0% for the best part of a year; this will help improve consumer disposable income and so underpin economic growth during 2015. However, labour productivity needs to improve substantially to enable wage rates to increase and further support consumer disposable income and economic growth. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen early in 2015.

The US, the biggest world economy, has generated stunning growth rates of 4.6% (annualised) in Q2 2014 and 5.0% in Q3. This is hugely promising for the outlook for strong growth going forwards and it very much looks as if the US is now firmly on the path of full recovery from the financial crisis of 2008. Consequently, it is now confidently expected that the US will be the first major western economy to start on central rate increases by mid 2015.

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

- Greece: the general election on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of anti EU and anti austerity political parties throughout the EU is much more difficult to quantify;
- As for the Eurozone in general, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and prolonged very weak growth. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual 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. 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 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. The closing weeks of 2014 saw gilt yields dip to historically remarkably low levels after inflation plunged, a flight to quality from equities (especially in the oil sector), and from the debt and equities of oil producing emerging market countries, and an increase in the likelihood that the ECB will commence quantitative easing (purchase of EZ government debt) in early 2015. 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 higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- 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 £2.6m, 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.

4 Annual Investment Strategy

4.1 Introduction: changes to credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

4.2 Investment Policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

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

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

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

4.3 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 fail outside the leading 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 Capita, 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 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 Capita. This service employs a sophisticated modelling approach utilising 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+ or equivalent;
 - 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 provided they continue to be part nationalised.
- **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 Capita 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.

4.4 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 in Annex 2. This list will be amended by officers should ratings change in accordance with this policy.

4.5 Investment Strategy

In-house funds: The Council's core portfolio is around £250m 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 £290m. 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 the end of 2015, when it is expected to start to rise slowly. Capita's bank Rate forecasts for financial year ends (March) are as follows:

- 2014/15 0.50%
- 2015/16 0.75%
- 2016/17 1.25%
- 2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

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

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

Investment 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	2014/15	2015/16	2016/17	2017/18
	£m	£m	£m	£m
Principal sums invested > 364 days	170.0	170.0	170.0	170.0

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

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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

After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues 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 for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout 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 (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some 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 likely to continue 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: the general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti-austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece. However, the indirect effects of the likely strengthening of

anti EU and anti-austerity political parties throughout the EU are much more difficult to quantify. 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 which have high unemployment rates. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. These countries already have political parties with major electoral support for anti EU and anti-austerity policies. Any loss of market confidence in either of the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

China. Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years. There are also concerns that the Chinese leadership has only started to address an unbalanced economy which is heavily over 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. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

CAPITA'S FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts (and also MPC decisions) will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. 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, or the safe haven of bonds.

The overall 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 eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current 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. There is an increased risk that Greece could end up leaving the Euro but if this happens, the EZ now has sufficient fire walls in place that a Greek exit would have little immediate direct impact on the rest of the EZ and the Euro. It is therefore expected that there will be an overall managed, albeit painful and tortuous, resolution of any EZ debt crisis that may occur 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 weak at best for the next couple of years with some EZ countries experiencing low or negative growth, which will, over that time period, see an 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, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp 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 larger 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 to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK strong economic growth is weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

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

- An adverse reaction by financial markets to the result of the UK general election in May 2015 and the economic and debt management policies adopted by the new government
- ECB either failing to carry through on recent statements that it will soon start quantitative easing (purchase of government debt) or severely disappointing financial markets with embarking on only a token programme of minimal purchases which are unlikely to have much impact, if any, on stimulating growth in the EZ.
- The commencement by the US Federal Reserve of increases in the central rate in 2015 causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities, leading to a sudden flight from bonds to equities.
- A surge in investor confidence that a return to robust world economic growth is imminent, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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, a UK Treasury Bill 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 and up to a maximum of 3 years. 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).	£80m and 3 years limits with Lloyds Bank 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 Director of Finance 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. The total investment in collective (pooled) investment schemes is limited to £25m and can include property funds, diversified growth funds and other eligible funds.	£25m in total.
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+ or equivalent;
 - 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-
Moody's	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 £80m for up to 3 years with both of the part-nationalised UK banks Lloyds Bank and the Royal Bank of Scotland provided they remain part-nationalised.
- **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.
- **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 Director of Finance must personally approve gilt investments.
- **Local Authorities, Parish Councils etc** – The Council may invest with any number of local authorities, 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 A- is permitted, subject to a maximum duration of 5 years and a maximum total exposure of £25m.
- **Collective (pooled) investment schemes** – these may comprise property funds, diversified growth funds and other eligible funds and are permitted up to 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.
- **Sovereign Ratings** – The Council may only use counterparties in countries with sovereign ratings of AAA and AA+.

These currently include:

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

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 1 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 and has subsequently been re-adopted each year in February.

PRUDENTIAL INDICATORS	2013/14	2014/15	2015/16	2016/17	2017/18
	actual	estimate	estimate	estimate	estimate
Total Capital Expenditure	£25.2m	£50.5m	£59.6m	£48.7m	£9.1m
Ratio of financing costs to net revenue stream	0.0%	0.0%	0.0%	0.0%	0.0%
Net borrowing requirement (net investments for Bromley)					
brought forward 1 April	£197.3m	£245.4m	£230.0m	£205.3m	£188.1m
carried forward 31 March	£245.4m	£230.0m	£205.3m	£188.1m	£186.0m
in year borrowing requirement (movement in net investments for Bromley)	+£48.1m	-£15.4m	-£24.7m	-£17.2m	-£2.1m
Capital Financing Requirement as at 31 March	£2.6m	£2.3m	£2.0m	£1.7m	£1.4m
Annual change in Cap. Financing Requirement	-£1.2m	-£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	2013/14	2014/15	2015/16	2016/17	2017/18
	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	£202.5m	£170.0m	£170.0m	£170.0m	£170.0m

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Report No.
CSD15011

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: EXECUTIVE AND RESOURCES
POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: 4th February 2015

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

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 11th February 2015. Where reports have already been scrutinised by other PDS Committees details are given in paragraph 3.1. Members are requested to bring a copy of their Executive agenda to the PDS Committee's meeting.
-

2. RECOMMENDATION

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: £373,410
 5. Source of funding: 2014/15 Revenue budget
-

Staff

1. Number of staff (current and additional): 10 (8.72 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 11th February 2015 and suggests which ones the Committee may wish to prioritise for scrutiny. At the time of writing, this is the draft list of expected reports but it is likely that list may be changed before the agenda is published on Thursday 29th January 2015.

Part 1

Budget Monitoring ¹
2015/16 Council Tax ^{1 2}
Capital Programme Monitoring & Annual Capital Review 2015 to 2019 ^{1 2}
Adult Social Care Gateway Report ²
Deprivation of Liberty Safeguards – Update ⁴
Commissioning of Speech and Language Therapy ⁵
Extra Care Housing – Demand and Supply ⁴
Gateway Report – Tenancy Sustainment Services for Young People ⁴
Beacon House – Refurbishment ^{2 5}
Gateway Review – Operational Building Maintenance Budgets ²
Anerley Town Hall ^{1 2 6}
Bromley Museum ⁶
Bromley North Village Improvements
Closure of Bromley, Beckenham & West Wickham Toilets ^{2 3}

Part 2

Anerley Town Hall (Part 2) ^{1 2 6}
La Fontaine Free School
Direct Care Update ^{2 4}
Award of Contract for Capital Scheme at Glebe School ^{1 2}

** (Reports marked ¹ are recommended for pre-decision scrutiny by this Committee; reports marked ² are key or private decisions; reports marked ³ have been scrutinised by Environment PDS Committee on 20th January; reports marked ⁴ have been scrutinised by Care Services PDS Committee on 21st January; reports marked ⁵ will be scrutinised at Education PDS Committee on 27th January 2015; and reports marked ⁶ will be scrutinised at Renewal and Recreation PDS Committee on 29th January 2015.)*

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 13 th January 2015

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Report No.
FSD14080

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: Executive & Resources PDS

Date: 4 February 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: REVENUES SERVICE MONITORING REPORT

Contact Officer: John Nightingale, Head of Revenues and Benefits
Tel: 020 8313 4858 E-mail: john.nightingale@bromley.gov.uk

Chief Officer: Peter Turner, Director of Finance

Ward: All

1. REASON FOR REPORT

- 1.1 This report provides information regarding the performance of the Revenues Services provided by Liberata during the period April to December 2014. A letter from Charlie Bruin, Liberata's Executive Director, BPO Services provides an update on each individual service and is attached at **Appendix 1** with statistical data relating to the Revenues service shown in **Appendix 2**.

2. RECOMMENDATION (S)

- 2.1 The PDS is requested to note the information contained within the report and the letter provided by Liberata detailed in Appendix 1.

Corporate Policy

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

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: 400003
 4. Total current budget for this head: £3.49m
 5. Source of funding:
-

Staff

1. Number of staff (current and additional): 2 plus Liberata staff
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory requirement. The amount of legislation is too extensive to cite in full, below are detailed the major Acts and Regulations covering the services:

Local Government Finance Act 1988

The Council Tax (Administration and Enforcement) Regulations 1992

Local Government Finance Act 2012

Rating Law and Practice: England and Wales

LGPS Regulations 2013

2. Call-in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The services covered in this report affect all Council Taxpayers, Business Ratepayers, Members and Pensioners, this could amount to an estimated 175,000 people.
-

Ward Councillor Views

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

3. COMMENTARY

- 3.1 The Revenues and Benefits Team monitors the contract, sets targets and performance standards, liaises with partners, progresses the development and improvement of services through leadership on specific improvement initiatives. The team also ensures the services comply with current legislation, financial regulations, contractual obligations and audit requirements. A summary of performance by the services is contained in **Appendix 2**.
- 3.2 To maintain the drive for improved service performance, monthly service review meetings are held with operational and senior Liberata management. Bromley's Heads of Service and Liberata's Contract Director meet regularly to deal with escalated issues, review policies and develop new ideas.

Council Tax

- 3.3 The in-year Council Tax collection rate as at the end of December 2014 was 85.57%; this was 0.03% higher than that being achieved at the same time in the last financial year (13/14). This positive variance is despite the increase in the minimum contribution required from working-age claimants of Council Tax Support.

The 2014/15 performance on collection of current year and arrears stood at 85.61% as at the 31/12/14, this compares to 85.58% as at the same time last year, a positive variance of 0.03%.

Business Rate

- 3.4 The in-year Business Rates collection as at the end of December 2014 was 83.86%; this compares to 87.78% as at the same time last financial year. This equates to a reduction of 3.9%; however from April 2014 businesses were able to opt for the payment over 12 months. Even after taking into account the effect of the extended payment period, collection rate remained disappointing. This was escalated to senior officers within Liberata and there has since been a marked improvement in collection. An update of the position will be provided at the meeting.

The current and arrears figure is also significantly down on the same time last year, with 83.18% being collected as at 31 December 2014 as opposed to 88.25% in 2013/14. Much of this reduction can also be attributed to the facility of 12 monthly instalments. A verbal update as to the current position will be provided at the meeting.

With effect from 1 April 2014 Retail Relief became available for certain categories of shops, restaurants, cafes and drinking establishments which had a rateable value of £50,000 or less. The relief entitled them to a reduction in their rates of up to £1000. An exercise was undertaken to identify establishments that could potentially meet the criteria and these were issued with information about the scheme together with an application form. A follow-up exercise has subsequently been undertaken, targeted at those from whom no response has been received.

Cashiers

- 3.5 The payment kiosk sited in the Civic Centre central reception continued to take high volume of payments. Exercises to convince callers to change to alternative methods of payment have continued. However, with the increased number of households required to pay Council Tax as a result of the introduction of Council Tax Support (some of which are relatively small amounts), the demand for this facility has remained high.

Payment kiosks are now available at the new Penge library. Usage is currently low; however the marketing of the provision is now being stepped up.

Payroll

- 3.6 The number of employees paid on the December 2014 payroll was 4709.
- 3.7 Considerable work continues to be undertaken in regard to schools converting to academies, further details are given in Liberata's letter attached as **Appendix 1**.

Pensions

- 3.8 Membership numbers recorded on the pensions administration system as at 31 December 2014 were 5637 actives, 5007 deferred and 4937 pensioners.
- 3.9 Introduction of the April 2014 changes to the Local Government Pension Scheme went smoothly, with new forms and processes being agreed in anticipation of the start date.
- 3.10 The transfer over to all Altair system is now complete with the system being fully operational.

4. FINANCIAL IMPLICATIONS

- 4.1 The report refers to the significant income collection undertaken through the Exchequer Services contract with Liberata

Non-Applicable Sections:	[Policy, Legal and Personnel
Background Documents: (Access via Contact Officer)	

John Nightingale
Head of Revenues and Benefits
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Date: 16 January 2015

Our Ref: CB/AIF

Dear John

As we approach the February 2015 Executive & Resources PDS meeting where we consider and review the Exchequer service, we take this opportunity to write to you with Liberata's assessment of the performance that we have provided to London Borough of Bromley (LBB) and its citizens.

This summary covers performance for the 9 months 1st April 2014 to 31st December 2014.

Council Tax

The in-year collection for the 9 months to 31st December 2014 was 85.57%, a positive variance of 0.03% on the previous year. Our arrears collection was 85.61% which was also 0.03% ahead of our previous year's total. This year on year improvement has been achieved in an environment of higher collectable debt, reduced Council Tax Support and increased usage of 12 monthly instalments, each of which is explained below.

There has been an increase in the collectable debt compared to the previous year, with working-age council tax support claimants being required to contribute a minimum of 19% of the households' council tax liability (previously 8.5%). In spite of this, the in-year collection rate for Council Tax Support remained high at 69.68% as at 31st December 2014.

It should be remembered that legislation changed from April 2013 to allow residents to pay over 12 months whereas previously it was 10. There are now 11,998 (£8.8m) accounts taking advantage of the extended payment option, an increased take up of 3% from the previous year. This increase means more collectable debts are expected to be paid in the last 2 months of the financial year than previously in 2013/14.

Despite the increase in CTS and a shift in the debt profile to February and March 2015, the recovery performance on both in-year are ahead on the previous year.

We are continuing with our collection and recovery initiatives which include reviewing the top 100 debtors, proactively chasing older debts, issuing 'pay up' letters on account balances which are below the summons threshold, reviewing cases with an attachment pending for both benefit and earnings, progressing cases held at Liability Order stage and monitoring cases sent to the enforcement agents. In addition we have introduced SMS texting as an additional reminder to prompt tax payers to pay before the issuing of the final reminder when they lose the right to pay by instalments. The number of tax payers using direct debit has also increased from 64.04% in December 2013 to 65.92% in December 2014.

Following a suggestion made during the July 2014 Executive & Resources PDS, a meeting was held with the Revenues team from the London Borough of Sutton to review and discuss how each team organised their collection and recovery processes for Council Tax and Business Rates. Both teams found the meeting useful and as a result we are currently working on improving the clarity of the information shown on the back of the annual Council Tax bills with a greater emphasis being given to the methods of payment.

The drop-in summons surgeries are continuing each month. This provides taxpayers with the opportunity to meet with Customer Services staff to discuss issues and make arrangements to pay.

Business Rates

Many London Authorities are experiencing a drop in collection of Business Rates in 2014/15. This has been attributed to the new legislation from April 2014 allowing ratepayers to pay over 12 months rather than the previous 10. As a result more collectable debts are expected to be paid in the last 2 months of the financial year than previously in 2013/14. In Bromley's case this equates to approximately £4million of extra debt to be collected in the last two months of the year, when compared to 2013/14. A recent performance submission from the London Revenues Group shows that of all Councils who supplied data for Business Rates Collection, all but one were showing a significant decrease compared with this period last year, due to the impact of 12 month instalments. The average impact per Council (for those that submitted data in November 2014) was 2.39% and Bromley's impact was 2.95%. It should be noted that a number of Authorities that have not submitted in November 2014, may have done so because they have seen an even greater impact, which if included would have increased the overall average impact across London.

The in-year collection rate as at 31st December 2014 was 83.86% compared to the target (revised for 12 monthly instalments) of 84.48%. The in-year and arrears collection was 83.18%, after taking into account of payments expected within February and March 2015, we are down by 1.79% against the adjusted target. However, this gap has already closed significantly in the first half of January 2015.

The team have continued with its targeted collection activities, focusing on checking the Top 1,000 debtors for any defaulters, progressing with static debts at Liability Order stage, monitoring of enforcement agents cases and following up on failed payment arrangements. In addition to this the team have actively promoted Retail Relief, which offers rate payers up to £1,000 (funded by Central Government), off their business rates. In order to promote this scheme the team organised a letter canvass to all potential eligible buses encouraging them to apply for the relief. The scheme has been very successful, with over £900,000 awarded so far in 2014/15.

It is anticipated that the collection gap will close in February and March 2015 and will finish on par with, or slightly greater than, last year's performance, for both In-Year and All Years collection. In order to ensure this is achieved the team will be monitoring closely all accounts who have moved onto 12 months to ensure they make the full payment in the final two months of the year. To provide some confidence in the receipt of these payments the team have analysed the payment history of everyone due to pay an instalment in February and March 2015. This has shown that only 15% of the rate payers in this cohort have defaulted on a payment in the past.

Orpington Business Improvement District (BIDs)

Our collection target for the year is 95%. Our collection rate as at 31st December 2014 was 86.46%. This has been achieved through the use of reminders and manual intervention. The BID Board has decided that they would now consider issuing summonses this year in order to assist collection. As a result the first 89 summons have been issued for non-payment and these will be heard at the Magistrates Court on 30th January 2015. The team have continued focusing on the in-year debtors for default payments and are also reviewing the 2013/14 outstanding debts.

Cashiers

During the 9 months to 31st December 2014, £21.67m was collected which covered 47,889 transactions, this includes amounts taken via the Kiosk, post, central income and all parking revenue.

Liberata continue to encourage customers to make payments by Direct Debit.

Pensions and Payroll

During the period 1st April 2014 to 31st December 2014 the Payroll Team continued to provide a valued service with an average accuracy rate of 99.9%; the Pension Team achieved an average of 97.3% service level compliance.

On 1st April 2014 Payroll and Pensions successfully implemented the changes to the Local Government Pension Scheme which moved from a defined benefit scheme to a career average scheme. This has necessitated some manual workarounds with additional monitoring and checking being required to ensure that the system is correctly calculating deductions of pay.

Work has started in preparation for changes to both the Teachers' Pension Scheme and the NHS Pension Scheme in April 2015.

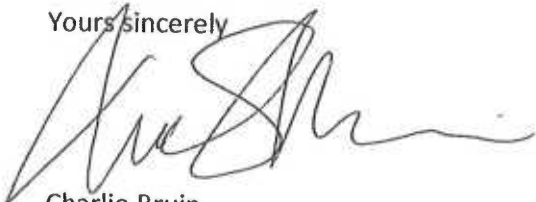
Following the introduction in May 2013 of HMRC Real Time Information (RTI) there was a change to the statutory requirements for payroll year-end submissions to HMRC. During the period under review, all year-end reports have been provided and all statutory returns made within the due dates. These have included P60s, P11ds, the annual report of NHS pensions contributions, the Teachers Pensions End of Year Certificate and the Annual Teachers Pensions Return.

Liberata's commitment to Innovation within Bromley

During October 2014 Liberata completed and submitted an application on behalf of both the London Borough of Bromley and Pendle Borough Council for the 2015-16 Transformation Challenge Award. This application detailed our proposed Community Debt Management solution. This solution will provide each authority with a single view of their customers' debt, regardless of how the debt has been incurred. This will improve debt recovery through the adoption of a holistic approach which will have a regard to the individuals total debt position with the Council. This will also cause less stress to the individual and their families through the availability of better quality information, advice and guidance on debt management. We are pleased to confirm that the application was successful and as a result £344,000 has been made available from the Department for Communities and Local Government to the two councils to fund the project. Once the solution has been fully implemented we believe that over a 10 year period it will deliver increased debt collection of £1.86m, cost reductions of £1.07m and a reduction in the number of cases receiving court summons and being referred to enforcement agents of 6,500. Liberata have already commenced proof of concept work, at our own cost, on the proposal.

Liberata remains firmly committed to delivering an outstanding service to the London Borough of Bromley and its citizens.

Yours sincerely



Charlie Bruin
Executive Director, BPO Services

The key elements of the Revenues Service includes (2014/15 figures):

- £ 171 million – Annual amount of Council Tax raised
- £ 90 million – Annual amount of Business Rates raised
- £ 14.9 million – Annual payment of Council Tax Support
- £ 127.5 million - Annual payment of Housing Benefit
- £ 75.1 million – Gross payment of staff salaries (through the LBB payroll service, including schools, excluding Academies) for the period April to December 2014
- £ 19.0 million – Payment of pensions for the period April to December 2014
- £ 21.67 million Year to date revenue on 47,889 transactions, this includes Kiosk (2,700 Loomis cash collections during the period April 2014 to December 2014)

Council Tax Data:

In year collection performance by Liberata is shown below:

Best Value PI's	Actual 03/04	Actual 04/05	Actual 05/06	Actual 06/07	Actual 07/08	Actual 08/09	Actual 09/10	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	1/4/14 to 31/12/14
BV9:CTAX Collected	96.8%	97.1%	97.0%	97.0%	97.1%	97.03%	97.28%	97.59%	97.65%	97.76%	97.50%	85.57%

Actual 31st December 2014 – 85.57%

The amount of collectable debt raised for the year 2014/15 is £171m (net of Benefits) in respect of 137,323 properties. 4,390 cheque refunds and 1,955 BACs refunds totalling £2,151,882.80 have been issued during April 2014 to December 2014.

Appendix 2

The following Council Tax recovery notices were issued:

	2006/7	2007/8	2008/09	2009/10	2010/11	31/03/12	31/03/13	31/03/14	31/12/14
Reminders	53,371	41,710	39,382	34,892	34,971	51,920	45,816	56,256	47,052
Summonses	13,757	14,244	13,432	17,061	19,774	16,436	16,168	19,267	8,638
Liability Orders	10,135	6,270	7,079	10,713	12,956	9,396	10,868	9,999	6,901
14 day letters – Bailiff warning	11,332	11,276	10,761	13,127	11,823	11,757	12,518	15,816	8,761
Accounts passed to Bailiff	5,864	6,896	6,882	9,724	9,538	All at 14 day stage	All at 14 day stage	All at 14 day stage	All at 14 day stage

NB: The first 14 day letters were issued directly to the bailiffs from 11 July 2011.

The 2013/14 debt carried forward at the 1st April 2014 was £4,754,086.76

Council Tax – Summoned Debt	
Summonses/costs	543,015.45
Arrangement	321195.95
14 day/ Bailiff	1,945,647.14
Attachments / pending	128,817.65
Bankruptcy/ charging orders / committal / Tenons	233,264.29
Liability	514,424.29
Un-summoused Debt	
Final (un-sum)	320,412.69
Un-summoused	739,854.03
On hold	7,455.27
Total	4,754,086.76

The breakdown analysis of the total 2013/14 debt outstanding at the 1st April 2014 of £4,754,086.76 is shown above.

The balance of 2013/14 as at the 31st December 2014 is £2,940,486.00, a reduction of £1,813,600.00

Council Tax Arrears Breakdown as at 31st December 2014

	Arrears B/F 31.03.2014	Arrears carried forward	Net reduction	Actual % collection
1993	729.58	362.18	367.40	
1994	1,997.87	735.67	1,262.20	
1995	2,835.72	1,513.13	1,322.59	
1996	4,638.01	2,280.98	2,357.03	
1997	10,892.81	6,213.19	4,679.62	
1998	19,760.45	13,753.14	6,007.31	
1999	29,469.52	20,584.24	8,885.28	
2000	65,601.30	39,592.25	26,009.05	
2001	115,739.10	70,963.03	44,776.07	
2002	155,921.64	109,370.85	46,550.79	
	407,586.00	265,368.66	142,217.34	34.89
2003	214,194.97	163,270.12	50,924.85	23.77
2004	269,162.79	209,624.42	59,538.37	22.12
2005	371,176.91	297,918.62	73,258.29	19.74
2006	490,532.65	404,340.00	86,192.65	17.57
2007	654,320.19	538,347.08	115,973.11	17.72
2008	849,658.53	690,968.67	158,689.86	18.68
2009	970,800.67	783,517.60	187,283.07	19.29
2010	1,131,926.94	964,772.51	167,154.43	14.77
2011	1,551,849.96	1,293,227.32	258,622.64	16.67
2012	2,244,050.18	1,789,602.06	454,448.12	20.25
2013	4,754,086.76	2,940,486.02	1,813,600.74	38.15
	13,501,760.55	10,076,074.42	3,425,686.13	

Business Rates Data:

In year collection performance by Liberata is shown below:

Best Value PI's	Actual 03/04	Actual 04/05	Actual 05/06	Actual 06/07	Actual 07/08	Actual 08/09	Actual 09/10	Actual 10/11	Actual 11/12	Actual 12/13	Actual 13/14	1/4/14 to 31/12/14
BV10: Rates Collected	98.5%	98.7%	99.6%	99.5%	99.8%	99.1%	99.02%	98.9%	98.81%	98.72%	98.70%	83.86%

Actual 31st December 2014 – 83.86%

The amount of collectable debt raised for the year 2014/15 is **£90 million** in respect of **7,356** properties.

There have been 839 refunds actioned from the 1st April 2014 to the 31st December 2014 amounting to **£3,313,595.44** in respect of vacation and rateable value reductions.

The following recovery notices were issued -

	2004/5	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	1/4/14 to 31/12/14
Reminders Issued	4,352	3,486	4,972	4,559	3,609	3,977	3404	2,536	4,023	3,545	4,026
Final Notices Issued	359	239	585	1,698	1,529	1,892	1,824	1,741	2,014	2,472	2,119
Summonses Issued	1,024	1,137	980	894	704	903	725	1,156	987	1,091	844
Liability Orders	706	775	675	602	426	666	672	749	683	771	573
7 day letters issued	423	1,021	1,421	605	299	674	367	471	501	No longer used	No longer used
Accounts passed to Bailiff	200	322	542	331	130	316	430	537	645	650	364

The **2013/14** debt carried forward at 1st April 2014 was **£1,028,998.56**

NNDR – Summoned Debt	
Summons	38,652.08
Arrangement	35,393.76
7 day	283.35
Bailiff	158,813.92
Recovery	302,689.14
Liability	339,465.45
Un-Summoned	
Reminders	26,780.49
Finals	104,812.03
Non Recovery	
Billing	22,108.34
Total	1,028,998.56

Movement in arrears for reporting period –

Arrears total 1990 - 2013/14 as at 01/04/14 £ 1,768,682.48

Arrears total 1990 - 2013/14 as at 31/12/14 £ 832,251.03

Reduction Overall arrears £ 936,431.45

Business Rates Arrears breakdown as at 31st December 2014

	Arrears B/F 31.03.2013	Arrears carried forward	Net reduction	Actual % collection
2003	-	-	0.00	0.00%
2004	-	-	0.00	0.00%
2005	-	-	0.00	0.00%
2006	102.75	-	102.75	100.00%
2007	222.00	-	222.00	100.00%
2008	6,944.44	6,405.00	539.44	7.77%
2009	25,727.27	25,397.67	329.60	1.28%
2010	31,942.01	37,554.45	-5,612.44	-17.57%
2011	109,012.14	73,357.80	35,654.34	32.71%
2012	557,267.27	283,041.12	274,226.15	49.21%
2013	1,198,776.46	406,494.98	792,281.48	66.09%
	1,929,994.34	832,251.02	1,097,743.32	

** 2010 – backdated liability, new company billed - so increased debt collectable for this year

Cashiers Data

The cashiering service dealt with the following transactions in the period 1st April 2014 to 31st December 2014

Civic Centre Total	Transactions including Kiosk
£21,696,179.65	47,889

Payroll Data:

The average number of payments made each month/annually is shown below:

	Monthly	Annually
Employees	5,102	61,228
Pensions	4,900	58,800

Appendix 2

Complaints Data:

Service	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	1/4/14 to 31/12/14
Council Tax	115	86	109	104	125	118	277 (210 unfounded)	372 (292 unfounded)	436 (362 unfounded)
NNDR	3	4	2	0	2	1	7 (7 unfounded)	4 (4 unfounded)	13 (2 unfounded)
Pensions	14	24	7	9 (5 unfounded)	7 (4 unfounded)	7 (2 unfounded)	3 (2 unfounded)	4 (2 unfounded)	4 (1 unfounded)
Payroll	37	10	5	10 (6 unfounded)	9 (3 unfounded)	4	9 (2 unfounded)	5 (2 unfounded)	4 (2 unfounded)
Cashiers	0	0	0	0	0	0	0	0	0

Report No.
FSD14079

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: Executive & Resources PDS

Date: 4 February 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: BENEFITS SERVICE MONITORING REPORT

Contact Officer: John Nightingale, Head of Revenues and Benefits
Tel: 020 8313 4858 E-mail: john.nightingale@bromley.gov.uk

Chief Officer: Peter Turner, Director of Finance

Ward: All

1. Reason for report

- 1.1 This report provides information regarding the performance of the benefits service provided by Liberata during the period 1 April 2014 to 31 December 2014. A letter from Charlie Bruin Executive Director, BPO Services is attached as **Appendix 1**. This communication provides Liberata's perspective on performance, together with an update on initiatives to be introduced in coming months.

2. RECOMMENDATION(S)

- 2.1 The PDS is requested to note the information contained within the report and the letter provided by Liberata detailed in Appendix 1.

Corporate Policy

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

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: 400003
 4. Total current budget for this head: £3.4m
 5. Source of funding: government Grants and Subsidy
-

Staff

1. Number of staff (current and additional): 4 plus Liberata staff
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory requirement.

The main pieces of legislation covering these services are:

Housing Benefit Regulations 2006

The Council Tax Reduction Schemes Regulations 2012

Local Government Finance Act 2012

2. Call-in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 22,500 households (approx).
-

Ward Councillor Views

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

3. COMMENTARY

- 3.1 The Revenues and Benefits Team monitors the contract, sets targets and performance standards, liaises with partners, progresses the development and improvement of services through leadership on specific improvement initiatives. The team also ensures the services comply with current legislation, financial regulations, contractual obligations and audit requirements. Graphical illustrations as to the level of performance being achieved are attached as appendices to this report.
- 3.2 To maintain the drive for improved service performance, monthly service review meetings are held with operational and senior Liberata management. Regular meetings take place between senior managers in both organisations to discuss escalated items, technology advances and further development opportunities.

Outstanding Work

- 3.3 The amount of outstanding work stood at 3730 items as at the end of December 2014. This includes 1798 items where the Benefits Section has written requesting information and a response is awaited. In addition there are 795 advanced notifications of Pension Credit uprating which cannot be actioned until the mass recalculation for 2015/16.
- 3.4 The specification included in the 2011 contract with Liberata required that the level of outstanding items should not exceed 4000. However, it is acknowledged that DWP's implementation of the Atlas computer system has resulted in all Authority's experiencing a large increase in incoming work.
- 3.5 The amount of outstanding work has significantly reduced since the time of the last report, with the level now representing the expected throughput of cases. However, when clearing the build-up of cases arising from the period where output targets had been reduced to concentrate on improving of accuracy, the average number of days to process claims increased. Weekly meetings with senior managers in Bromley and Liberata review progress in reducing the number of days to process claims.

The level of outstanding work since April 2013 is illustrated in **Appendix 2**.

Claim Processing

- 3.6 The speed of processing indicator is a combination of the time taken to assess new claims and change of circumstances.

The table below shows Liberata's performance against the target of 13 days:

	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Total
Profiled Target	17.7	17.5	17.6	17.6	17.6	17.6	17.6	17.6	17.6	17.6	5.2	12.2	13
Actual	14.82	18.56	22.57	22.05	20.34	22.11	22.33	25.2	19.24				

Average 2013/14 13.6 days

- 3.7 Performance under the Right Time Indicator is illustrated as **Appendix 3**.

The performance in respect of speed of claim processing has been raised as an issue of great concern and escalated to Liberata's Chief Executive. Regular meetings have subsequently been held between the council officers and Liberata's senior managers during which performance against an agreed action plan has been monitored. The agreed plan involved the

timely processing of incoming work whilst having dedicated officers working to clear the documentation that had accumulated earlier in the financial year. Throughout the period of the plan, there was a provision in place whereby claimants subject to eviction proceedings were prioritised. The reduced level of performance in September, October and November was a result of clearing the remaining documents contained in the ring-fenced backlog. The ring-fenced documentation has now been fully cleared, with processing times in the next quarter expected to be in-line with the targets contained in the above table.

Error Rate

- 3.8 The Exchequer Services specification requires the contractor to ensure that financial errors are found in less than 5% of the cases checked by the Authority’s monitoring team. the level of tolerance for errors is strict compared to many other authorities, but was set in the knowledge that errors result in poor customer service and waste of resources through reworking.
- 3.9 As advised in the last report, the error rate had been a problem in the latter part of 2013/14 with concern being escalated to Liberata’s Chief Executive. As a result Liberata’s Executive Director, BPO Services, has been actively involved in overseeing corrective action and then ensuring sustainable improvements to the service are in place. I am pleased to advise that the accuracy levels have improved on that being attained in the latter part of the financial year; however, there have been 2 months when performance has been outside the tolerance provided in the specification.

April 14 %	May 14 %	June 14 %	July 14 %	Aug 14 %	Sept 14 %	Oct 14 %	Nov 14 %	Dec 14 %
4.35	4.2	4.07	3.04	3.57	6.25	4.81	9.09	

A graphical illustration of the table is attached as **Appendix 4**.

Complaints

- 3.10 The number of justified complaints is a good illustration of the service provided. Given the major changes to the benefit system that have occurred over the past 12 months, with many experiencing a reduction in entitlement, it is therefore not surprising that the number of complaints received has increased.

A graph showing the number of stage 2 complaints received is attached as **Appendix 5**.

Housing Benefit Overpayment

- 3.11 Unlike Council Tax and Business Rates collection that have proven methods of recovery, supported by case law and statutory regulations, housing benefit overpayments are difficult to collect. Payment of Housing Benefit will always include an element of overpayment for various reasons, for example the customer not informing us of a change in their circumstances. The Authority is then required to seek recovery of the overpayment from customers who are likely to be among the most vulnerable members of the community.

Under the specification, the target for overpayment recovery increased to 83% in 2013/14 from 82% in the previous year. The actual figure achieved was 86.96%.

Appendix 6 shows the monthly recovery rates since April 2013.

Call Centre (Help line)

3.12 The graph at **Appendix 7** details the monthly performance of the Call centre over the past 9 months. The performance figures reflect that the section no longer undertakes call snatching which had the effect of missing waiting times and abandonment rates. Previously operatives took contact details for those waiting to get through, providing them a call back within the next 24 hours. Customer feedback provided a clear message that callers would prefer to wait longer if that resulted in them getting a comprehensive response during their initial contact.

Following the issue of the new financial years Council Tax demands and HB notifications, the level of demand is such that wait times and abandonment rates are higher than other times of the year.

Following the issue on the 2014/15 demands the call centre extended their opening hours till 8pm for a period of 4 weeks. This initiative proved successful and will be repeated following the issue of 2015/16 demands.

The recording of calls was introduced in October as well as being a valuable monitoring tool, this provides valuable evidence where there are disputes regarding the advice given.

Caseload

3.13 The graph showing the number of claims in payment is attached as **Appendix 8**. This illustrates that there has been a significant increase in the overall caseload since Liberata became responsible for the service. However, the number of claims in payment at the 31/12/14 was 6.5% lower than in April 2012.

Discretionary Housing Payments (DHP's)

3.14 The July 2013 meeting of the E&R PDS approved the Authority's DHP policy together with the application form for requesting assistance. In the financial year 2014/15, the Authority was allocated Government funding of £683,179 towards DHP awards. Where this sum is not fully used, the remainder falls to be returned to the DWP. It is anticipated that the full Government contribution will be allocated. Details of funding available for 2015/16 is still awaited.

Council Tax Support (CTS)

3.15 The Council Tax scheme agreed at Full Council in January 2013 was for the periods 2013/14 and 2014/15. At the 8/12/14 meeting of the Full Council, Members agreed to retain the level of assistance currently provided for a further year. Therefore, the maximum level of assistance available for working-age claimants in 2015/16 is 81% of their liability.

Real Time Information

3.16 From September 2014 the benefit section commenced receiving Real Time Information from the HMRC. Real Time information is a data matching facility whereby records of income received by means of earnings and /or occupational pension are compared with that included in HB calculations.

As agreed nationally between the local authority associations and the Government department, the cases identified for revision of entitlement and investigation will be forwarded in equal number over a period of 6 months.

It was identified that Bromley had approximately 1,000 discrepancies. Authority's were given additional time to process the revised information prior to any delay resulting in an increased overpayment being deemed Local Authority Error overpayment. However, the time to process the change is still included in the processing times, with any delay inflating the processing time cited for the authority.

4. FINANCIAL IMPLICATIONS

4.1 Housing Benefit and Council Tax Support present a significant "business". The 2014/15 budget includes payments in excess of £127 million for Housing Benefit and £15 million for Council Tax Support. Good performance is important to meeting our customer needs. Any deterioration in performance could result in, for example:

- Increase in "local authority error" overpayments, leading to receipt of reduced subsidy from Central Government;
- Potential increase in overpayments which may not be recoverable.

Non-Applicable Sections:	[Policy, Legal and Personnel
Background Documents: (Access via Contact Officer)	

John Nightingale
Head of Revenues and Benefits
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Date: 15 January 2015

Our Ref: CB/AIF

Dear John,

As we approach the February Executive & Resources PDS meeting where we consider and review the performance of the Benefits service, we take this opportunity to write to you with Liberata's assessment of the performance of this critical high profile service that we provide to London Borough of Bromley (LBB) and its citizens.

This financial year 2014/15 has proved to be an extremely challenging one, due to a numbers of factors which are explained in this letter. We apologise that the service has not been to the standard expected by both our organisations. For the previous five years we had sustained year on year improvements with performance and customer experience and therefore absolutely understand what's required to deliver both. Liberata have undertaken all that was necessary to recover our position and will continue to deliver the high quality performance both our organisations and customers expect.

This summary covers performance for the period 1st April 2014 to 31st December 2014.

1. Current Status of the Benefits Service

The Benefits caseload, which measures all households receiving Housing and/or Council Tax Support was 22,303 at the end of December 2014. This has reduced from the end of December 2013 when the caseload was 23,436. There continues to be an increase in the volume of incoming documents and associated claims. This is mainly due to ATLAS files and 'Real Time Information' matches.

We continue to see an increase in the number of Discretionary Housing Payments being requested by customers due to the Social Rent Restriction. The number of Temporary Accommodation claims also continue to increase reflecting the changes implemented through the reform and the shortage of affordable privately rented accommodation.

1.1 Claims and Work Outstanding

As at the 29th December 2014, the total amount of outstanding work was 3,730 items which includes 1,798 items pending awaiting information from the claimant and/or third-party.

As advised in the main report the outstanding items are higher due to the increased number of DWP ATLAS files which inflate the workload. These are changes which affect entitlement which we would not necessarily have been made aware of by the customer. We also became a pilot site for ATLAS phase 3 in September to enable us to be at the fore front of further automation and ultimately providing a better service to our customers and reduce any potential overpayments.

Since October we have started receiving 'Real Time Information' HMRC matches have added further documents to our outstanding workload. These are data matches of our benefits system against the HMRC data base. Any inconsistent data in regards to earnings or occupational pensions are matched and sent to us to further update our system. This ultimately results in overpayments being created. As at the end of December, 94% of overpayments created through 'Real Time Information' matches were classified as claimant error.

1.2 Right Time Indicator

In terms of our current position for the nationally recognised Right Time Indicator, our average performance as at 31st December 2014 was 20.23 days against the profiled target of 16.5 days. Our average performance as at 31st December 2013 was 16.66 days.

Quality during 2013/14 had fallen below the contractual threshold. This was due to a combination of factors which included a high number of new recruits being deployed onto the Bromley account as well as agency temps whose quality levels did not meet the standard for Bromley.

In addition, a significant change in the way some assessments are now carried out impacted the checks the client team undertake. This is no a longer an issue as we now ensure that all work irrespective of how it's processed is captured and included for monitoring purposes.

In order to address this a plan was put in place to focus on improving quality. This entailed implementing a new and revised set of standards including bringing in additional resource.

Recruiting appropriately qualified assessment officers proved a challenge due to the high level of competency required on the Bromley contract. This caused a build-up of work that negatively impacted the processing times.

The clearance of this work inflated the processing times to that contained in the report. The built up work was ring-fenced and cleared by dedicated officers, ensuring claims received during the "clearance period" were not delayed.

A plan has been devised and processes are now in place to ensure that we improve and sustain our processing times for the final quarter of 2014/15 and onwards

1.3 Quality

We have made significant improvements with our levels of quality. The average error rate for the period April to November was 4.91% which is within contractual tolerance.

We continue to remain firmly focused on achieving high levels of accuracy. An additional quality resource and targeted high risk checking is being utilised to ensure we drive down errors. A higher number of checks are carried out on each assessment officer that works on the Bromley contract.

We continue to run 'careless error' workshops and have increased our training resource to support our new and upskilled members of staff.

1.4 Overpayment Strategy

The creation of overpayments is a natural bi-product of the administration of Housing & Council Tax Support, with recovery needing to be sought from some of the most vulnerable members of the community. This is compounded by the HMRC initiative to reduce fraud and error, through 'Real Time Information' data matches which identify changes to income previously undeclared. The total value of overpayments created in the past 12 weeks through receipt of 'Real Time Information' is £399k.

The recovery rate as at the end of December was 70.48%. We continue to use proactive measures to assist in our recovery technique. This includes the use of visiting officers to make contact with debtors at home. We also use a solicitors firm to send out letters which are followed up by phone calls. They are also used to assist in obtaining County Court Judgements on some of our highest debts. This continues to be a highly effective debt recovery process.

Blameless tenant recovery continues to be an effective tool in recovering debts from landlords that receive benefit for multiple tenants.

2. Call Centre & Customer Services

The number of customers seen in customer services for the period April 2014 to December 2014 totalled 33,693. During this period 86% of customers were seen within 15 minutes, against a target of 85%.

During the same period the Call Centre (Help Line) received 173,569 calls with 86% of calls answered. Callers have had an average queue time of 165 seconds before being answered by an officer. Improvements to performance are being made in this area. In December our average queue time was 44 seconds.

It is important to note that we no longer use 'call snatching' as an option to reduce the volume of calls. The increase in call handling times reflects a much improved customer experience.

We drive to achieve service excellence within Customer Services teams and ensure that our staff is adequately trained.

3. Service Developments

Liberata's goal is to continue to improve and enhance the services provided to LBB and its citizens through the introduction of innovative and effective solutions.

Examples of current year new and ongoing initiatives;

- Call recording has been introduced onto the Bromley Call Centre (Help Line)
- Introduction of a Fast Track system to speed up the assessment of new claims
 - Claims forms received at our Customer Services reception with all the required information are processed within 24 hours by assessment staff
 - Claim forms submitted by post are reviewed by staff and if all required information has been submitted the case is scanned into our 'fast track' tray within our system and processed within 24 hours
 - We actively call customers that have submitted claims and have not responded to our information requests after 5 working days
- The use of an independent solicitor's firm to aid our recovery of overpayments including CCI's as an option for our high value debts
- Increasing our experienced permanent resource to strengthen our local assessment team

- Introduction of front line Benefit Assessors
- Further ATLAS automation is being piloted which will assist in minimising errors and provide an overall good customer service

We have made a number of changes to our operating model and processes to ensure that we maintain high accuracy levels whilst processing claims in a timely manner. We are already seeing improvements from the changes that have been made and are confident that we will see a higher performing fourth quarter.

4. Investment in the community

Liberata is keen to play an active and constructive part in the Bromley community. We have been working in collaboration with the London Borough of Bromley on events.

We have donated to a number of local charities through our dress down and cake sale days. We also provided the United Reform church in Bromley with 100 gifts for people who would normally be alone at Christmas. The gifts donated are given out during the Christmas day lunch which is provided by the church.

We recognise it will be disappointing to have had a deterioration in service in some areas during the first half of this year however, we are confident that with all the actions taken sustainable improvements are now in place.

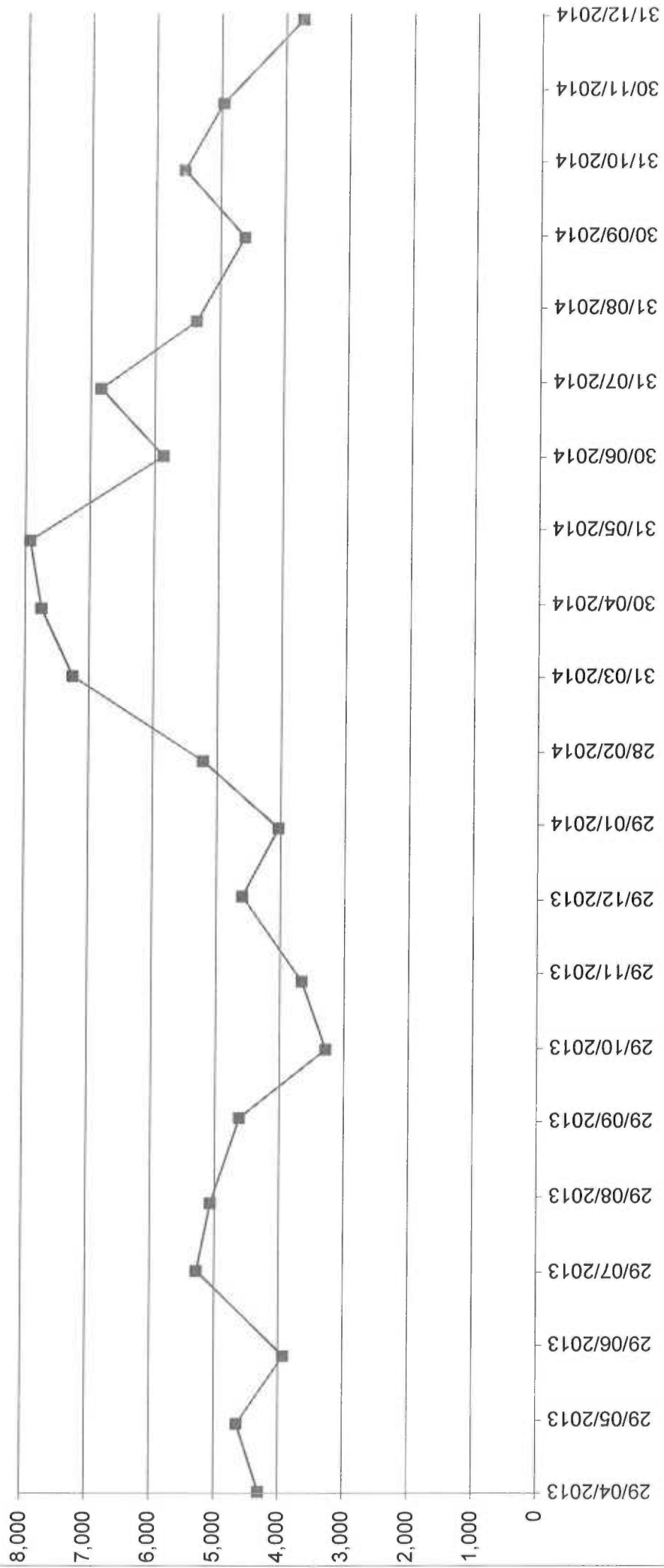
Liberata remains firmly committed to delivering an outstanding service to the London Borough of Bromley and its citizens.

Yours sincerely,

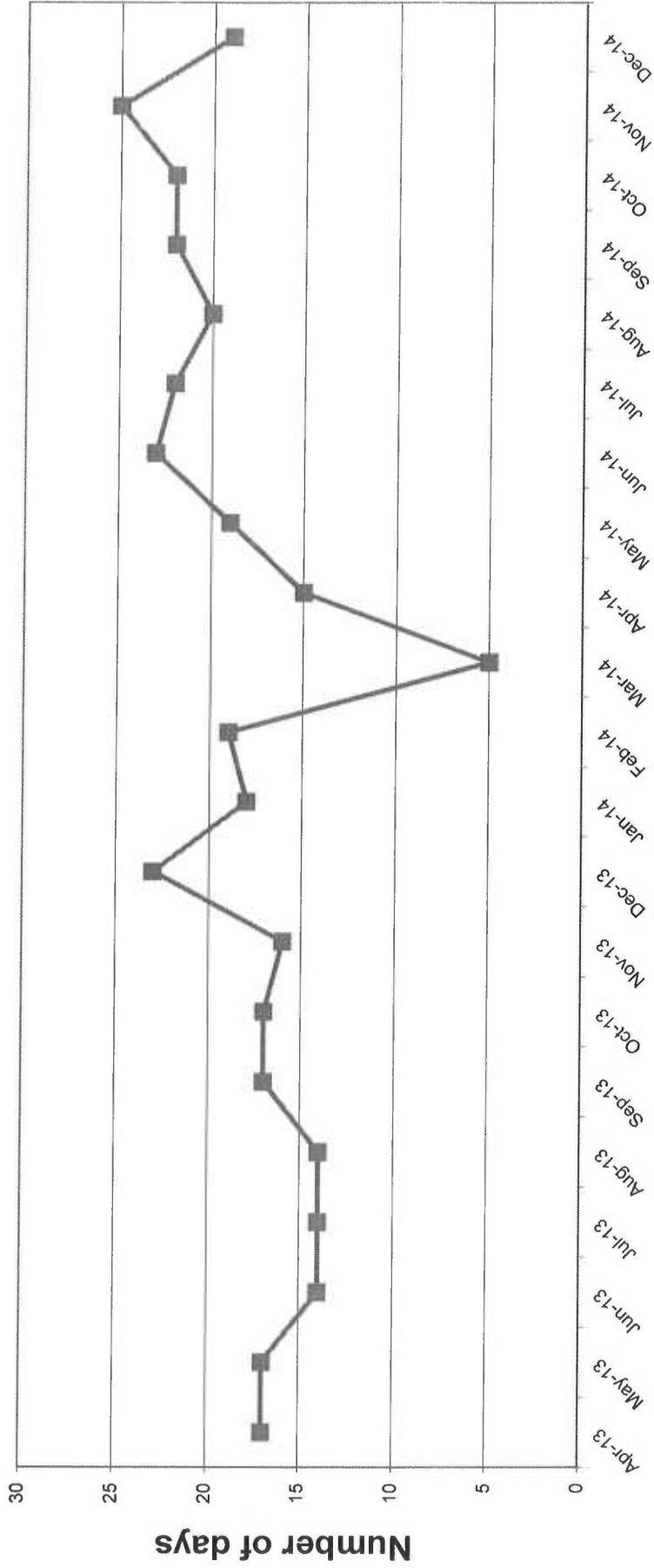


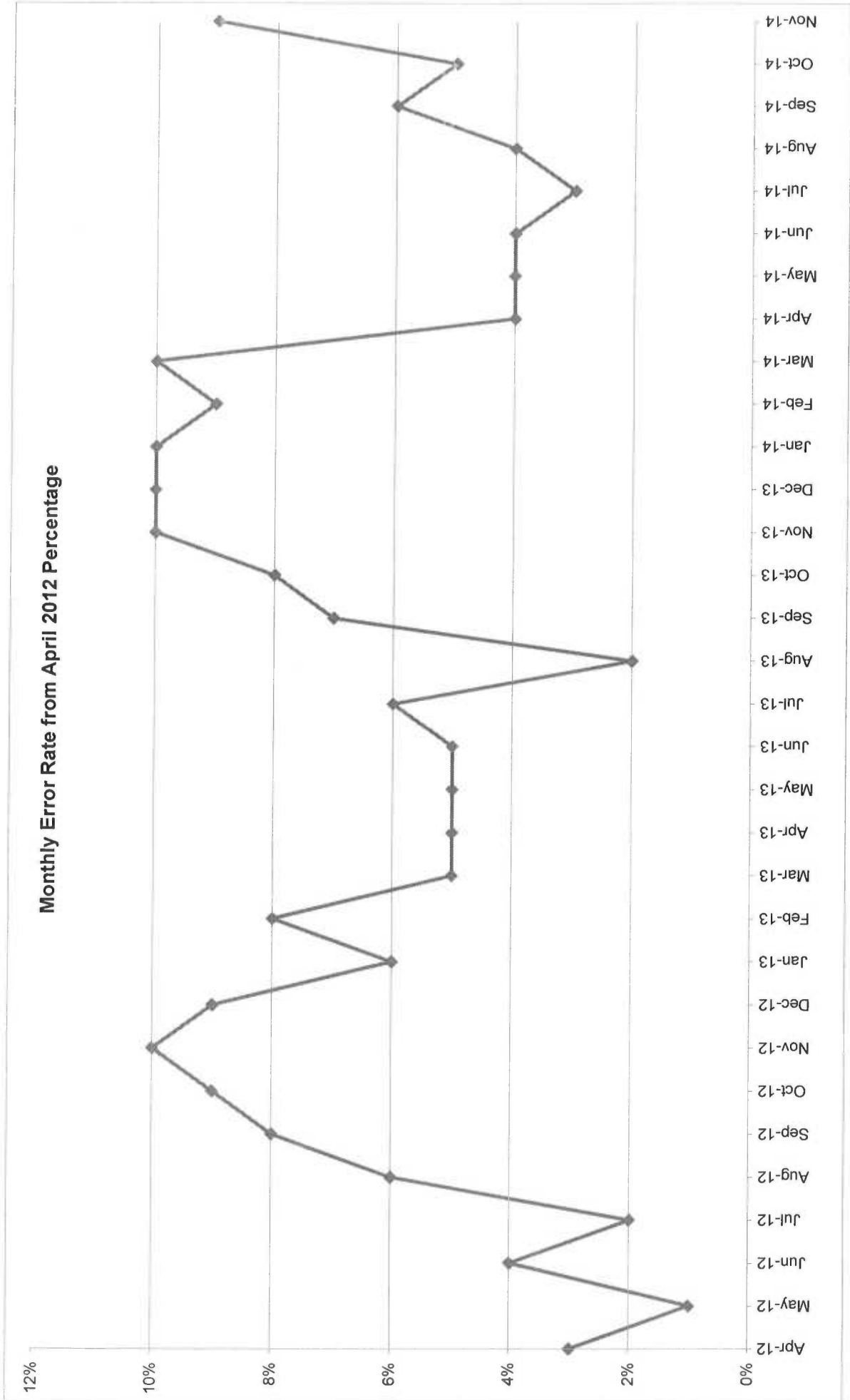
Charlie Bruin
Executive Director, BPO Services

Total Pending & Outstanding Work
April 2013 to December 2014

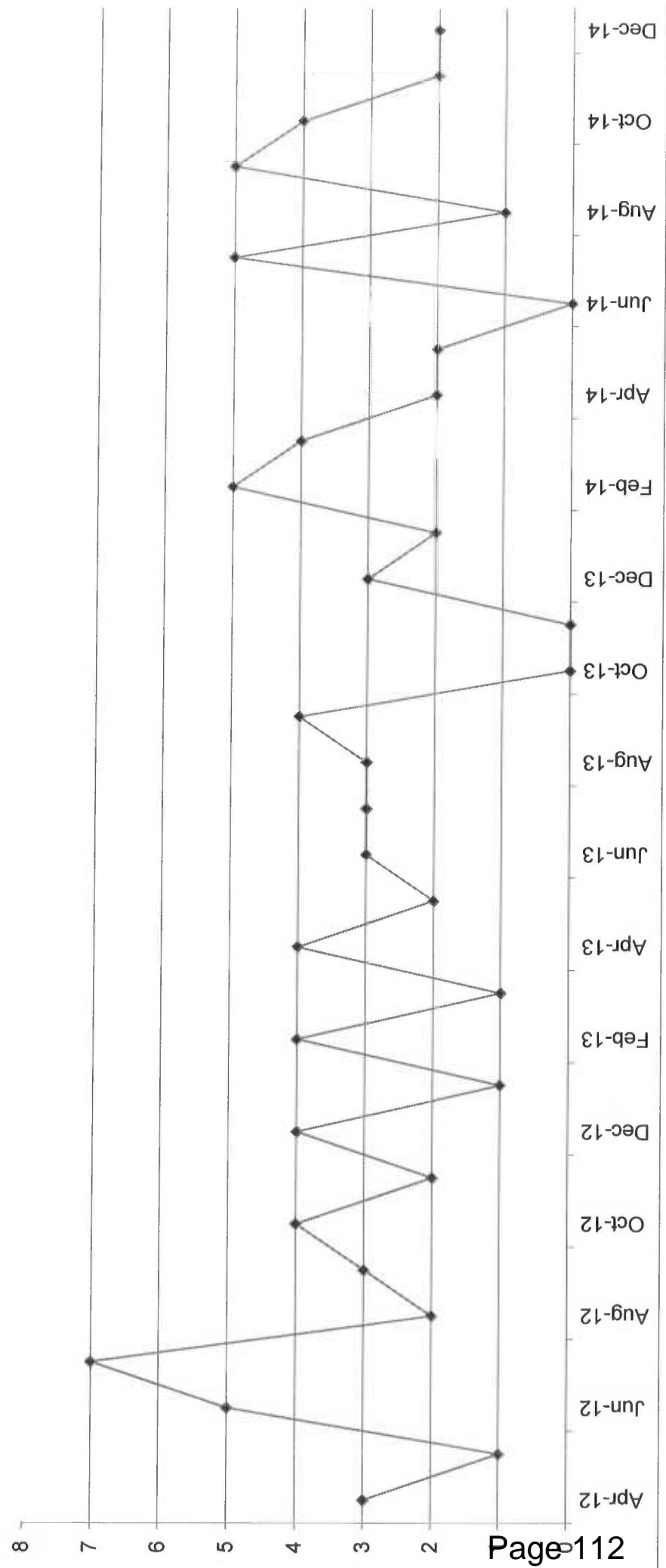


Right Time Indicator April 2013 - December 2014

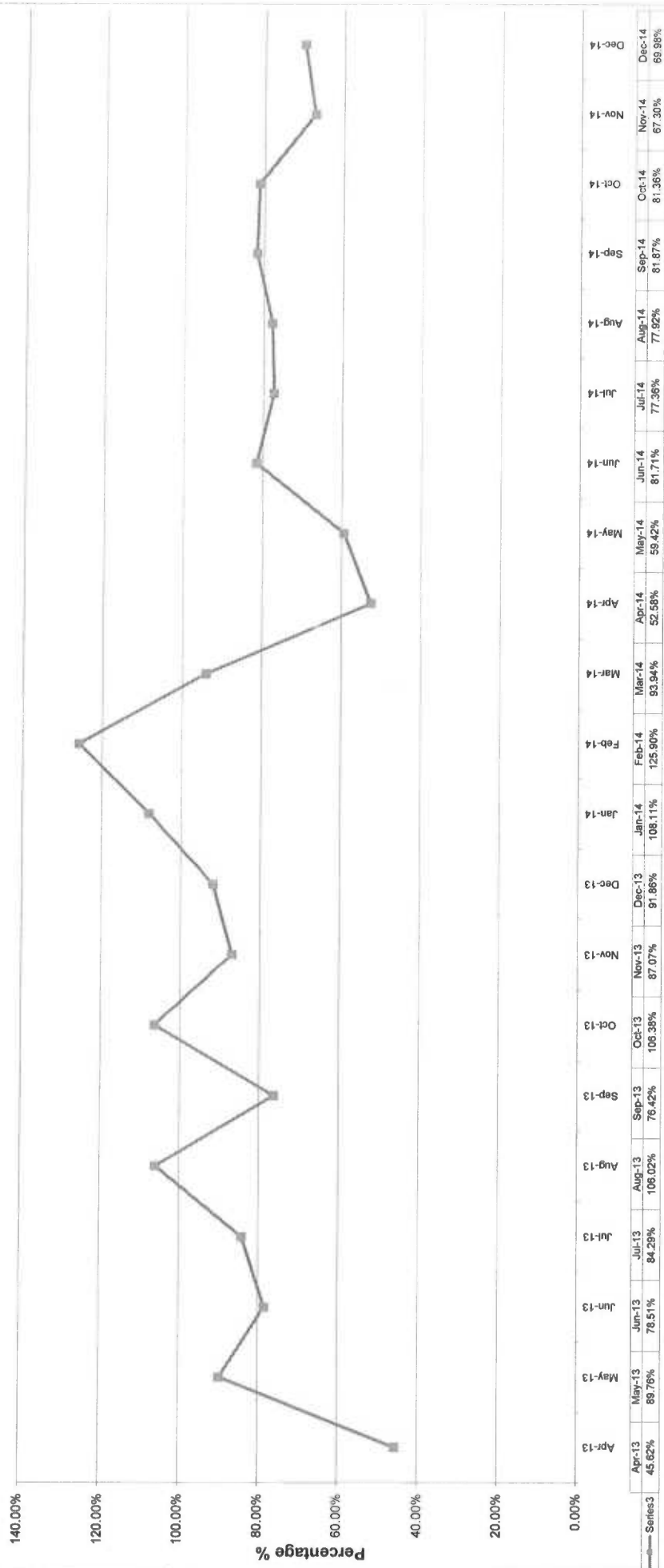


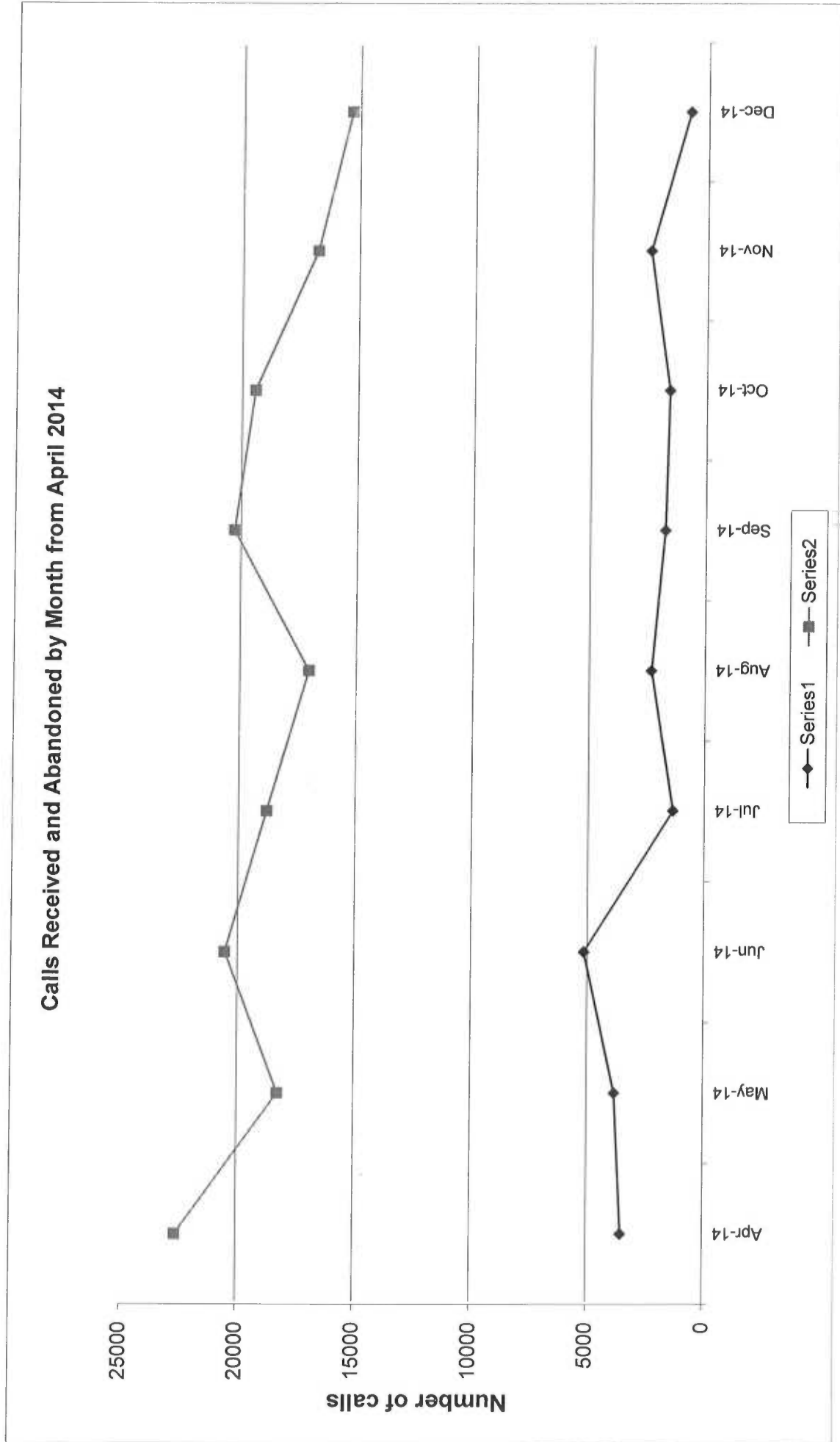


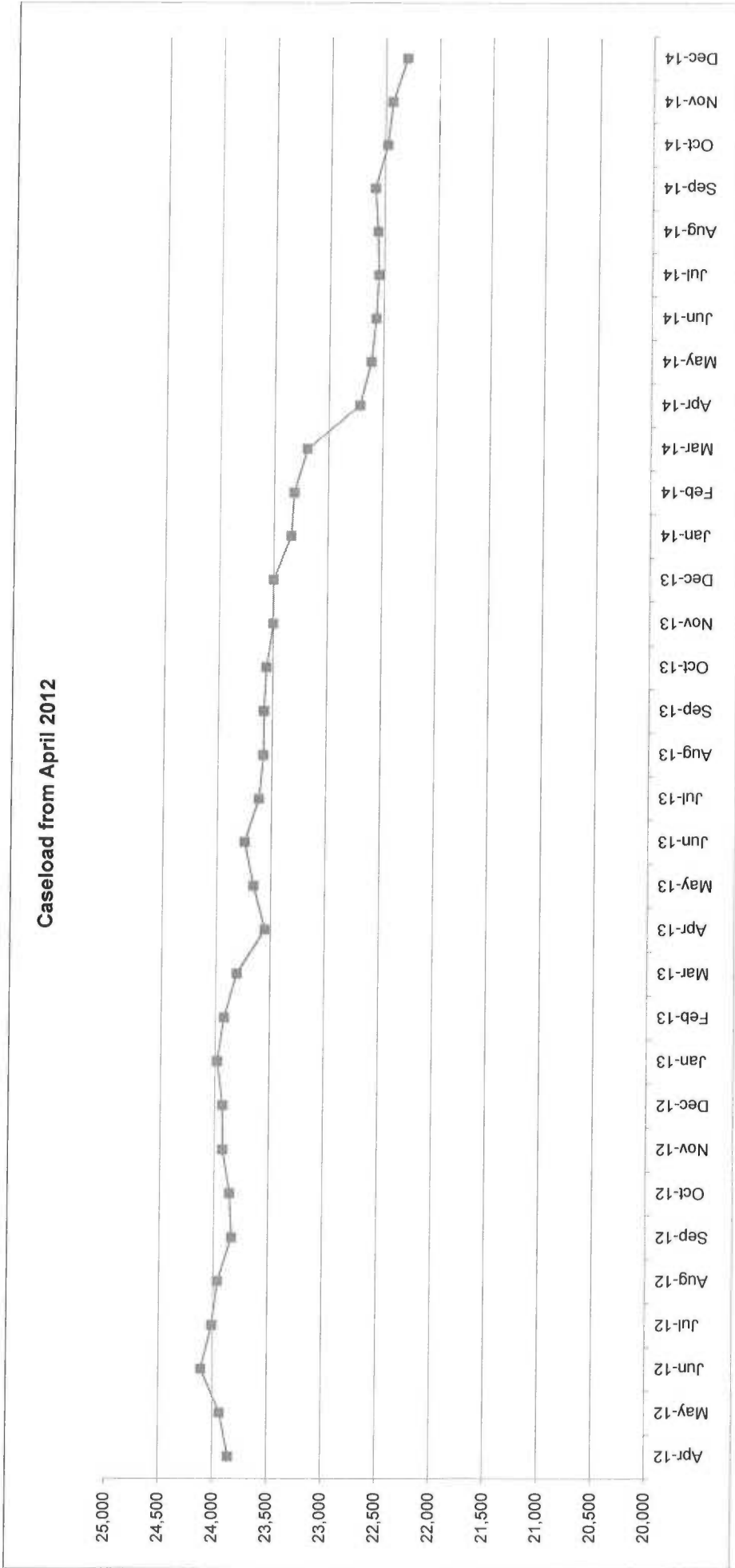
Housing and Council Tax Benefit Stage 2 Complaints from April 2012



Monthly Overpayment % recovered against that created From April 2013







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Report No.
CSD15012

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: Executive and Resources PDS Committee

Date: 4th February 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **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 brief written summary. These written summaries will be circulated if possible before the meeting, and in accordance with this Committee's recent decision, will also be attached to the next minutes. Updates are due from the following meetings:-

- Environment PDS Committee – 20th January 2015
 - Care Services PDS Committee – 21st January 2015
 - Education PDS Committee – 27th January 2015
 - Renewal & Recreation PDS Committee – 29th January 2015
 - Public Protection & Safety PDS Committee – 3rd February 2015
-

2. **RECOMMENDATION**

The Committee is asked to note the updates provided by the 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: £373,410 (2014/15 controllable budget)
 5. Source of funding: Existing revenue budget.
-

Staff

1. Number of staff (current and additional): There are 10 posts (8.72 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.
CSD15013

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: EXECUTIVE AND RESOURCES
POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Date: 4th February 2015

Decision Type: Non-Urgent Non-Executive Non-Key

Title: WORK PROGRAMME 2014/15

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 an opportunity to consider its work programme for the remainder of 2014/15, including scheduled meetings and PDS working groups. The Committee now has eight meetings scheduled during 2014/15 – the dates are set out in Appendix 1, with a draft list of the items to be considered.
-

2. **RECOMMENDATIONS**

- 2.1 **The Committee is requested to consider its work programme for the remainder of 2014/15 and indicate any particular issues that it wishes to consider.**

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: £373,410
 5. Source of funding: 2014/15 revenue budget
-

Staff

1. Number of staff (current and additional): 10 posts (8.72fte)
 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
-

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 2014/15 is attached at [Appendix 1](#). The timing of meetings is tied to the need to pre-scrutinise Executive agendas. As in previous years, question sessions with the Leader, Resources Portfolio Holder and Chief Executive are included in the programme.

Sub-Committees and Working Groups

- 3.4 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 or the Costs and Charges Working Group). At the Committee’s first meeting it was agreed that the New Technology Working Group would be re-convened under the Chairmanship of Councillor Will Harmer, and that he would seek additional members to sit on the working group. At the September meeting the Chairman suggested a Member Working Group to look at overall strategy for the Council.
- 3.5 A schedule of Sub-Committees and Working Groups across all PDS Committees is attached as [Appendix 2](#) – this will be updated as more details become available.

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

COMMITTEE MEETING SCHEDULE 2014/15

Meeting 1: Thursday 5th June 2014

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Meeting 2: Thursday 10th July 2014

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Contracts Register (Resources and Corporate)

Monitoring Report: Section 106

Monitoring Report: Revenues Service

Monitoring Report: Benefits Service

Monitoring Report: Sundry Debtors and Accounts Payable

Monitoring Report: Customer Services

Meeting 3: Wednesday 3rd September 2014

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Scrutiny of the Resources Portfolio Holder

Meeting 4: Wednesday 8th October 2014

Standard items (Matters Arising/Forward Plan/ Executive Agenda/PDS Updates/Work Programme)

Scrutiny of the Chief Executive

Meeting 5: Wednesday 19th November 2014

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Bromley Youth Employment Project- Quarterly Monitoring

Monitoring Report: Section 106

Motion from Council – UK Corporation Tax

Scrutiny of the Leader

Meeting 6: Wednesday 7th January 2015

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Contracts Register (Resources and Corporate)

Monitoring Report: Sundry Debtors and Accounts Payable

Monitoring Report: Customer Services

Unit Costs Report 2014/15

Further Update on Winter Health Programme

Scrutiny of the Resources Portfolio Holder

Meeting 7: Wednesday 4th February 2015

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Monitoring Report: Revenues Service

Monitoring Report: Benefits Service

Meeting 8: Thursday 12th March 2015

Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)

Invest to Save and Contracts

Monitoring Report: Section 106

Annual PDS Report 2014/15

Bromley Youth Employment Project – Quarterly Monitoring

Scrutiny of the Leader

PDS SUB-COMMITTEES AND WORKING GROUPS 2014/15

SUBJECT	DURATION	MEMBERSHIP
EXECUTIVE AND RESOURCES PDS		
New Technology Working Group	Re-appointed 5 th June 2014	Cllrs Will Harmer, Nicholas Bennett, Judi Ellis, Kate Lymer & Russell Mellor
CARE SERVICES PDS		
Health Scrutiny Sub-Committee	Three meetings scheduled each year. Next meeting on 15 th October 2014	Cllrs Ruth Bennett, Mary Cooke, Ian Dunn, Judi Ellis, Hannah Gray, David Jefferys, Terence Nathan, Charles Rideout, Melanie Stevens, Pauline Tunnicliffe.
Care Services Budget Sub-Committee	Proposed at the meeting on 26 th June 2014 but in abeyance.	-
EDUCATION PDS		
Education Budget Sub-Committee	Five meetings scheduled each year. Next meeting on 3 rd March 2015.	Cllrs Teresa Ball, Kathy Bance, Nicholas Bennett, Judi Ellis and Neil Reddin.
School Places Working Group	Re-appointed at the PDS meeting on 2 nd July 2014 – last met on 13 th November 2014.	Cllrs Judi Ellis, Kathy Bance and any 4 Conservative members of the PDS Committee
School Improvement Panel	Re-appointed at the PDS meeting on 2 nd July 2014	Cllrs Mary Cooke, Kathy Bance and any 3 Conservative members of the PDS Committee
Progress of Academy Status Panel	Appointed at the PDS meeting on 2 nd July 2014	Cllr Keith Onslow (or, in his absence, Cllr Alexa Michael), Cllrs Stephen Wells, Nicholas Bennett, Cllr Neil Reddin and 1 other Conservative member of the PDS Committee
Effectiveness of Children's Centres	Appointed at the PDS meeting on 4 th November 2014 - met on 1 st December 2014 and due to report back on 10 th March 2015.	Cllrs Nicholas Bennett JP, Alan Collins, Mary Cooke and Judi Ellis, Mrs Joan McConnell and Mr Tony Wright-Jones

ENVIRONMENT PDS		
Waste Working Group	Appointed at the PDS meeting on 1st July 2014 – last met on 16 th December 2014.	Cllrs Kevin Brooks, Lydia Buttinger, Samaris Hyntington-Thresher & William Huntington-Thresher
Parking Working Group	Appointed at the PDS meeting on 1 st July 2014 – met on 18 th December 2014.	Cllrs William Huntington-Thresher, Angela Page, Catherine Rideout & Melanie Stevens
PUBLIC PROTECTION AND SAFETY PDS		
RENEWAL AND RECREATION PDS		
Beckenham Town Centre Working Group	Last met on 11 th December 2014.	Cllr Michael Tickner and Beckenham ward councillors

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

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