TO MEMBERS OF THE COUNCIL

Notice is hereby given that a meeting of the Council of the London Borough of Bromley is to be held in the Council Chamber at Bromley Civic Centre on Monday 13 October 2014 at 7.00 pm which meeting the Members of the Council are hereby summoned to attend.

Prayers

A G E N D A

1 Resolution of Thanks to the Past Mayor's Chaplain

2 Apologies for absence

3 Declarations of Interest

4 To confirm the Minutes of the meeting of the Council held on 21st July 2014 (Pages 3 - 34)

5 Petition (Pages 35 - 38)

6 Questions from members of the public where notice has been given.

Questions must be received by 5pm on Tuesday 7th October 2014

7 Oral questions from Members of the Council where notice has been given.

8 Written questions from Members of the Council

9 To consider any statements that may be made by the Leader of the Council, Portfolio Holders or Chairmen of Committees.

10 Crystal Palace Park Improvements (Pages 39 - 50)

11 Treasury Management - Investment Strategy Review (Pages 51 - 90)

12 Meeting of the Urgency Committee (Pages 91 - 94)

13 To consider Motions of which notice has been given.

14 The Mayor's announcements and communications.

....

Chief Executive

BROMLEY CIVIC CENTRE
BROMLEY BR1 3UH
Thursday 2 October 2014
Vol.51 No.3

This page is left intentionally blank

LONDON BOROUGH OF BROMLEY

MINUTES

of the proceedings of the Meeting of the Council of the Borough held at 7.00 pm on 21 July 2014

Present:

The Worshipful the Mayor
Councillor Julian Benington

The Deputy Mayor
Councillor Kate Lymer

Councillors

Graham Arthur	William Huntington-Thresher	Michael Turner
Douglas Auld	David Jefferys	Stephen Wells
Kathy Bance MBE	Charles Joel	Teresa Ball
Nicholas Bennett J.P.	Russell Mellor	Kim Botting
Ruth Bennett	Alexa Michael	Kevin Brooks
Eric Bosshard	Peter Morgan	Lydia Buttinger
Katy Boughey	Tony Owen	Alan Collins
Stephen Carr	Sarah Phillips	Hannah Gray
Peter Dean	Neil Reddin FCCA	Terence Nathan
Nicky Dykes	Catherine Rideout	Keith Onslow
Judi Ellis	Charles Rideout	Angela Page
Robert Evans	Richard Scoates	Tom Philpott
Simon Fawthrop	Colin Smith	Chris Pierce
Ellie Harmer	Diane Smith	Michael Rutherford
Will Harmer	Tim Stevens	Melanie Stevens
Samaris Huntington-Thresher	Michael Tickner	Angela Wilkins
	Pauline Tunnicliffe	Richard Williams

The meeting was opened with prayers

In the Chair, the Mayor, Councillor Julian Benington

15 Apologies for absence

Apologies were received from Councillors Vanessa Allen, David Cartwright, Mary Cooke, Ian Dunn, Peter Fookes, Peter Fortune and Ian Payne. Apologies were also subsequently received from Councillor David Livett.

16 To confirm the Minutes of the meetings of the Council held on 14th April and 4th June 2014

The minutes of the ordinary meeting on 14th April 2014, the special meeting on 4th June 2014 and the annual meeting on 4th June 2014 were confirmed.

17 Declarations of Interest

Declarations of interest were made as follows –

- Cllr Nicholas Bennett, in respect of questions relating to Bromley Mytime as he was a Council appointed Board Member;

- Cllr Judi Ellis, as her son was a teacher at Langley Park;

- Cllr Alexa Michael, in relation to the petition on library services, as she was a librarian by profession and a member of the Chartered Institute of Librarians and Information Professionals

- Councillor Tom Philpott in relation to written questions as his employer was involved in implementing the free schools policy;

- Councillors Colin and Diane Smith as their daughter was a temporary worker in the Bromley Library Service;

- Councillor Tim Stevens in respect of questions relating to Bromley Mytime as he was a Council appointed Board Member.

18 Petitions
Report CSD14100

Two petitions were received regarding (i) Library services and (ii) Orpington Foodbank.

(i) Library Services

A petition had been received from the Staff-side Secretary calling on the Council to stop cutting library services. Kathy Smith addressed the Council in support of the petition.

A motion to take no further action on the petition was moved by Councillor Peter Morgan and seconded by Councillor Alexa Michael. This motion was **CARRIED**.

(ii) Orpington Foodbank

A petition had been received from the Community Care Protection Group calling on the Council to let 111 Cotmandene Crescent to Orpington Foodbank at a peppercorn rent rather than the commercial rent, and to investigate the number of Bromley residents referred to foodbanks and the effect of hunger and malnutrition on their health and wellbeing. Paul Summers addressed the Council in support of the petition.

A motion to take no further action on the petition was moved by Councillor Robert Evans and seconded by Councillor Graham Arthur. The motion was **CARRIED.**

(A request for a recorded vote was made by Councillor Angela Wilkins but this was not supported by one third of the Members present as required. Councillors Kathy Bance, Kevin Brooks, Angela Wilkins and Richard Williams requested that their votes against the motion be recorded.)

19 Questions from members of the public where notice has been given.

Two questions had been received for oral reply and six for written reply from members of the public. The questions and answers are set out in Appendix A to these minutes.

20 Oral questions from Members of the Council where notice has been given.

Fourteen questions had been received from Councillors; ten were dealt with at the meeting and four received written answers as the questioners were not present. The questions and answers are set out in Appendix B to these minutes.

21 Written questions from Members of the Council

Eleven questions had been received for written reply. The questions and answers were circulated at the meeting and are attached as Appendix C to these minutes.

22 To consider any statements that may be made by the Leader of the Council, Portfolio Holders or Chairmen of Committees.

A statement was made by Councillor Graham Arthur, Portfolio Holder for Resources, about special merit payments to staff. He stated that Bromley was the only London Borough to come out of the national pay negotiations for its staff, and for the second year Bromley staff had received higher pay rises than under the national agreement and they had received this rise on time. Bromley was the only borough not affected by the current industrial action. He also announced that 142 staff had received one-off voucher payments for exceptional performance.

23 Treasury Management - Annual Report 2013/14
Report CSD14104

A motion to note the Treasury Management Annual Report 2013/14 and approve the actual prudential indicators within the report was moved by Councillor Graham Arthur, seconded by Councillor Stephen Carr and **CARRIED**.

24 Provisional Final Accounts 2013/14
Report CSD14101

A motion to approve recommendations from the Executive arising from the Provisional Final Accounts 2013/14 to (i) release £2.1m NHS funding from the Central Contingency and agree that this is set aside in an earmarked reserve; (ii) transfer the balance of the Public Health funding from Central Contingency and agree that this is set aside in an earmarked reserve; and (iii) set up a Transformation Fund with a £4m contribution, was moved by Councillor Graham Arthur, seconded by Councillor Stephen Carr and **CARRIED**.

25 Economic Development and Investment Fund
Report CSD14102

A motion to agree the recommendation from the Executive to approve the allocation of additional funding of £13,729k from underspends in 2013/14 to the Economic Development Fund (Earmarked Reserve) was moved by Councillor Peter Morgan, seconded by Councillor Stephen Carr, and **CARRIED**.

26 Corporate Parenting Strategy
Report CSD14111

A motion to endorse the Corporate Parenting Strategy 2014/16 was moved by Councillor Robert Evans, seconded by Councillor Stephen Carr and **CARRIED**.

27 Minor Amendments to the Scheme of Delegation
Report CSD14105

A motion to receive from the Leader changes to Resources Portfolio executive delegation (4) and to approve recommended changes to Resources Portfolio non-executive delegations (8), (14) and (17) was moved by Councillor Tony Owen, seconded by Councillor Russell Mellor and **CARRIED**.

28 Minor Amendments to the Constitution - The Openness of Local Government Bodies Regulations 2014
Report CSD14110

A motion to approve an amended standing order 6 relating to the recording of meetings and to authorise the Director of Corporate Services to make arrangements for the requirements regarding officer decisions to be implemented when they come into effect, pending further consideration by the Constitution Improvement Working Group, was moved by Councillor Nicholas Bennett and seconded by Councillor Stephen Carr and **CARRIED**.

29 Local Government Pension Scheme for Councillors
Report CSD14113

A motion to agree the recommendations from General Purposes and Licensing Committee to note the Government's decision to withdraw access to the Local Government Pension Scheme for Councillors and the proposed discretionary policies agreed by the Committee, and to approve that in the event that a Councillor is not satisfied with a decision of a Chief Officer's Early Retirement Panel there will be a right of appeal to an Appeal Panel consisting of three Members who are not Members of the same Committee(s) as the Councillor, was moved by Councillor Tony Owen, seconded by Councillor Russell Mellor and **CARRIED**.

30 To consider Motions of which notice has been given.

No motions had been received.

31 The Mayor's announcements and communications.

The Mayor thanked all Councillors who were attending his first Charity Dinner at Tamasha Indian Restaurant on 24th July – this event was now sold out.

The Mayor announced the following charity events:

- A ten pin bowling match at the Pavilion Leisure Centre on <u>Thursday 18th September.</u>

- An evening reception at City Hall on <u>Monday 17th November</u>.

- The annual Quiz Evening in the Great Hall on <u>Friday 13th February 2015</u>.

Invitations and further information would be sent out from the Mayor's Office nearer the dates.

32 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 item 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 summary
refers to matters
involving exempt information

33 Purchase of a Property for an Educational Establishment
Report CSD14103

A motion to approve a recommendation from the Executive concerning the purchase of a property for use as an educational establishment was moved by Councillor Stephen Wells, seconded by Councillor Stephen Carr and **CARRIED**.

The Meeting ended at 9.07 pm

Mayor

Appendix A

COUNCIL MEETING

21st JULY 2014

QUESTIONS FROM MEMBERS OF THE PUBLIC

(A) Questions for Oral Reply

(1) From Alison Regester to the Portfolio Holder for Education

The New SEN Code of Practice reinforces the need for the joint commissioning of services between Education, Health and Care. Will Councillors revert to the original plan for market testing, allowing time to negotiate and decide on the lease for the Phoenix Centre and for the necessary discussions between all services?

Reply:
This Local Authority service is currently both the commissioner of a considerable number of services and provider of education services. The process of market testing will consider how the services will be best provided in the future. Whatever the outcome of the market testing, the Council will continue to work in partnership with Health Services to plan and commission services. Service delivery will need to be flexible to be able to respond to changing policies and priorities whether the provider is the Local Authority or any other agency. In the market testing it is the intention that the issue of the quality of provision being as good or better is the precursor to any discussion regarding market testing.

The issues of the lease of the Phoenix will need to be resolved regardless of who may be delivering services in the future. Consideration and decision on the options available to us is expected to be made in advance of any decision on the outcome of market testing. The market testing process will accommodate whatever decision is made.

Supplementary Question:
Can the timescale for the market testing process be extended so that there is full consultation prior to the release of any documentation whether it is written for those interested in tendering, for families currently receiving services or those involved in the delivery of them. This would ensure that the brief of the specification and the consultation questions are truly reflectivee of the concerns already raised, of recent statutory reforms and written in such a way that it is clear that retaining existing services is an option. This would indicate that

Bromley Council is not rushing the process, that there is no preferred outcome and that there is a strong commitment to partnership working.

Reply:
There is no question of this process being rushed in any way, it is a very long process and I would refute that there is any intention of seeking a particular outcome at this time. There is a substantial period for this market testing. I think there is ample opportunity for all those who are currently or who may wish to be providers of services to make their intentions known to the council officers and I suspect that we will have a plethora of opportunities to discuss this further and to look at the vast number of service providers who will seek to offer services within this area.

(2) From Alison Regester to the Portfolio Holder for Education

Do all Councillors feel well enough informed about the full implications of the new SEN Code of Practice, the ramifications of moving out of the Phoenix Centre and the complexity of discussions with Health to enable joined up working to continue, or do they feel that more time is needed to clarify understanding on these important issues before market testing can proceed?

Reply:
The Council will continue to work in partnership with Health Services to plan and commission services in the context of the new SEN Code of Practice which will then shape service delivery. This can take place whether the provider of services is the Local Authority or any other agency acting on behalf of the Local Authority.

No decision has been taken on the future location of the services currently delivered at the Phoenix Centre. When considering the options available to us, the continued integration of education, care and health services must be at the heart of our decision making process. There is no indication and no implication at this time that in-house provision will not be considered along with any other providers who may wish to come forward to provide services.

Supplementary Question:
When this issue was discussed at last week's Executive meeting, the chair of the meeting referred favourably to a letter which had been received by Executive Members and which highlighted some of the concerns surrounding this issue. Would it be useful for this letter together with feedback already received from interested organisations and individuals to be circulated more widely to all Councillors and PDS Committee Co-opted members so that they are fully appraised.

Reply:
I am aware of the letter that you wrote in this regard, which has been circulated to the Members of the Executive as indicated. The intention at the moment is to be very extensive in the way in which the market testing process is to go ahead. I do not at this time think that it will be necessary to widen the circulation of your letter however, parts of your letter do cover areas which are being discussed at the moment in terms of the parameters of the market testing process and I anticipate that your letter may well colour ways in which we will continue to seek the widest possible market testing process to ensure that the best services, as I indicated earlier, as good or better, are provided to SEN children in this borough in the future.

(B) Questions for Written Reply

(1) From Mrs Mary Ion to the Chairman of the Development Control Committee

CPRE London have found that the All London Green Grid is not reflected in your planning policies. Will you review the recommendations in their recent report, make a clear commitment to the implementation of the All London Green Grid, and commit to integrating the ALLG in all relevant local policies as they are renewed?

Reply:
The ‘All London Green Grid’ (ALGG) is supplementary planning guidance to the GLA’s London Plan, which aims, for example, to conserve landscapes and increase access to open space. A report was published this month by CPRE London reviewing the implementation of the ALGG GLA in London Boroughs.

It shows that of the 32 London Boroughs 15 have not made specific reference to the ALGG in either their plans or supplementary documents.

It is acknowledged that at present no specific reference is made to the ALGG in the adopted or emerging Local Plan for Bromley.

However, the retention, protection and enhancement of the green infrastructure have always had a high profile in this Borough and are embodied in the Council’s adopted policies and in the draft new Local Plan.

Whilst it is felt that the current adopted plan and Draft Policies embody all the concepts, principles and intentions of the ALGG, we further consider incorporating references to the ‘All London Green Grid’ in our new Local Plan.

(2) From Peter Robinson JP., Panel Member, Cray Valley East Residents Panel to the Portfolio Holder for Renewal and Recreation
(All questions stem from the Bromley Joint Strategic needs Assessment 2012)

What sports facilities are available for the young children in the Cray Valley East Ward?

Reply:
In respect to the Councils provision:

St Mary Cray Recreation Ground, has a multi-use ball court and one junior football pitch, which can be booked through the delegated football manager, the contact details are: Nick Barclay nicky.barclay@googlemail.com 07412 336251

Poverest Recreation Ground, has one junior football pitch that can be booked through the delegated managers, St Mary Cray Athletic FC, the contact details are: Gary Merrett smcfootball@live.co.uk 07826915783 / 07585 042456. The former tennis courts are used as a ball court and for basketball practice.

Although not in the Cray Valley East Ward, the local leisure centre operated by Mytime Active at the Walnuts in Orpington has a swimming pool, sports hall, fitness rooms and a soft play area. It also hosts a number of clubs who provide activities for young people such as, martial arts, trampoline, and gymnastics, and provides a wide range of children's activities such as roller discos.
The centre also offers children's holiday activities and day camps, offering multi sports activities and come and try sessions.

Mytime Active also manage and operate the Orpington Golf Centre and driving range off Sandy Lane which provides activities for young people.

In addition to the Councils provision, there are a number of clubs and fitness gyms listed on the sports directory Get Active London.

(3) From Peter Robinson JP., Panel Member, Cray Valley East Residents Panel to the Portfolio Holder for Education

What youth services are available in the Cray Valley East Ward and at what time are they available for use?

Reply:
<u>2.1. Sexual Health and Contraception services</u>

<u>Osbon Pharmacy:</u>

Mon-Sat 8:30am to 6pm.
Sunday 11am-5pm

<u>Cray Hill Chemist:</u>

Mon-Fri 9am-6pm

Sat 9am-4pm

Ramsden estate contraception clinic: Mon 3-7.30pm

Poverest Medical Centre:

Opening Times
The reception is open**:**
Monday - Friday 8.00am - 6.30pm
The practice offers a limited availability of routine appointments Tuesdays from 6:30 - 8:45pm & Saturday mornings 9.30 - 11.45am.

Broomwood Surgery:

Surgery opening Hours

	Morning	Afternoon
Monday	08:00 – 12.30	13.30 - *18:00
Tuesday	08:00 – 12.30	13.30 - *18:00
Wednesday	08:00 – 12.30	13.30 - *18:00
Thursday	08:00 – 12.30	*closed*
Friday	08:00 – 12.30	13.30 - *18:00
Weekend	*closed*	*closed*

2.2. Summer programme for children in the parks – throughout August

2.3. Gypsy and Travellers project –Mon, Tues, Thurs 10-4pm, Fri by appointment only -advice on healthy lifestyles, NHS health checks, Health Visitor and named mid-wife

2.4. Cotmandene shop : Mon-Thurs 9.30 – 1 pm, 2-4 pm
Drugs and alcohol service, emotional well-being, lifestyle advice, smoking cessation

2.5. Youth Hubs:
East Hub at The Link Youth Centre, Midfield Way, St Paul's Cray, Orpington, BR5 2QL

What's on and when

Day	**Time**	**Activity**
Monday	2-5pm (drop in)	Advice and information - The Link
Monday	5.15 -7.45pm	Allotment project Yr 6 -

Day	Time	Activity
		The Link
Monday	6.15 -8.45pm	School years 9 + - The Duke
Tuesday	6.15 -8.45pm	School years 6-9 - The Link
Wednesday	6.15 -8.45pm	School years 9-13 - The Link
Thursday	6.15 -8.45pm	School years 6-9 - The Duke
Friday	Closed	Closed
Saturday	1.15 - 3.45pm	Open Club School years 6+ - The Link
Sunday	Closed	Closed

(4) From Peter Robinson JP., Panel Member, Cray Valley East Residents Panel to the Portfolio Holder for Care Services

The joint Strategic needs Assessment published in 2012 in conjunction with the NHS. For the Crays, adopted key performance indicators which highlighted high levels of deprivation, high levels of crime, low levels of employment and a life expectancy below the Bromley average.

The report also contained a wide range of recommendations to address these matters, what progress has been made in implementing the report recommendations, and what improvements have there been in the key performance indicators?

Reply:
The Cray Valley East is an area of relative deprivation in Bromley with the life expectancy at birth below the Bromley average.

The overarching evidence is pointing to a significant impact of circulatory disease and cancer on the difference in life expectancy at birth (which is used to measure health inequalities in a population). The relative contribution of these two diseases to the life expectancy gap is approximately 50%. In the light of that, significant work effort has been conducted on prevention and appropriate management of circulatory disease and cancer. The relevant risk factors (e.g. hypertension, diabetes and obesity) have also been identified as priorities within the Health and Wellbeing Strategy.

Life expectancy
There has been a significant improvement in the life expectancy at birth in Cray Valley East between 2005-2009 and 2006-2010:

	2005-2009	2006-2010
Male	77.6	78.5
Female	81.1	83.0

The above improvement in life expectancy is partially due to the improvements made in the mortality of circulatory disease and cancer, both of which have decreased.

These good outcomes are the result of many years of concentrated efforts on prevention and good management of the two diseases. For example:

Hypertension
This is one of the most important risk factors for circulatory disease which has been increasing and as such has been identified as a priority within the Health and Wellbeing strategy. A detailed action plan was developed and implemented for early detection and tighter management of hypertension in primary care. This year we have seen a reduction in the rate of hypertension.

Smoking
Smoking is another key risk factor for both circulatory disease and cancer. Our smoking cessation service has targeted areas with high smoking rates with great success – the highest number of people setting their quit date has been in Cray Valley East.

NHS Health checks
This is a Public Health programme that identifies people at high risk of circulatory disease and offers appropriate management. The Public Health nurses have conducted special outreach programmes in the Cray Valley with excellent results. The uptake of the NHS health checks has been above the target in Cray Valley East last year.

(5) From Patricia Trembath, Crystal Palace Community Development Trust to the Portfolio Holder for Resources

Anerley Town Hall: Will the Council ask the officers to share all building condition reports/surveys that have been carried out with the Board of CPCDT, so that the Trust and the Council can work together to potentially secure funding from sources not otherwise available to the Council as a statutory body?

Reply:
The only report that the Council has was provided by Calford Seadon, structural engineers, dated 28th February 2014. This reported on the condition of the building in the area which was going to be underpinned in January 2014. It reported that there were no immediate stability issues, and, subject to continued monitoring, the underpinning could be postponed until at least next year.

This report was commissioned by and for the purposes of the Council. On my instruction officers have asked Calford Seadon if it is prepared to share the report and I am happy to advise that they are as long as the Trust confirms that it understands that the report was provided specifically for use by the Council and undertakes that it will neither rely on the report nor seek any redress against Calford Seadon should the Trust, despite that undertaking, directly or indirectly seek to rely on any aspect of the report. The Trust has confirmed that it accepts the report on this basis and a copy of the report has been sent to the Trust.

(6) From Patricia Trembath, Crystal Palace Community Development Trust, to the Portfolio Holder for Resources

Will the Council also confirm that underpinning will be carried out at Anerley Town Hall as scheduled in January/February 2015?

Reply:
The Council has commissioned a full condition survey of Anerley Town Hall to update and properly inform the Council about its existing condition and the extent of the maintenance back log. This survey will be undertaken shortly and the report will be provided to the Council by 8th August. A full report on Anerley Town Hall will then be put to the Executive. One of the issues to be considered will be the underpinning of the front wall of the building.

Appendix B

COUNCIL MEETING

21st July 2014

ORAL QUESTIONS FROM MEMBERS OF THE COUNCIL

1. From Councillor Nicholas Bennett to the Portfolio Holder for the Environment

If he will make a statement on the various recent suggestions for improved public transport links in the borough?

Reply:
It is possibly a little premature to make an extensive presentation tonight. Members will be aware of recent developments around the DLR into Bromley where perhaps TfL have suggested that they are rather keener to introduce another scheme, which will be strange if they carry it through as it will be against the Mayor for London's manifesto commitments in 2012 and we have reminded him of that. What we are looking for and what we are doing with TfL is possibly an extension of Overground Rail from through New Cross into Bromley via a route to be decided. That could include possibly running the Bakerloo Line down part of the way and spurring off to Bromley from there. What we are not supportive of and have told TfL repeatedly is their intention to push the Bakerloo line all the way down to Hayes which would deny a lot of people of the south-western part of the Borough the opportunity to have direct access to Cannon Street and London Bridge. I will be very happy to present to you at the next Council meeting. One of the things we are going to be discussing at the Public Transport Liaison Committee later this week is the potential disruption to the Thameslink services that run through Beckenham Junction amongst other places. There is a suggestion that places like Sutton might be going to get promoted at our expense in years to come and I think it is absolutely essential that we bottom this out sooner rather than later. Other priorities that we will be speaking to senior figures at the GLA about in the coming weeks are the absolute necessity to do something about transport at Crystal Palace if our vision for the new Crystal Palace is to come to fruition because it is self-evident that something would have to happen to the transport up there. For further details right now I would refer colleagues to Environment PDS Committee report ES14/048 which contains further detail, and I would be happy to update colleagues after the Public Transport Liaison meeting on Wednesday, either direct or at the next Council meeting.

Supplementary Question:
I have read the Environment Committee report. Is he not surprised at the Mayor's decision? Our extension of the DLR when we first envisaged it was using Network Rail lines from Lewisham to Grove Park and Bromley North and this would be a fairly cheap option. What we got from the Mayor was a different option for the DLR, completely new with tunnels etc, which was going to cost a billion pounds. It was no wonder that the business case did not stack up when you pick a different route rather than the simple solution. Given that, I do believe we ought to be pushing the Overground route from New Cross to Bromley North because that one could be done very cheaply in comparison with all the other schemes, it could be done in the next

three or four years and it would open up Bromley to the whole of the East End and Canary Wharf and onward journeys from there.

Reply:
I fundamentally agree. The jewel in the crown is to get the DLR into Bromley North and ideally Bromley South, if we can get it. It looks as if we might not; however, that was an election manifesto promise and we are reminding people in the right places of that. If we cannot get the jewel in the crown, the Rolls Royce, then, absolutely, if we have to settle for the Ford Focus of the Overground coming in via New Cross then we should take it as that is no bad consolation prize. We do have to start bottoming this out as the consultation has been rolling for two years without any apparent desire at TfL to do anything other than to run the Bakerloo Line down to Hayes at twice the price of the DLR which we do want, as opposed to the Bakerloo Line, which we do not.

2. From Councillor David Jefferys to the Portfolio Holder for Education

To ask the Portfolio Holder for Education whether with the increasing use and reliance by external groups on parent/community preference views, he will set out the criteria his department uses to assess the conduct, reliability, integrity and veracity of such surveys and derived reports .Will he also set out and publish the guidance his department issues to organisations on the conduct of preference surveys?

Reply:
The Education Department does not currently issue guidance to organisations on the conduct of preference surveys, in fact in many case it would be inappropriate to do so. Organisations other than the Council will be subject to their own regulations and are therefore responsible for ensuring that the conduct, reliability integrity and veracity of their surveys is of the highest possible professional standards.

Supplementary Question:
I think we are seeing an increasing number of these questionnaires being put forward and sometimes we are seeing the wrong questions asked of the wrong people and then the wrong analysis. In the light of that, could I ask him to look again at this. There are a range of international standards, there are professional bodies, but if there is a material impact on policy can I ask that his officers do give some consideration to the particular questionnaires so that we are informed, and the Committees are, as to their analysis and the reliability of that data.

Reply:
Your are right – we are seeing larger and increased numbers of such surveys, they are often more extensive and they do impinge on the education service at this time. The process by which surveys are carried out is governed by the audience to which that survey is being directed. In the case of many education preference surveys that audience is the Secretary of State, not this Council. Under those circumstances it is difficult to achieve any kind of assurance that the right questions are being asked of the right people. I would agree with you that it would be much more useful if those surveys were published and made public, not necessarily just to this Council, and available on a website. Information on questions asked and the kinds of response

that they are achieving would be useful and I think there is a broader audience than the Secretary of State.

3. From Cllr Kathy Bance to the Portfolio Holder for Education

What proportion of the increased 2014/15 Dedicated Schools' Grant will be distributed to schools?

Reply:
Although not yet confirmed as it is still in consultation, DfE has announced a potential £19.1m of additional funding as DSG for Bromley that will come into effect in the 2015/16 financial year. All of this funding is expected to go to schools as per the DfE guidance. Recommendations as to how this will be distributed will come to Members for decision shortly.

Supplementary Question:
Councillor Bance pointed out that the answers to this question and her second question (number 8 below) had been put together and requested written replies to both. Her supplementary for this part was - How does that compare to previous years?

Reply:
The amount that is kept in central contingency is defined by the DfE. We keep that sum to provide centralised services that I have just described, in this case the application of health and safety and security issues to primary schools.

The detail in terms of the actual proportion of what is kept centrally and distributed to schools is defined by the Department. I will get you a number tomorrow and ensure that you get a written answer to these questions.

4. From Cllr Kevin Brooks to the Portfolio Holder for Public Protection and Safety

The Environment Agency has now estimated the cost of cleaning up the Waste4Fuel site to be between £2 and £2.5 million. Neither Waste4Fuel nor the landowner has sufficient assets to meet this liability. Is it possible that liability for the clean-up will fall back onto the London Borough of Bromley?

Reply:
I can confirm that there is no legal liability upon the London Borough of Bromley Council in this regard.

Supplementary Question:
It seems that everyone is trying to deny responsibility – the Environment Agency and the Council. I went to meet some residents there – it is an absolute eyesore and it does smell. This is rumbling on and on - does the Portfolio Holder think that anything could have been done up to now to make this much less difficult for the residents.

Reply:
I have just said that it is nothing to do with Bromley Council – it is all to do with the Environment Agency. They are the people who are properly in charge, they have licensed this site and it is they and our MPs that we have been working solidly with to try and deal with this matter. Because of this group's good work we now appear to be about to see the back of these particular operators and it would have been good if you had congratulated us and our partners for the work that has been going on rather than choosing to mislead people, trying to suggest that we are not doing enough about it. We are working very hard behind the scenes, it is a matter for the Environment Agency and indeed later this week Councillor Smith and I will be going to a meeting with our MPs at Westminster with the Environment Agency to carry on dealing with this matter. It is something we will be doing, we have been doing. It is nothing to do with the Council, it is all to do with the Environment Agency. It is up to them, they license the site - it is a privately owned site, nothing to do with us whatsoever.

5. From Cllr Peter Fookes to the Portfolio Holder for the Environment

What plans are there to improve public transport at Crystal Palace pending the rebuilding of the Crystal Palace itself?

Reply:
It remains an ambition of this Administration to see Tramlink extended to Crystal Palace at some future point in time as and when Mayoral finances permit.

Significant improvement to the public transport infrastructure locally is self- evidently going to be a pre-requisite if our vision for a rebuilt Palace is to come to fruition.

6. From Cllr Tony Owen to the Portfolio Holder for Public Protection and Safety

What is the borough and police policy following the drug reclassification of khat?

Reply:
On the 24th June 2014, khat was reclassified as a Class C drug under the Misuse of Drugs Act 1971 and as such its control is a matter for the police. Khat is a herbal stimulant grown in east African countries where it has historically been used for recreational purposes in social settings. In the UK it is mostly used by older members of communities such as Somalis, Yemenis, Ethiopians and Kenyans. It is widely used across a number of London boroughs. Historically in Bromley, Penge has been known for its ready availability of Khat in green grocers and the use of Khat in cafes largely frequented by the Somali community.

The Metropolitan Police have announced that proactive enforcement is not proportionate but any finds will be dealt with by officers on a case-by-case basis. The policing response to possession for personal use will be sensitive, with the enforcement model as follows:

- A khat warning to be issued on the first occasion an individual is caught.

- On the second occasion if appropriate a fixed penalty notice will be issued for a £60 fine.
- Further possession offences: Arrest for possession of a controlled Class C drug will follow.

Police Officers who come into contact with users are using the opportunity to educate them about the classification, with users signposted to support services from local Drug and Alcohol Teams (DAATs), if appropriate. The Police have met senior members of the Somali community in Penge and had meetings with them and they are well aware of what is happening.

The importation, supply and distribution of khat will be dealt with far more severely. For example the maximum punishment for importation of a Class C Drug is 14 years' imprisonment.

The impact of police enforcement in the MPS will be reviewed after one, three, six and twelve months when each borough will be required to review stop and search khat related interventions, incidents of anti-social behaviour, domestic violence, community tension and public confidence in the Police.

Supplementary Question:
Are we not on dangerous ground when the Police decide when and if they will enforce the law?

Reply:
Unfortunately, enforcing the law is all about what the Police decide in consultation with the Home Office it is nothing to do with us. They have taken the decision to sensitively handle this issue. I know that this is a sensitive issue and I think that they are doing the right thing, but I have asked the Borough Commander to ensure that every now and then someone is stopped in the Borough and that we send the message out that if it is a banned drug then we will not tolerate its use any more.

7. From Councillor Nicholas Bennett to the Portfolio Holder for Resources

When was the Section 106 agreement made Asprey Homes with regard to the development on the Blue Circle site, what was the agreed sum, what was it proposed that the money be spent on, how much has been received to date and if he will give the reasons given for any shortfall in the sum received?

Reply:
There is a lengthy planning history on this site which was granted planning permission on appeal, this reply is a summary. The section 106 agreement contained a number of benefits including the provision of social housing and provision of land for a doctor's surgery. The agreement also contained provision for a number of targeted financial contributions, the most significant being a joint use education payment to be calculated in accordance with the agreement. After making an allowance for the fact that the affordable housing elements of the development were developed for extra care housing, which did not give rise to an educational payment, the initial agreed sum for the relevant phase of development was £754,593. After a formal mediation process this was reduced to £500,000 on viability grounds. This is

due to be paid in instalments. The sum due to date, £378,000 has been received. The further £122,000 is due by the end of July 2014. The Executive Committee on 2nd April 2014 resolved that £250,000 of the contribution is to be used to support the expansion of Princes Plain Primary School by at least 30 pupils per annum. The remainder will be used in accordance with the purposes provided by the section 106 agreement.

Supplementary Question:
Councillor Bennett declared, as the school was mentioned, that he was a governor of Princes Plan Primary School.

The original sum to be paid was £734,000. The company claimed that because of changes in the housing market that it was no longer viable for them to pay that sum and they have negotiated £500,000. Given the state of the housing market now, does the Portfolio Holder believe that we ought to revisit this matter on any future development to ensure that we get value for money, particularly if it is this company who I believe own a company plane and a company Ferrari?

Reply:
This was a formal mediation process - clearly it looked to the viability of this site at that time and gave a ruling, and that was £500,000. It would be nice to think that we could retrospectively go back – we cannot do that but we will remember them for the future.

8. From Cllr Kathy Bance to the Portfolio Holder for Education

Why was Dedicated Schools' Budget underspent by £1.285M for 2013/14 and why was this money not spent on schools?

Reply:
The £1.285m is the current projected underspend on DSG for 2014/15 in the centrally retained element of the schools budget. This is due to lower than expected costs in SEN Placements and support costs and some underspends in early years funding to private and voluntary providers. Any underspend (or overspend) at any given year end is carried forward in to the next financial year and dealt with as part of the budgeting process. Funding can be given to schools or kept centrally for particular projects. One such project that is currently being envisaged is in regards to HSE and security issues at many primary schools which need to be upgraded and will be addressed using a large portion of the underspend you have just identified. This funding could not be given to schools in year due to funding restrictions set out by DfE, and as always, it would be the Council's intention to see this spent for the benefit of children.

Supplementary Question:
Can the Council confirm that the DSG underspend of £1.25m in 2013/14 will be spent on schools next year?

Reply:
It is always the intention to ensure that any underspend is directed to projects directly related to schools' needs and there are a number of projects currently being looked

at that will address any underspend at the end of this year and to ensure that there is no underspend in 2015/16 relating to the £19.1m that has been announced, though not confirmed.

9. From Councillor Peter Fookes to the Portfolio Holder for the Environment

What plans are there to undertake a deep clean of the roads that the contractors are not able to access properly in the north of the borough?

Reply:
There is already an enhanced cleansing programme for the 239 streets within the Borough assessed as being the most difficult to access due to heavily parked vehicles.

10. From Councillor Tony Owen to the Portfolio Holder for Care Services

What knowledge does LBB have of Home Office accommodation in the borough for asylum seekers?

Reply:
To the best of our knowledge there is no home office accommodation in the borough for asylum seekers.

Supplementary Question:
How can we plan in this Borough when Home Office Asylum cases suddenly become Bromley homeless cases when they grant asylum and then evict their tenants. Without knowing how many properties they have got we have got no idea what our problem is and how to plan for it.

Reply:
I can only say that we will keep an eye on the matter of asylum seekers in Bromley.

11. From Councillor Nicholas Bennett to the Portfolio Holder for Renewal and Recreation

If he will make a statement on the future of the West Wickham Leisure Centre?

Reply:
We have a contract with Mytime to operate West Wickham Leisure Centre and many other facilities around the borough. They recently approached us about a refurbishment of the dry-side of the centre. We discussed this and thought that there was no point in doing that if it turned out that the Council had to do some major structural work. We then did a condition survey which we are now evaluating and we will be discussing this in more detail with Mytime.

Meanwhile, Mytime have now provided the Council with draft heads of terms with regard to the future operation of all the Council's leisure facilities. Their contract currently ends in 2024 but there is the possibility of mutually agreeing something different if it saves the Council Tax payer some money. This will probably involve the West Wickham Leisure Centre in terms of either redevelopment or refurbishment.

That is in its early stages - I will be consulting with all interested parties and Members once I have more information. Prior to a response going to Mytime with regard to their draft heads of terms, a report will be taken to the meeting of the Executive on the 10th September setting out the Council's position.

Supplementary Question:
Is he aware that at the moment the plan is to spend approaching £1m on repairing the building which is in a poor state of repair? Would it not be more sensible to look at the possibility of having a joint library/swimming pool on the site, perhaps with some flats as well, along the successful model of Biggin Hill.

Reply:
I congratulate Councillor Bennett for reading my mind.

12. From Councillor Peter Fookes to the Portfolio Holder for Care Services

What proposals has he got to increase the amount of affordable housing in this borough?

Reply:
The Council has the 3 following key objectives to facilitate the provision of affordable housing:

- Working with housing association partners to secure external capital funding from Government agencies for the delivery of new developments that best reflect local housing requirements

- Providing gap-funding to housing associations to enable the delivery of new affordable housing and the retention of existing affordable supply that they may be seeking to dispose of

- Ensuring that the Council's local planning policies are formulated and implemented to maximise affordable housing provision in line with policy requirements and reflect the tenure and size of affordable housing sought to meet statutory duties.

Regular reports are provided to the PDS committee setting out progress regarding the supply of accommodation.

13. From Councillor Tony Owen to the Chairman of the Development Control Committee

What effect do you see permitted development orders having on LBB?

Reply:
There is a wide range of permitted development set out in the Town and Country Planning (General Permitted Development) Order 1995 (as amended). The current version includes 43 different parts, many of which have been added by amendments over the last 19 years. Many cover development such as bus shelters and TV aerials, or changes of use from Houses in Multiple Occupation to single dwelling and have little impact. Several parts, however, allow development which has a much greater

impact and some permit development which would be refused planning permission under planning policies were it to be subject of an application.

More recent parts which allow development that could conflict with existing policy include:

Part 1 Class A – Householder permitted development - May 2013 amendment to allow up to 6 or 8 metres for single storey rear extensions subject to prior approval. Could conflict with residential amenity policies and green belt policy.

Part 3 Class J – Change of use from office to residential – May 2013. General concerns would be lack of affordable housing requirement, no contributions to healthcare or education and loss of employment floor space.

Part 3 Class M – Change of use from agricultural to shop, café, office, hotel and other commercial uses (added May 2013); Class MA change from agricultural to school or nursery (added April 2014); and Class MB change from agricultural to residential (added April 2014). This could conflict with green belt policy and cause harm to rural environment.

It is difficult to gauge specifically the longer term impact these newer parts will have on the Borough, but in particular there are strategic planning issues that could arise related to the loss of employment floor space, impact on town centre economy and lack of infrastructure contributions from larger office to residential schemes.

Supplementary Question:
Will the Chairman take the opportunity to lobby the new Minister, rather than the stubborn one we used to have, and make localism become real rather than a pretend thing.

Reply:
I am happy to take that forward on behalf of all of us.

Additional Supplementary Question:
In relation to our Local Plan, would the Chairman agree that where necessary we should look at Article 4 directions and changes to our Local Plan to stop unwarranted development occurring where we feel this is important.

Reply:
Where appropriate we can look at Article 4 directions provided that this does not make our Local Plan unacceptable.

14. From Councillor David Livett to the Portfolio Holder for Public Protection and Safety

Councillors will be well aware, not least from the reporting in television, radio, national and local press, of the appalling state of the Waste4Fuel site and of the failure of the recent court action brought by the Environment Agency. Will the Portfolio Holder confirm that the Council will use all the powers at its disposal to bring the nuisance that arises from the gross mismanagement of the activities of

Waste4Fuel to the earliest possible end and will he set out what actions are being taken by the Council and other agencies to stop the suffering of Cray Valley residents?

Reply:
I can confirm that this Council, assisted by a key local Residents Association, the London Fire Brigade, James Cleverly MLA, Bob Neil, Jo Johnson and James Brokenshire, MP have been doing precisely as you request for many months.

Our actions to date have prompted the involvement of a Minister of State, seen questions raised on the floor of the House of Commons and more recently a High Court Action served against the site's rogue operators by the Environment Agency.

As recently as earlier today, I have been made aware that Waste4Fuel have now announced their abandonment of the site and I have little doubt that the pressure we have exerted has played a significant part in that development.

We shall now be pressing the Environment Agency to hold urgent discussions with the relevant Landowner who now holds responsibility for the site's appearance and cost of clearance.

Appendix C

COUNCIL MEETING

21st July 2014

WRITTEN QUESTIONS FROM MEMBERS OF THE COUNCIL

1. From Councillor Nicholas Bennett to the Portfolio Holder for Resources

When was the lease to Citygate Church agreed for The Studio, what were the principle terms of the lease and what steps have been taken to bring the building back into use for the community?

Reply:
1.The Agreement for Lease with Citygate Church for 28 Beckenham Road Beckenham was entered into on 3rd November 2011.

2. The terms of the Agreement for Lease are private contractual matters between the Council and Citygate Church and is therefore Exempt Information not for publication.

3. Citygate initially progressed the refurbishment of the property very well, but activity on site has been limited since October 2013. The works are substantially complete and to a good standard, and the main outstanding works include finishing the toilets, floor coverings, external window repair and decoration (to commence 1st August), installing the new boilers, reception desk area and various fixtures and fittings. Construction of the external lift is also outstanding, but is not part of the agreed refurbishment works, and this will follow when funding is available. Officers continue to monitor the situation.

A full reply including the Exempt Information is being sent to Councillor Bennett.

2. From Councillor Nicholas Bennett to the Leader of the Council

What is the current situation regarding the timetable for the project to build a new Crystal Palace and to improve the park?

Reply:
The timetable for the project to build a new Crystal Palace and to improve the Park is subject to on-going discussions with Zhongrong International (Group) Ltd. in China.

I wrote to Mr. Ni Zhaoxing, Chairman of Zhongrong International (Group) Ltd., on 9th July expressing the Council's continuing support for the proposal to rebuild the Palace and refurbish the Park. In my letter I encouraged him to bring forward his plans for a land deal with the Council together with a draft Business Plan. I have indicated to Mr. Ni that the draft Business Plan should be the subject of public consultation.

The Mayor of London, Mr. Boris Johnson, and I have always understood that bringing forward such a proposal would be a complex matter. This is the reason the Council agreed to grant the Exclusivity Agreement to Zhongrong International (Group) Ltd., which covers the period to February 2015.

Time scales going forward will be clarified, I hope, in Mr. Ni's response to my letter, and I will of course keep Members informed of any developments.

3. From Councillor Nicholas Bennett to the Portfolio Holder for Education

What is the amount and percentage of the special education needs budget which is spent on provision in the private sector and if he will give examples of the services already purchased from that sector?

Reply:
£17.6m (62.8%) of the total gross controllable budget for SEN & Inclusion is spent on private sector provision.

This is made up as follows:

Independent schools	8,951,530
Transport providers	3,911,150
Independent FE providers	3,394,790
Alternative provision	753,000
Bromley Healthcare CIC	303,320
Pre-school providers	225,700
Consultancy etc	64,570
	17,604,060

Of the SEN budgets not delegated to schools (£13,613,730) in 14/15 -

We are estimating £4,944,848 of the SEN budgets will be spent in the 14/15 financial year on Independent Day provision for pupils with statements or Education, Health and Care Plans.

We are estimating £3,204,205 of the SEN budgets will be spent in the 14/15 financial year on Independent Boarding provision for pupils with statements of special educational needs or Education, Health and Care Plans.

This represents 59.8% of non- delegated SEN budgets. These pupils are our most complex and challenging children and students for whom mainstream placement within the borough has proved unsuitable.

Independent day provision such as Browns and Riverston schools are used to place pupils where the LA has no suitable in house provision to meet assessed needs. Browns is a specialist school which offers provision for children and young people who have a diagnosis of Autistic Spectrum Disorder(ASD) who are cognitively able but who cannot manage the social demands of a large mainstream school. They require small group teaching in order to manage their anxiety levels and resulting challenging behaviour.

Many of the Bromley pupils placed there have had their mainstream placement break down and have been out of school until placed successfully at Browns.

Riverston school is also an independent day school but has a wider remit than Browns. It accepts pupils who have severe dyslexia and mental health issues in addition to those with ASD. Again these young people are relatively able so would not be appropriately placed in our complex needs units with pupils who have severe learning difficulties.

The SEN Service looks very carefully at external placement and would only use alternative provision such as these when the provision within local schools is totally inappropriate. Cost effectiveness is also always considered.

4. From Councillor David Jefferys to the Portfolio Holder for Education and the Leader of the Council

To ask the Portfolio Holder for Education and the Leader of the Council to publish the full details of the business case, including all working assumptions, on the decision to allow the Harris Foundation to lease the Kingswood House site on a "pepper corn rent", and to provide the market value of the site at date the rental agreement was signed.

Reply:
The business case for disposing of Kingswood House was based on 4 factors:

- the local demand for school places and the Council's statutory duty to meet this demand;
- the cost to the Council of opening a new 2 Form Entry Primary School;
- the time it would take the Council to establish a new school;
- and the savings to the Council of a Free School providing these places.

1. **Demand for places**

   The Kingswood site is in Shortlands ward, part of our primary planning area 3. This area borders Bromley Town, within primary planning area 4. Although according to GLA projections there is a small surplus of places in planning area 3, there is a shortfall of places equivalent to 2.5FE in 2013/14 in planning area 4 projected to rise to 4.5 FE by 2024. Based on the projections and the planned regeneration of the town centre there was a demonstrated need for more primary school provision in this area. This was originally identified in the pupil place planning work of the Members' School Place Working Party, reported to the Education PDS in November 2012 and set out again subsequently in September 2013.

2. **Potential Cost to the Council**

   It was estimated that if the Council were to meet this demand by permanently expanding existing schools the cost would be in the order of £2-4 million. However, locally there was not capacity within the existing school estate to provide this demand through the permanent expansion of local schools. The Basic Need Programme Update reported to the Education PDS in March 2013 gave a good idea of the typical costs of expansion with a 1FE expansion at Parish CE primary school costed at £3.2m, and one FE expansion at Keston (now on hold) at £2.3m. On this basis the assumption was made that it would cost in the region of £4 to £8 million to build a new two form entry school once a site had been identified and acquired.

3. **The time it would take the Council to establish a new school**

As part of the business case the time it would take the Council to establish a new school was also considered. For the Council to establish a new school a statutory process would need to be undertaken which would include holding a completion to identify a provider to run the new academy. This is because the new 'presumption' is that any new school will be an academy/Free School and statute requires the LA to seek proposals to establish an academy/Free School in the first instance where it has identified a need for a new school. It was estimated that this process would take at least a year and this would make it unlikely that any new school could have been established through this process before September 2015 which would have failed to address the projected demand for additional places in September 2014.

4. **The cost and time savings to the Council of a Free School providing additional places**

The original business case for leasing the site to Harris Federation on a peppercorn rent was predicated on an estimated loss of a capital receipt of £2 million, based on a potential net gain to the Council in the range of £2m-6m when compared with the Council itself acquiring and developing a site, excluding any consideration of rateable values or new homes bonus.

The Kingswood site was assessed at a value of £3,150,000 when applying for Secretary of State Consent for disposal. Set against the potential cost to the Council of funding a new two form entry school this generates savings of between £1-5million. When the decision was taken by Council on 1 July 2013 to lease the site to Harris the Council also had insufficient Basic Need Capital Grant available to fund a new 2FE primary school in Bromley.

There were also significant time benefits to the Free School Option. The Harris Federation has submitted a bid to open a Free School and, if successful, it was understood that this could open for September 2014.The Harris Federation would also be able to access specific DfE capital funding for the establishment of a Free School that would not be available to the local authority.

5. From Councillor David Jefferys to the Portfolio Holder for Education

To ask the Portfolio Holder for Education if he will provide a full chronology of the discussions over the Free School in Shortlands Ward, listing all the meetings he and officers have held with the EFA , DfE and the Harris Foundation with dates up to the 14th of July 2014.

Reply:

Regrettably, it has not been possible to provide the level of detail required within the timescale, but it is hoped the information can be made available to you as soon as possible.

6. From Cllr Ian Dunn to the Portfolio Holder for Resources

When the sale of the lease of the toilets on Elmers End Green was announced last year, there was an expectation that completion would take place in around six weeks. Completion has still not happened. Can the Portfolio Holder explain why this leasehold sale has been delayed, and when he expects completion to be achieved?

Reply:
The toilets at Elmers End were advertised for sale freehold and purchasers were advised that exchange of contracts for the sale would be expected within six weeks. Once the offers were received there was considerable lobbying from local groups who were opposed to the sale of the freehold interest. The offers were reported for pre-decision scrutiny to the Executive and Resources PDS Committee on 10th October 2013. The Portfolio Holder subsequently decided that a long lease should be sold. It was therefore, necessary to advise the highest bidder of this change to establish whether he still wished to proceed. Initially he confirmed that he would take a long lease, and the Resources Portfolio Holder decided on 20th November to accept his offer. However, on 18th December he advised that he no longer wished to purchase. The joint highest bidder was contacted and he confirmed that he wished to proceed. The long lease was completed on 25th April 2014.

7. From Councillor Peter Fookes to the Chairman of Development Control Committee

When will enforcement action be taken against 81 High Street, Penge as this process has been going on for 7 years?

Reply:
81 High Street, Penge. This matter is still unresolved as the previous prosecution action against the breach of planning control has now been withdrawn by the council because a planning consent was approved on the 9th September 2013. Our ref: DC/12/03299/FULL1 for the two single storey rear extension and elevation changes at rear PART RETROSPECTIVE APPLICATION.

Enforcement action was held in abeyance pending the outcome of a subsequent planning application our ref: DC13/03723/Full1. This application was recently refused on the 22nd May 2014 for the ground floor elevation alterations, rear extension at first and second floor and conversion to form 1 bedroom maisonette.

We have been given information from contacting the applicant that the above refused application dated 22nd May 2014 will be the subject of an appeal to the Secretary of State and that this has been lodged with the Inspectorate.

Further Enforcement action will be instigated one the Appeal has been determined.

8. From Councillor Peter Fookes to the Chairman of Development Control Committee

How many properties in the borough are there where enforcement action notices remain outstanding?

Reply:
We currently have 275 Notices outstanding which also include Planning Contravention Notices issued. The above figure is in relation to the notices issued but some properties may have more than one notice issued against the land.

9. From Councillor Peter Fookes to the Portfolio Holder for Resources

When will action be taken to bring the former Park Keepers Lodge in Penge Recreation Ground back into action as this has been going on for the best part of 15 years?

Reply:
We are aware that the owner, has taken a very long time to renovate his property and has spent a great deal in restoring it to an original condition. He has completed the renovation to a very high standard and is finishing off some internal decoration. He has kept us informed of his actions and allowed periodic access. As a result of the painstaking refurbishment he is very particular about who he is prepared to let the property to.

Members have agreed a rating system to determine those properties that justify consideration for Compulsory Purchase or an Empty Dwelling Management Order and this property does not meet the criteria for such action. As the property is also in good repair and secure there is very limited pressure that can be applied. We will however continue to liaise with him and try to progress completion and occupation.

The owner has recently confirmed that he would be happy to show any interested Members around the property should they wish to see the standard of the refurbishment.

10. From Councillor Simon Fawthrop to the Chairman of the Development Control Committee *(to be asked at every Council Meeting)*

What pre-application meetings have taken place since the last full Council Meeting between Council Officers and potential planning applicants? Can these be listed as follows:-

The name of the potential applicant, the site address being considered.

Reply:
Between 20th February 2014 and 15th July 2014 the Major Developments Team have had 13 non-householder pre-application meetings.

Between 20th February 2014 and 15th July 2014 the Non-Major Developments Team have had 78 householder pre-application meetings and 50 non-householder pre-application meetings.

Details of the individual applicants and sites at present is exempt information and not disclosable in respect to a Council Question.

11. From Councillor David Livett to the Portfolio Holder for Renewal and Recreation

The Council has identified a loss of income as a direct result of a directive on land search fees. What income losses or increases in costs has the Council incurred since 1 April 2013 as a result of changes driven by EU directives and what is the annual financial impact of those changes?

Reply:
In common with other Local Land Charge Authorities, Bromley used to charge a fee for a personal search of the local land charges register.

The Government revoked that fee by amending the Local Land Charge Rules with effect from 17th August 2010. This was due to their incompatibility with the Environmental Information Regulations which were themselves derived from the European Council Directive 2003/4/CE on public access to environmental information.

As these charges were stopped in 2010, we should be including a proviso that these are estimates only and the figure for 2013/2014 is £72000.

This page is left intentionally blank

Report No.
CSD14125

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Council**
Date:	**13th October 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**Petition – Bromley Income Equality Group**
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 Under the Council's Petition Scheme, if petitioners are dissatisfied with the Council's response to a petition they can request that the issue be brought before a meeting of the full Council for consideration, provided that the number of verified signatures exceeds the threshold required. The lead petitioner or their nominee can address the Council for up to five minutes.

1.2 A petition with over 500 signatures has been received from the Bromley Income Equality Group calling on the Council to create a "Fairness Commission" for Bromley, to pay its own lowest paid workers the London Living Wage and to close the pay gap amongst its own staff.

1.3. The petition and the Council's initial response, provided by the Resources Portfolio Holder, Councillor Graham Arthur, are set out below in paragraphs 3.2 and 3.3 respectively.

2. RECOMMENDATION

Council is requested to consider the case made by the petitioners.

Corporate Policy

1. Policy Status: Existing Policy: Petitions are dealt with according to the Council's agreed Petition Scheme.

2. BBB Priority: Excellent Council:

Financial

1. Cost of proposal: No Cost:

2. Ongoing costs: Not Applicable:

3. Budget head/performance centre: N/A

4. Total current budget for this head: £N/A

5. Source of funding: N/A

Staff

1. Number of staff (current and additional): N/A

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

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): N/A

Ward Councillor Views

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

2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 The Council's Petition Scheme allows for petitioners to present their case to full Council if they are dissatisfied with the Council's response to a petition, provided that the number of verified signatures exceeds the threshold required of 500. The lead petitioner or their nominee can address the Council for up to five minutes. Once Council has considered the matter, it can choose whether or not to recommend any action. If there are any recommendations for action by Councillors or officers then a report back to the next scheduled full Council meeting is required, setting out the action that has been taken.

3.2 One qualifying petition, with 502 validated signatures (and a further 258 which do not meet the strict criteria of the Petition Scheme), has been received from Ms Pam Remon on behalf of the Bromley Income Equality Group. The full prayer of the petition is as follows –

"FAIRNESS IN BROMLEY
PETITION TO BROMLEY COUNCIL AND COPY TO BORIS JOHNSON, GREATER LONDON ASSEMBLY, MAYOR

We call upon the Council of the London Borough of Bromley to: (a) create an independent "Fairness Commission" for Bromley (as is the case in other London Boroughs), (b) to pay its own lowest-paid workers the London Living Wage and to require its contractors to also pay the same London Living Wage to its London Borough of Bromley-contracted workers and, (c) to close the pay gap among its own staff."

3.3 In line with the Council's Petition Scheme, the Portfolio Holder for Resources, Councillor Graham Arthur, responded to the petition on 27th August 2014 –

"I write in response to your recent petition. This is in effect a continuation of the same petition that I responded to last year. I wrote to you in May, July and November stating that:

- The Council's pay arrangement is the responsibility of democratically elected Councillors' acting in the best interest of Bromley tax payers/residents and Bromley staff by offering competitive pay rates. The decision-making process, save for individual salary details, is open and transparent pursuant to the Localism Act (including the supplementary guidance).

- Since adopting a localised pay arrangement, the Council's pay award in the last two years was deliberately set to favour lower graded staff. Currently there are 16 staff representing 6.80 FTE in the Council (excluding Bromley schools) earning less than the current London Living Wage.

- The current pay ratio between the Council's highest and lowest paid officers is 1:12 and is consistent with the Localism Act supplementary guidance. This is significantly below the private sector average of 1:145.

I have nothing further to add to the dialogue.

Yours sincerely
Cllr Graham Arthur
Resources Portfolio Holder"

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

This page is left intentionally blank

Report No.
RES14126

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Council**
Date:	**13th October 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**CRYSTAL PALACE PARK**
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 At its meeting on 22nd July 2014 the Executive received a report on the Crystal Palace Park Improvement Project. A programme of interim improvements is being pursued across the Park, supported by both the Council and the Greater London Authority (GLA) and the Executive agreed to contribute £400k to these projects, of which £240k would be revenue provision set aside in an earmarked reserve for a Community Projects Fund and £160k would be capital. The remainder of the capital expenditure (£2m) would be met by the GLA. The Executive agreed that full Council should be recommended to add the Crystal Palace Park Improvement Project to the capital programme with a total estimate of £2.16m.

---

2. RECOMMENDATION

That Council agrees to add the Crystal Palace Park Improvement project to the capital programme with a total estimate of £2.16m.

Corporate Policy

1. Policy Status: Existing Policy:

2. BBB Priority: Excellent Council Quality Environment

Financial

1. Cost of proposal: £2.16m capital and £240k revenue:

2. Ongoing costs: Not Applicable:

3. Budget head/performance centre: Crystal Palace Park

4. Total current budget for this head: £299,330

5. Source of funding: Existing revenue budget, capital receipts, GLA funding

---

Staff

1. Number of staff (current and additional): N/A

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

Legal

1. Legal Requirement: None:

2. Call-in: Not Applicable: Full Council decisions cannot be called in..

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): In 2006, annual visitor numbers to Crystal Palace Park were assessed as part of work towards the Park's Masterplan. The visitor figures at this time were estimated at £1.68m.

Ward Councillor Views

1. Have Ward Councillors been asked for comments?

2. Summary of Ward Councillors comments: The content of the report to the Executive was discussed at the Crystal Palace Executive Project Board meeting on 9th July. A local ward councillor is a member of the Board and was present at the meeting and the subsequent meeting of the Executive.

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	See attached report to the Executive.

EXECUTIVE
22nd July 2014
Minutes

51 CRYSTAL PALACE PARK IMPROVEMENTS
Report DRR14/069

The Heritage Lottery Fund (HLF) application for the regeneration of Crystal Palace Park was unsuccessful and the Crystal Palace Park Executive Board was pursuing interim improvement projects at the Park. Agreement was sought to commit £400k to the improvement works, the GLA having already verbally recommitted £2m to the project.

Welcoming the report and supporting investment in the Park, Councillor Angela Wilkins (Crystal Palace) highlighted a need for sufficient parking provision, particularly in view of proposals for the Sports Centre. Supporting this view, the Deputy Leader referred to existing parking difficulties for residents in local side streets.

RESOLVED that:

(1) a contribution of £160k capital receipts be made towards the Crystal Palace Park improvement project;

(2) a sum of £240k be set aside from revenue in an earmarked reserve for the Community Projects Fund as detailed at paragraph 5.5 of Report DRR14/069;

(3) decisions to spend the £240k Community Projects Fund be delegated to the Leader of the Council in consultation with the Crystal Palace Executive Board; and

(4) Full Council be recommended to add the Crystal Palace Improvement project to the capital programme with a total estimate of £2.16m.

This page is left intentionally blank

Report No.
DRR14/069

London Borough of Bromley

PART 1 – PUBLIC

Decision Maker:	**Executive**
Date:	**22nd July 2014**
Decision Type:	Non-Urgent Executive Key
Title:	**CRYSTAL PALACE PARK IMPROVEMENTS**
Contact Officer:	Colin Brand, Assistant Director Leisure and Culture Tel: 0208 313 4107 E-mail: colin.brand@bromley.gov.uk Lydia Coelho, Community Development Manager Tel: 0208 313 4456 E-mail: Lydia.coelho@bromley.gov.uk
Chief Officer:	Executive Director of Environment & Community Services
Ward:	Crystal Palace; Penge and Cator;

---

1. <u>Reason for report</u>

1.1 Bromley Council previously committed £50k, as well as £400k in principle, alongside the Greater London Authority's (GLA) £2m, as match funding for a Heritage Lottery Fund (HLF) application for the regeneration of Crystal Palace Park.

1.2 Following an application to the HLF being unsuccessful the Crystal Palace Park Executive Board are pursuing interim improvement projects at the park. Members are asked to agree to commit £400k to these Crystal Palace Park improvement works. The GLA have already verbally recommitted their £2million to this project.

---

2. RECOMMENDATION(S)

That Members:

2.1 Agree to contribute £160k capital receipts towards the Crystal Palace Park improvement project.

2.2 Agree that £240k be set aside in an earmarked reserve for the Community Projects Fund from revenue as detailed in 5.5.

2.3 Agree to delegate decisions to spend the £240k Community Projects Fund to the Leader of the Council in consultation with the Crystal Palace Executive Board.

2.4 Full Council is asked to agree to add the Crystal Palace Improvement project to the capital programme with a total estimate of £2.16m.

Corporate Policy

1. Policy Status: Existing Policy

2. BBB Priority: Excellent Council Quality Environment

Financial

1. Cost of proposal: £2.16m capital and £240k revenue

2. Ongoing costs: N/A

3. Budget head/performance centre: Crystal Palace Park

4. Total current budget for this head: £299,330

5. Source of funding: Existing revenue budget, capital receipts, GLA funding

---

Staff

1. Number of staff (current and additional): N/A

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

Legal

1. Legal Requirement: None

2. Call-in: Applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): In 2006 annual visitor numbers to Crystal Palace Park were assessed as part of work towards the park's Masterplan. The visitor figures at this time were estimated at 1.68 million.

Ward Councillor Views

1. Have Ward Councillors been asked for comments?

2. Summary of Ward Councillors comments: The content of this report was discussed at the Crystal Palace Executive Board meeting on 9 July 2014. A local ward councillor is a member of this Board and was present at the meeting.

3. COMMENTARY

3.1 Since 2002 extensive community consultation has been undertaken on the future of Crystal Palace Park. In particular, wide public consultation was carried out to inform the 2007 Masterplan.

3.2 Recognising the need to invest in the park, a commitment was made by Bromley Council and the Greater London Authority (GLA) to improve the park landscape, visitor facilities and heritage features. To that end Bromley committed £50k to a Heritage Lottery Fund bid, as well as a further £400k in principle should the bid be successful, and the GLA committed £2m. The Heritage Lottery Fund bid was submitted in 2013. Extensive consultation was carried out again to inform this bid.

3.3 The HLF project allowed the potential of the park to be realised and sought to increase the number of visitors the park received. The project restored the legibility of the park through making Sir Joseph Paxton's Central Axis the new focus, and reuniting the upper and lower areas. It improved the landscape by moving parking areas, conserved and restored the park's heritage assets and provided new and refurbished visitor facilities. The funding bid requested £5m from the HLF to carry out the works, match funded by the Council's £450k and the GLA's £2m.

3.4 Due to the ZhongRong Holding's interest in the park however, the HLF application was unsuccessful. The HLF said that the potential £100million for park restoration from the ZhongRong group undermined the application for funding, and the need for the HLF funding was no longer being demonstrated.

3.5 At this time, an opportunity to survey the Crystal Palace Subway, which is on English Heritage's At Risk register, and produce an options appraisal for its future emerged. In June 2013 English Heritage provided a grant of £29.25k towards this work, and Bromley Council committed £29k. A team has now been appointed and this work is due to start imminently.

3.6 On 9th April 2014 the Crystal Palace Park Executive Project Board met. At this meeting a programme for improvement projects, that had been identified through all the previous consultation, was assessed by the Board. The Board includes representatives from Bromley Council, the GLA and others, including community representatives.

3.7 At the meeting the GLA confirmed that their £2m contribution had been recommitted to Crystal Palace Park. This is recorded in the meeting minutes. Consequently it was decided that members of Bromley Council would be asked to agree a sum of £400k for park improvement works, and that one last round of community consultation would be undertaken to capture the views of casual park users. The results of this consultation would inform how the £2.4 m would be spent.

3.8 It was also decided that if Bromley agree the funds, a request would be made for part of this fund to be used for a Community Projects Fund, which would be set up as soon as possible. This fund would require revenue funding, and allow the community to realise some short term improvement works. The public are keen to see investment in the park get underway.

3.9 Public consultation was carried out in June 2014, with 590 people taking part. The results of this consultation indicated how the public would like to see £2.4m spent on improving the park. The results showed that landscape, heritage and visitor facilities works were all important.

3.10 The public consultation identified which of the improvement projects, out of a list of 15 options (drawn from the widely consulted 2007 Masterplan, the HLF application and community feedback), should be prioritised for the park. The nine most popular projects are shown in the following table:

	Project	Estimated cost £
Built heritage	Conserving the dinosaur models	400,000
	Conserving the sphinxes and south terrace steps	153,000
	Conserving the Paxton basin and improving surroundings	213,000
Landscape	Return parking site in central area to parkland	371,000
	Remove parking from central axis	48,000
	Remove turn stiles from central axis	75,000
Visitor facilities	Renovate concert platform to be a functioning venue	237,000
	Restore existing café	200,000
	Create new wheeled sports facility (skate park)	300,000
	Capital project feasibility and survey work	160,000
	Total estimated costs	**2,157,000**

3.11 The estimated costs of these nine projects suggest all nine could be achieved within a £2.16 m budget.

3.12 In order to produce detailed costings for all nine capital projects, and assess their feasibility, the GLA are making a request to their Board in July 2014 for £160k to be released from their £2m to enable the Council to carry out the following work:

- A condition survey of the dinosaur models and detailed costs for fully conserving the models
- Assessment of drainage issues at the concert platform, as well as the future management of the stage, and detailed costs.
- Detailed costs for reintegrating the Paxton basin and south terrace steps in to the park
- Detailed costs for removing parking from central axis
- Detailed costs for removing the turn stiles
- Options for the restoration of the café and detailed costs for each option
- Options for the creation of a skate park and detailed costs for each option

3.13 The viability of the landscape projects will be determined this summer as a parking survey of the park is currently being undertaken by the GLA.

3.14 A report will be brought back to Members in March 2015 with the detailed costs following the completion of the feasibility works, to confirm which projects will be going ahead and to verify that written confirmation of the £1.84m balance of funding, has been received from the GLA.

3.15 The results of the consultation also confirmed that there was public support for the Community Projects Fund. The public's ideas for how this fund should be spent, ranged from a youth club, to pony rides, to an open air cinema. Based on the ideas provided, and the public appetite to see the other larger improvement projects realised, it is recommended that a sum of £240k is set aside for this purpose.

3.16 As the GLA's £2m is restricted to capital and feasibility works only, the £240k is required to come from Bromley. As grant requests are expected for both revenue and capital projects, it is recommended that the £240k is funded from the Council's revenue budget and is set aside in an earmarked reserve to be drawn down, as and when required to fund each project when the grant has been awarded. Approval is sought to agree funding of £160k from capital receipts to be added to the £2m that the GLA have committed to the Crystal Palace capital project to fund the nine improvement projects.

3.17 If approved, the £240k Community Projects Fund will be retained by the Council, but responsibility for awarding the grants will lie with the Leader of the Council in consultation with the Crystal Palace Park Executive Board. The Crystal Palace Community Stakeholder Group will review the grant applications on the Boards behalf and make recommendations as to which projects should receive funding. A number of Bromley Councillors and senior officers sit on the Crystal Palace Park Executive Board, including the Leader of the Council. All grants will be subject to thorough scrutiny. Draft guidance notes and an application form for the Community Projects Fund grants programme have been produced and will be reviewed by the Crystal Palace Park Executive Board at their meeting on the 9th July 2014. It is recommended that the £240k fund is spent over a three year period.

3.18 The Scheme of Executive and Non-Executive Delegation to Offices, appendix 10, point xiv states that the Council may 'enter into contracts with any voluntary sector organisation for the provision of services by way of a service level agreement'.

3.19 Involving the Community Stakeholder Group in the assessment of grant applications, and asking them to produce recommendations, will foster community ownership and support the future possibility of transferring park governance to the community.

3.20 Grant applications to the Community Project Fund will have to meet a set of criteria to be eligible for consideration by the Board. All applications will be subject to checks that will be undertaken by officers who will administer and monitor the grants. The proposed criteria for projects is summarised as follows:

- The organisation requesting the grant must be a voluntary or community charity or not-for-profit organisation in good financial health and with a bank account.
- The project must be consistent with, or complement, the vision for the park as set out in the 2007 Masterplan.
- Projects must be self-sufficient and not require ongoing revenue support from the Council.
- Projects must be completed within 12 months of receipt of the grant.
- Projects must meet at least one of the Fund's outcomes identified for heritage, environment, people or communities, e.g. better visitor information, wayfinding and services within the park.
- The maximum size grant available will be £20k. The Council will be willing to consider schemes above £20k in special circumstances, but in this case the works for the project will be required to be procured through the Council and there will be an expectation that these projects will be match funded. All projects must demonstrate value for money.

- Projects requesting grants under £1k will be required to claim for reimbursement of costs on successful completion, and will not be given funding upfront.

- Projects requesting grants above £5k will be required to follow the Council's procurement process and provide three quotes to ensure value for money.

- All grant recipients will be required to report on their progress each month and complete an end of project grant report to detail project spend, confirm the project timetable is on course and that the project outcomes being met.

3.21 Regular updates of the details of the projects for which grants are awarded from the fund will be included in the budget monitoring reports submitted to the Environment PDS committee. Additionally, an annual report will be brought back to Members each financial year, detailing how the Community Projects Fund has been spent.

4. POLICY IMPLICATIONS

4.1 The Council's Building a Better Bromley 2012/13 commitment states that the Council will further develop the parks, leisure and sports offer at Crystal Palace Park in line with the Crystal Palace Park Masterplan.

4.2 The investment also supports the Council's wider objectives for a quality environment and regeneration.

5. FINANCIAL IMPLICATIONS

5.1 On 3rd April 2013 the Executive agreed that a sum of £50k from capital receipts be used to support work needed to prepare a first round application to the HLF. The Executive also gave an in principle decision to match fund the capital project up to £400,815, should the bid be successful.

5.2 As the GLA subsequently directly funded the cost of the HLF application, Members agreed in April 2014, that £29k of the original £50k funding be used, along with a £29k grant from English Heritage to undertake survey works to provide options for the future of the Crystal Palace subway.

5.3 As mentioned above, the HLF application was unsuccessful due to the potential £100m investment proposal from Zhong Rong Holdings.

5.4 The GLA have confirmed that they are still committed to providing £2m to improve the park landscape, although official confirmation has not yet been received in writing. This funding can only be used for capital works and the initial £160k feasibility works that need to be undertaken to assess the cost of the projects listed in 3.10 above. Members are asked to agree funding of £160k from capital receipts towards the Crystal Palace Park improvement scheme. The total capital estimate for the scheme will be £2.16m and approval is sought to add the scheme to the capital programme.

5.5 Members are also requested to agree that a sum of £240k is set aside from revenue, to be held in an earmarked reserve as a Community Project Fund. The money will be met from unallocated provisions in the 2014/15 Central Contingency Sum. The fund will be used to award grants for the completion of small capital and revenue projects submitted by community groups over a period of 3 years.

5.6 Approval is sought to delegate the responsibility for awarding the grants to the Leader of the Council in consultation with the Crystal Palace Executive Board.

5.7 Council Officers of the Board will assess the applications to ensure that the criteria set out in 3.20 has been adhered to, will assess whether the group or organisation applying for the grant is financially stable and whether value for money has been achieved.

5.8 The Board will be expecting monthly progress reports from the grant recipients detailing progress to date and project completion report with details of spend and confirmation that the project outcomes have been achieved. Details of the grants awarded will be included in the Environment Portfolio budget monitoring report submitted to the Environment PDS committee and an annual report will be brought back to Members at the end of each financial year, with details of how the Community Projects Fund has been spent.

Non-Applicable Sections:	Legal implications and Personnel implications
Background Documents: (Access via Contact Officer)	Crystal Palace Park Interim Projects Consultation Findings and Recommendations, June 2014

This page is left intentionally blank

Report No.
CSD14127

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Council**		
Date:	**13th October 2014**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**TREASURY MANAGEMENT – INVESTMENT STRATEGY REVIEW**		
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 The attached report covers treasury management activity during the first quarter of 2014/15 and includes recommended changes to the Council's Treasury Management Investment Strategy. The report was scrutinised by Executive and Resources PDS Committee on 3rd September 2014 before consideration by the Executive on 10th September 2014. Draft minutes from both meetings are attached to this report. The Executive recommended to Council that the changes to the Treasury Management Investment Strategy be approved.

---

2. RECOMMENDATION

Council is recommended by the Executive to approve the following changes to the Council's Treasury Management Investment Strategy –

(i) An increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to 3 years (see paragraphs 3.27 to 3.29 in the report to the Executive.)

(ii) A reduction in the minimum credit rating for corporate bond investments to A- (see paragraphs 3.30 to 3.34.)

(iii) The addition of Diversified Growth Funds as permitted investments, with a total investment of up to £10m (see paragraphs 3.35 to 3.37.)

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: Not Applicable:

2. Ongoing costs: Not Applicable:

3. Budget head/performance centre: Interest on balances

4. Total current budget for this head: £1.591m (net) in 2014/15; interest earnings estimated to be on target at this stage.
5. Source of funding: Net investment income

Staff

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

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: Not Applicable: Full Council decisions are not subject to call-in

---

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: N/A

Non-Applicable Sections:	See attached report
Background Documents: (Access via Contact Officer)	See attached report

Appendix 1

EXECUTIVE
10th September 2014
Extract from Draft Minutes

60 TREASURY MANAGEMENT - INVESTMENT STRATEGY REVIEW AND Q1 PERFORMANCE 2014/15
Report FSD14057

Report FSD14057 summarised treasury management activity during the quarter ending 30th June 2014 and recommended changes to the Council's Treasury Management Investment Strategy.

The changes comprised an increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to three years; a reduction in the minimum credit rating for corporate bond investments to A-; and the addition of Diversified Growth Funds as permitted investments, with a total investment of up to £10m.

The report also included an update on the Council's investment with Heritable Bank.

Investments at 30th June 2014 totalled £287.2m (excluding the balance of the Heritable investment) and there was no outstanding external borrowing.

Members were advised that recommended changes to the investment strategy would significantly improve income for the Council.

RESOLVED that:

(1) actual Treasury Management performance in the quarter ended 30th June 2014 be noted; and

(2) Council be recommended to approve the following changes to the Council's Treasury Management Investment Strategy –

- **an increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to three years (paragraphs 3.27 to 3.29 of Report FSD14057);**

- **a reduction in the minimum credit rating for corporate bond investments to A- (paragraphs 3.30 to 3.34 of Report FSD14057);**

- **investment of up to £10m in Diversified Growth Funds (paragraphs 3.35 to 3.37 of Report FSD14057).**

Appendix 2

EXECUTIVE AND RESOURCES PDS COMMITTEE
3rd September 2014
Extract from Draft Minutes

45

PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS
Report CSD14121

The Committee considered the following reports on the part 1 agenda for the meeting of the Executive on 10th September 2014.

(6) Treasury Management – Investment Strategy Review and Q1 Performance 2014/15
Report FSD14057

The report summarised treasury management activity during the quarter ending 30th June 2014 and recommended changes to the Council's Treasury Management Investment Strategy, which would require approval by full Council. These were an increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to three years; a reduction in the minimum credit rating for corporate bond investments to A-; and the addition of Diversified Growth Funds as permitted investments, with a total investment up to £10m.

Councillor David Livett criticised the graph showing relative investment risk provided by the Council's advisors, Sector, and suggested that it would be more appropriate to limit investments to Investment grade, rather than A-, which was not used by Moody's. He was also against the use of Diversified Growth Funds, which he felt included risky investments in derivatives, currency positions and overseas investments which few people would be able to understand.

The Resources Portfolio Holder defended the recommendations and the expertise of the officers and the Council's external advisors making them. He stated that the Council remained risk averse and would only take careful and calculated risks to deliver improved returns.

RESOLVED that the recommendations be supported.

(Councillor David Livett requested that his objection to the use of diversified growth funds be recorded.)

Report No.
FSD14057

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker: **Executive**

10th September 2014

Council

29th September 2014

For Pre-Decision Scrutiny by the Executive and Resources PDS Committee on:

Date: **3rd September 2014**

Decision Type: Non-Urgent Executive Non-Key

Title: **TREASURY MANAGEMENT - INVESTMENT STRATEGY REVIEW & Q1 PERFORMANCE 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: Alll

---

1. Reason for report

1.1 This report summarises treasury management activity during the June quarter and includes recommended changes to the Council's Treasury Management Investment Strategy, which would require the approval of full Council. The report also includes an update on the Council's investment with Heritable Bank (paragraphs 3.21 and 3.22). Investments as at 30th June 2014 totalled £287.2m (excluding the balance of the Heritable investment) and there was no outstanding external borrowing. For information and comparison, the balance of investments stood at £247.4m as at 31st March 2014 and £259.1m as at 30th June 2013.

RECOMMENDATION(S)

The Executive is requested to:

(a) Note the actual Treasury Management performance in the quarter ended 30th June 2014; and

(b) Recommend to Council the following changes to the Council's Treasury Management Investment Strategy:

- **An increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to 3 years (see paragraphs 3.27 to 3.29); and**
- **A reduction in the minimum credit rating for corporate bond investments to A- (see paragraphs 3.30 to 3.34).**
- **Approval to invest up to £10m in Diversified Growth Funds (see paragraphs 3.35 to 3.37).**

Council is requested to approve the following changes to the Council's Treasury Management Investment Strategy:

- **An increase in the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m each and in the maximum investment period to 3 years (see paragraphs 3.27 to 3.29); and**
- **A reduction in the minimum credit rating for corporate bond investments to A- (see paragraphs 3.30 to 3.34).**
- **The addition of Diversified Growth Funds as permitted investments, with a total investment of up to £10m (see paragraphs 3.35 to 3.37).**

Corporate Policy

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

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: N/A.

3. Budget head/performance centre: Interest on balances

4. Total current budget for this head: £1.591m (net) in 2014/15; interest earnings estimated to be on target at this stage

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 for Executive Decision

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 investment performance in the first quarter of 2014/15 and proposes changes to the investment criteria that form part of the Council's Annual Investment Strategy, which seek to provide a wider range of investment options. The annual report for the whole of the financial year 2013/14 was submitted to the Executive & Resources PDS Committee on 5th June and to the Council meeting on 21st July.

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.

3.3 The Council has monies available for Treasury Management investment for the following main reasons:

(a) Positive cash flow;
(b) Monies owed to creditors exceed monies owed by debtors;
(c) Receipts (mainly from Government) received in advance of payments being made;
(d) Capital receipts not yet utilised;
(e) Provisions made in the accounts for liabilities e.g. provision for outstanding legal cases which have not yet materialised;
(f) General and earmarked reserves retained by the Council.

3.4 Some of the monies identified above are of short term use and cannot be used for longer term investment purposes and any investment of these needs to be highly "liquid", particularly if it relates to a positive cash flow position which can change in the future. The future monies available for Treasury Management investment will depend on the budget position of the Council and whether the Council will need to substantially exhaust capital receipts and reserves. Against a backdrop of unprecedented cuts in Government funding (which will require the Council to make revenue savings to balance the budget in future years), there is a probability that such actions may be required in the medium term which will reduce the monies available for investment.

3.5 The Council has approved an Investment Strategy for Treasury Management, which has been regularly reviewed over the last two years to provide a wider range of investment options, ranging from investment in corporate bonds to various investment choices over a 3 to 5 year timeframe including a £10m investment made in a property fund. Further changes being proposed in this report include using a lower credit rating for investments (but still maintaining "investment grade" ratings), widening the range of investments available with a minimal increase in risk. In addition, revisiting the option to increase lending limits to part-nationalised banks and investing in a Diversified Growth Fund. The Treasury Management Code of Practice sets out that priority is given to security and liquidity over the return on investments. Any "wholesale" investment made by the Council does not have the protection available to personal savers.

3.6 The Council has also identified an alternative investment strategy relating to property investment. Further details are provided elsewhere on this agenda and the planned property purchases, including purchases to date, will generate income of £2m per annum with an equivalent yield of 5 to 6%. This is based on a longer term investment timeframe of at least 3 to 5 years. This alternative investment ensures that the monies available can attract higher yields for the longer term. The report elsewhere on this agenda seeks to increase the level of investment in property.

3.7 A combination of lower risk investment relating to Treasury Management and a separate investment strategy in property acquisitions generating higher yields (and risks) provides a balanced investment strategy. Any investment decisions will also need to consider the high probability that interest rates will increase. The available resources for the medium term, given the ongoing reductions in Government funding, will need to be regularly reviewed.

Treasury Performance in the quarter and year ended 30th June 2014

3.8 **Borrowing:** The Council's healthy cashflow position continued through the whole of 2013/14 and through the first quarter of 2014/15, as a result of which no borrowing has been required.

3.9 **Investments:** The following table sets out details of investment activity during the June quarter:-

	£m	%
Balance of "core" investments b/f	172.00	0.83
New investments made in period	76.00	0.95
Investments redeemed in period	-48.50	0.61
"Core" investments at end of period	199.50	0.95
Money Market Funds	32.70	para 3.17
RBS 95 day notice account	15.00	para 3.18
Svenska Handelsbanken instant access	15.00	para 3.18
Deutsche Bank 95 day notice	5.00	para 3.18
CCLA Property Fund	5.00	para 3.20
Payden Sterling Reserve Fund	15.00	para 3.19
Total investments at end of period	**287.20**	**n/a**

3.10 Details of the outstanding investments at 30th June 2014 are shown in maturity date order in Appendix 1 and by individual counterparty in Appendix 2. The average return on all new "core" investments during the June quarter was 0.95%. For comparison, the average LIBID rates for the June quarter were 0.34% for 7 days, 0.41% for 3 months, 0.52% for 6 months and 0.82% for 1 year.

3.11 Base rate has now been 0.5% since March 2009 and, although the estimated date for the next increase in base rate has slipped back significantly in the last two to three years (most recently to the end of 2015), the latest forecast by Sector (in August 2014) is for it to begin to slowly rise from early in 2015. Reports to previous meetings, most recently to the February meeting, have highlighted the fact that options with regard to the reinvestment of maturing deposits have become seriously limited due to bank credit rating downgrades. Changes to lending limits and eligibility criteria have in the past been temporarily successful in alleviating this, but we are now back in the position of not having many investment options other than placing money with instant access accounts at relatively low interest rates. Active UK banks on our list now comprise only Lloyds, RBS, HSBC, Barclays, Santander UK and Nationwide and all of these have reduced their interest rates significantly.

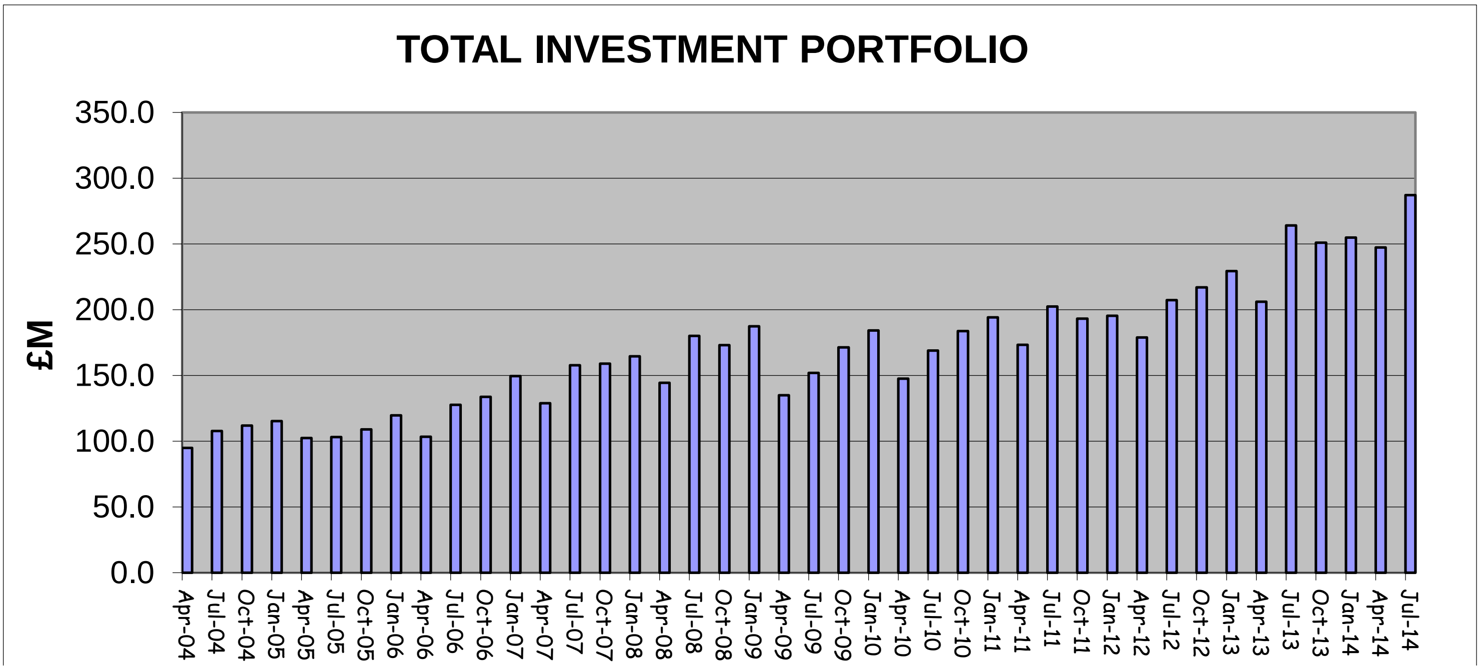
3.12 Our external advisers, Sector, continue to recommend caution and, between September 2011 and January 2013, were recommending that no investment be placed for longer than 3 months with any bank other than Lloyds and RBS (a maximum of 1 year was recommended in their case). In January 2013, however, they lifted their temporary investment duration cap and, since then, we have been able to invest with some of our eligible UK counterparties for up to 6 months instead of 3, which will have had a small beneficial impact on interest earnings. In 2014/15 (mainly in Q2), we have also placed money on deposit for two years (the maximum permitted by our approved strategy) with both Lloyds and RBS and have placed a number of deposits for three years with other local authorities. Those investments that were placed before 1st July 2014 are all included in Appendices 1 and 2.

3.13 In the June quarter, while we mainly placed short-term investments, we also invested £15m for 2 years with another local authority and £15m for 2 years with RBS (at 1.14% and a minimum of 1.15% respectively) and invested a total of £15m for 1 year in Standard Life and RBS certificates of deposit at an average of 0.825%. While these rates do not sound particularly attractive, they are better than we are currently able to obtain for the same periods elsewhere in the market and are, in the view of Sector and other experts, likely to prove good deals in the fullness of time.

3.14 Since the end of June, we have taken advantage of an increase in demand for cash from other local authorities and have invested a total of £23m at rates between 1.50% and 1.90%. We have also placed a total of £10m for 2 years with Lloyds at an average of 1.265% and a further £15m in a 2-year deposit with RBS linked to the 3-month Libor rate, but with a floor of 1.52% and a ceiling of 2.00%. Finally, we have invested a further £5m with the CCLA Property Fund, bringing the total up to £10m.

3.15 Lloyds has consistently offered better rates than other UK banks, but has reduced its rates significantly in the last year and is currently offering 0.70% for 3 months up to 0.95% for 1 year (they were paying 3.00% for 1 year as recently as July 2012) and 1.25% for 2 years. All the other UK banks and building societies on our lending list are now paying around 0.58% for 3 months and around 0.68% for 6 months, both of which have improved in recent months. The Director of Finance will continue to monitor rates and counterparty quality and take account of external advice prior to any investment decisions.

3.16 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, largely due to the earlier receipt of government funding. This has been a significant contributor to the over-achievement of investment income against budgeted income in recent years.



Other accounts

3.17 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 0.45%). The total balance held in Money Market Funds (£32.7m as at 30th June 2014 and, currently, £37.0m as at 19th August 2014) has increased significantly in the past year as bank credit rating downgrades have continued to restrict counterparty eligibility. If and when other investment options become available, this balance will reduce, as Money Market Funds currently offer the lowest interest of all our eligible investment vehicles with the exception of the Government Debt Management and Deposit Fund (currently 0.25%). If Members agree to the proposals in this report, then the additional investments (mainly with part-nationalised banks) will be funded by reducing holdings with money market funds and other low interest accounts.

Money Market Fund	Date Account Opened	Ave. Rate 2013/14	Ave. Daily Balance 2013/14	Actual Balance 31/03/14	Actual Balance 30/06/14	Ave. Rate Q1 2014/15	Actual Balance 19/08/14	Current Rate 18/08/14
		%	£m	£m	£m	%	£m	%
Prime Rate	15/06/2009	0.42	12.7	-	2.7	0.40	-	0.42
Ignis	25/01/2010	0.43	14.7	15.0	15.0	0.44	15.0	0.45
Insight	03/07/2009	0.39	6.9	4.3	15.0	0.40	7.0	0.42
Morgan Stanley	01/11/2012	0.41	7.5	-	-	0.37	-	0.40
Legal & General	23/08/2012	0.34	2.2	-	-	0.37	15.0	0.43
Blackrock	16/09/2009	0.31	0.1	-	-	-	-	0.33
Fidelity	20/11/2002	n/a	-	-	-	-	-	0.36
TOTAL			44.1	19.3	32.7		37.0	

3.18 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 are limited and the rate is better than that we are earning on our Money Market Funds, the account has been left open and the £15m was still invested as at 18th August 2014. The average daily balance in the first quarter of 2014/15 was £3.75m.

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 we have given notice to close the account with effect from 25th August 2014. The £15m was still invested as at 18th August 2014 and the average daily balance in the first quarter of 2014/15 was £3.75m.

Deutsche Bank

In the autumn of 2013, Sector notified the Council that they had negotiated a 95-day notice account facility with Deutsche Bank at a rate of 0.75%. Deutsche is an eligible counterparty on our lending list with a maximum investment sum of £5m and, on 25th November 2013, this sum was deposited. The £5m was still invested as at 18th August 2014 and the average daily balance in the first quarter of 2014/15 was £1.25m.

3.19 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 Sector, we made our first investment in a corporate bond, £1.1m with Standard Chartered Bank. The bond matured after the year end on 28th April 2014 with a coupon value of 0.70%. This report recommends a lowering of the minimum credit rating for corporate bonds to A- (see paragraphs 3.29 to 3.33), which may provide us with more investment opportunities in the future. In November 2012, £15m was invested in the Payden Fund and that sum was still invested as at 18th August 2014. The longer-term nature of the Payden Fund means that a better return will be secured by holding to maturity, although we could at any time withdraw our money by giving 3 days' notice. As at 30th June 2014, our share of the Payden Sterling Reserve Fund was valued at £15,180k, which represented a return of 0.74% since inception.

3.20 Investment in CCLA Property Fund

In September 2013, the Portfolio Holder and Full Council approved the inclusion of collective (pooled) investment schemes as eligible investment vehicles in the Council's Investment Strategy with an overall limit of £25m and a maximum duration of 5 years. Such investment would require the approval of the Director of Finance in consultation with the Resources Portfolio Holder. Following consultation between the Director of Finance and the Resources Portfolio Holder, an account was opened in January 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 a medium to long-term investment and performance data will be reported in due course.

3.21 Investment with Heritable Bank

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

3.22 For information, the claim we were obliged to submit consisted of the principal sum (£5m) plus interest due to the date on which Heritable was placed in administration (around £87,000). We were not able to lodge a claim for the full amount of interest (£321,000) that would have been due at the original investment maturity date (29/6/09). In accordance with proper accounting practice and guidance from CIPFA, we made provision in our 2008/09 accounts for an impairment loss of £1.64m and met this from the General Fund in that year. In line with revised guidance from CIPFA relating to the 2009/10 accounts, we were able to reduce the impairment by £300k and this sum was credited to the General Fund. An improvement in the administrator's recovery estimate in 2011 to between 86% and 90% (previously it was between 79% and 85%) enabled us to reverse a further £730k of the impairment in 2011/12. The Council's accounts included a provision for a net loss of £610k as at 31st March 2013 (12% of the claim, based on the midpoint of the administrator's estimate), but, as we had recovered 94% as at 31st March 2014, we were able to reverse more of the impairment in 2013/14 (£311k). We are currently waiting for an update from the administrator.

3.23 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 quarter of 2014/15, Tradition UK achieved a return of 1.08% (mainly as a result of two longer term investments placed with other local authorities in March 2014). 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
HSBC	£5m	26/06/14	26/08/14	3 months	0.65%
Lloyds	£7.5m	18/08/14	18/08/16	2 years	1.28%
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%

Economic Background (provided by Sector)

3.24 Comments on the economic background during the first quarter of 2014/15 and on the outlook are attached at Appendix 3.

Proposed changes to the Annual Investment Strategy

3.25 As is outlined in paragraphs 3.11 and 3.12, counterparty credit rating downgrades in recent years have resulted in the removal of (or the placing of restrictions on) many of our established counterparties from our lending list and it has become increasingly difficult to identify institutions to place money with. The restrictions on our lending list mean that we are almost always full to limit on eligible counterparties that are in the market for local authority cash. As a result, we have had to place large sums in low interest accounts and this has had a significant impact on the Council's interest earnings. At the time of writing this report (19th August 2014), around £87m is invested in non-fixed term deposit accounts (instant access and notice/call accounts). This comprises £37m in money market funds (currently earning an average of 0.42%), £20m in 95-day notice money (currently earning an average of 0.63%, but £15m of this is with RBS, who have announced a rate cut from 0.60% to 0.30% with effect from later in August), £15m in an instant access account with Svenska Handelsbanken (recently reduced from 0.60% to 0.50%) and a further £15m in the Payden Sterling Reserve Fund.

3.26 At the E&R PDS meeting in June, Members requested a report back to consider options for achieving greater returns by broadening the level of investments.

Increase in investment limits for part-nationalised banks Lloyds and RBS

3.27 A proposal to the Executive on 19th October 2011 to increase the lending limit for both of the part-nationalised banks (Lloyds and RBS) from £40m to £60m was approved, "subject to this being implemented after 3 months dependent on the prevailing financial position". At that meeting, concerns were expressed by Members at the recent downgradings of these banks and the continuing uncertainty in the money markets. As a result, they did not support increasing the lending limits at that time and the limits for the banks have remained at a total of £40m each (around 13% of our total portfolio each) and a maximum investment term of 2 years. Since then, the credit ratings for Lloyds and RBS have not been revised upwards, although the economic situation has improved. In recognition of this, Sector has compiled a number of more positive comments recently made on the two banks by the three ratings agencies, Fitch, Moody's and S&P, and this is attached as Appendix 4.

3.28 In recognition of the fact that the banks are part-nationalised, Members are requested ***to consider increasing the total investment limit for the two part-nationalised banks, Lloyds and Royal Bank of Scotland, to £80m and the maximum investment period to 3 years***. Sector advise that the proposed increases would be prudent in the current economic climate and would involve minimal additional risk. They feel strongly that the government will not sell its interest in the two banks until it is sure both can stand on their own two feet, which may still be some time away and is very unlikely to happen before the next General Election.

3.29 An increase in the total lending limit would enable us to invest more money with both and, consequently, less money with low-interest instant access accounts and would bring us closer in line with many other local authorities, who have very high limits with the two banks. In a recent survey of London boroughs, the five authorities with the highest average returns were lending 50%, 63%, 54%, 74% and 94% of their total portfolios respectively to the two part nationalised banks (compared with 33% for Bromley). Some of the authorities had also extended their lending period with these banks. This would enable a total of an extra £80m to be invested with these two banks, which are currently offering around 2% for 3 years, potentially bringing in more than £1m in additional income in a full year at current rates (£80m @ 2% = £1.6m; current non-fixed term deposit earnings £87m @ 0.50% = £0.4m).

<u>Lowering the minimum credit rating for corporate bond investments (but still maintaining "investment grade" ratings)</u>

3.30 The use of corporate bonds was approved by Council in November 2012 and eligibility criteria were set, comprising a minimum credit rating of AA-, a maximum duration of 5 years and a maximum total exposure of £25m. In essence, companies issue bonds in order to raise long-term capital or funding, rather than issuing equity. These are non-standardised compared to other investment vehicles, each having an individual legal document known as a "bond indenture", which specifies the rights of the holder and the obligations that must be met by the issuer, as well as the characteristics of that particular bond.

3.31 Investing in a corporate bond usually offers a fixed stream of income, known as a coupon, payable twice a year, for a fixed, predetermined period of time in exchange for an initial investment of capital. Many investors prefer not to hold them until maturity, as they can often offer marginal capital growth, but trading before maturity can be very risky, especially during volatile times, and requires in depth fixed income knowledge and experience. For local authorities looking for a fixed income stream, however, the buy and hold strategy is far more appealing.

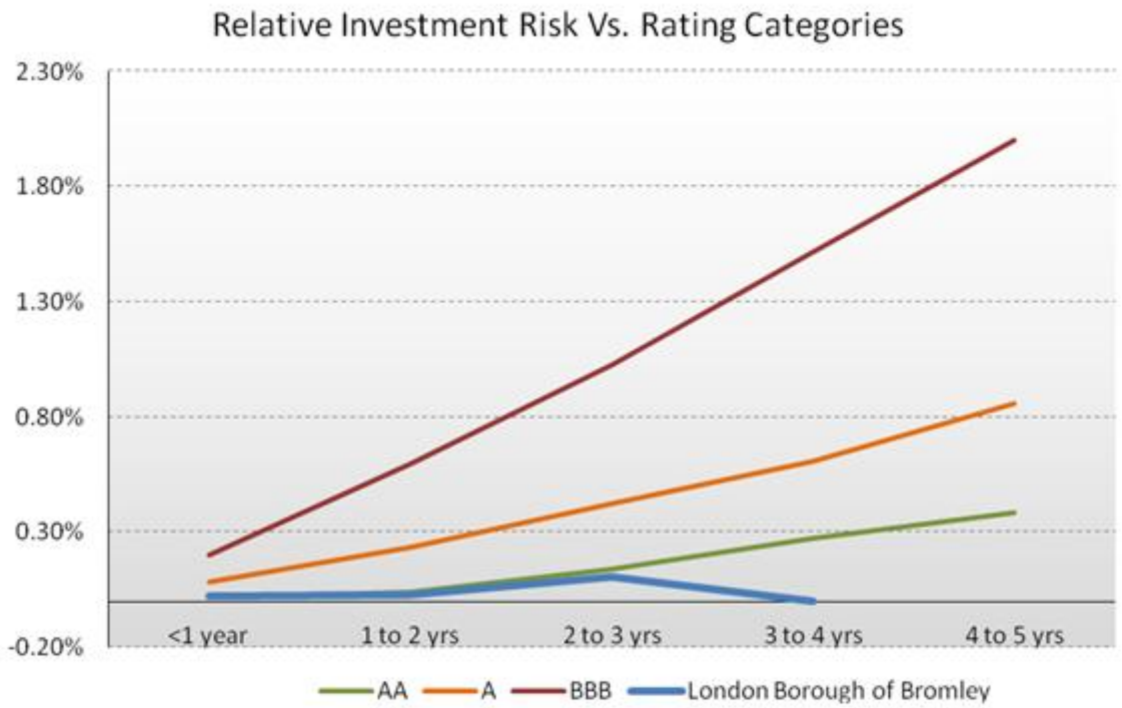
3.32 There are a number of benefits, drawbacks and risks to consider before and during investing in corporate bonds. The main benefits, drawbacks and risks are as follows:

Benefits / Counter measures	**Drawbacks / Risks**
Potential for higher returns than gilts and other assets	Higher perceived risk
Potential for greater liquidity than fixed term deposits (if sold before maturity)	Risk of capital loss (if sold before maturity)
Credit ratings, credit default swaps	Credit risk

NB. There are other risks, including interest rate risk, inflation risk, re-investment risk, default risk and call-in risk, most of which are the same for any type of investment. These will be controlled by risk management procedures built into the investment strategy and treasury management procedures and, as is always the case, potential investments will be discussed with external advisers.

3.33 In practice, the current minimum credit rating requirement has meant it has been difficult to identify good investment deals for the Council, as, generally, a bond with a higher credit rating will produce lower returns. As a result, only one bond has been bought to date (see paragraph 3.19). In consultation with Sector, ***it is proposed that the minimum credit rating for corporate bond investments be reduced to A-***. Given that we are using council taxpayers' money, we have to adopt the regulatory principles of security, liquidity and yield – in that order – and a minimum credit rating of A- would still represent a secure "investment grade" option. While it is true that a lower grade investment comes with a higher risk of default risk, moving to A- should give us more choice with minimal additional risk. It should be noted that the current criteria for fixed term deposits with banks and building societies already go down to a minimum of A-, although our Investment Strategy generally only permits short-term investments of up to 3 months with these institutions.

3.34 Sector have produced some analysis of the actual level of default over the last 5 years and this is attached as Appendix 5. While this does not necessarily relate exclusively to corporate bond issues, it shows that, certainly in 2013, the only defaults were relating to institutions with "Speculative-Grade" ratings (lower than BB-) and it demonstrates the general principle that lower ratings bring higher risk. For instance, were we to reduce the minimum rating down to BBB, we would, in relative terms, be taking on a considerable amount of additional risk. For ease of reference, the graph showing the historic risk of default is shown below. Sector estimate that, with a portfolio of A-rated investments, we could expect an estimated return of 0.80% and, if we went further down the ratings scale to BBB, we could expect an estimated return of 0.84%. In their view, it would not be worth taking on the extra risk of a portfolio of BBB rated investments in order to only gain around 0.04% increase in yield.



The table shown above has to be treated with some caution, as the defaults included in the base data related to non-UK institutions, However, the rating process and the measurement of the historic defaults measure the risk using the credit rating, irrespective of the economy so as to ensure they take a common and consistent approach across the world.

Investment in Diversified Growth Funds

3.35 The Director of Finance recently commissioned a report by an independent external adviser into other "alternative" investment options that would first and foremost protect the Council's principal sums, whilst also providing a good degree of liquidity and good returns. This report proposes that we consider investing in a minimum of two investment managers offering diversified growth fund products, but who have clearly contrasting or complementary investment styles. Diversified growth funds are essentially medium to long term investment vehicles (i.e. three to five years) and it should be noted that any recall of funds before the three to five year period has elapsed will be likely to affect the overall return. The adviser's report is attached as Appendix 5.

3.36 In addition to the adviser's report, we separately asked the Council's five Pension Fund managers for their views on the alternative investments identified in the report. They all agree that the alternative investments provide reduced volatility (compared with equities) but their views differ on the timeframe required for such investment. Some agree a period of 3 to 5 years whilst others indicate that the investment timeframe should be 10 years. Given the Council's financial prospects, ten years would be too long to tie up such monies. A key point raised is the risk of the value going down and the need to understand that this would be a longer term investment (i.e. don't panic if values go down {UK commercial real estate market fell by 26.4% in 2008 but have bounced back} and in longer term it should be alright). Another key point is that the recession is cyclical and therefore you may have to be prepared to retain the investment until the current recession cycle is over. As always performance in the past is no guarantee of future performance for such investments.

3.37 At its meeting in February 2014, the Pensions Investment Sub-Committee felt that Diversified Growth Funds represented a good investment, as they are relatively low risk, liquid and have a good prospect of a reasonable return. The Council's Pension Fund already invests a total of around £70m in Diversified Growth Funds, having agreed an allocation of 10% of the total Fund to that asset class in the Strategy Review that took place in 2012. The £70m is managed by two managers, Baillie Gifford and Standard Life, who were appointed from December 2012 after a tender process. Given that the Baillie Gifford DGF offering is currently closed to additional money and that there have been significant recent staff changes at Standard Life, the adviser recommends that we look initially to invest a total of up to £15m with the two managers that came 3rd and 4th in the 2012 selection process. If the principle of a treasury management DGF investment is agreed, this will be looked at further. In terms of our existing Treasury Management Investment Strategy, an investment of up to £15m would be permitted as a collective (pooled) investment scheme. This investment category was added in October 2013 as an eligible investment vehicle in the Council's Investment Strategy with an overall limit of £25m and a maximum duration of 5 years. To date, a total of £10m has been invested in the CCLA Property Fund and ***Members are asked to agree that up to £10m be invested in Diversified Growth Funds***.

Regulatory Framework, Risk and Performance

3.38 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 in any year(s);

- 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.

3.39 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 ensure the security of the Council's investments, to achieve liquidity and to achieve the highest rate of return on investments whilst maintaining appropriate levels of risk.

5. FINANCIAL IMPLICATIONS

5.1 An average rate of 1% has been assumed for interest on new investments in the 2014/15 revenue budget, in line with the estimates provided by the Council's external treasury advisers, Sector, earlier in the year and with officers' views. The Bank of England base rate is still expected to rise, but Sector now anticipate the rise will start in early-2015, although it could be later. For planning purposes, the latest financial forecast assumes 1% for new investments in all years from 2014/15 to 2017/18. As in previous years, the level of returns achieved will depend on the rates available in the market place working within the Council's approved investment framework. A variation of 0.25% in these assumptions would result in a variation in interest earnings of around £400k pa from 2014/15. The net budget for interest on balances (after deducting interest payable to internal funds) was set at £1.6m and, at this stage in the year, it is forecast that the 2014/15 outturn will be broadly in line with the 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 Sector Treasury Services

This page is left intentionally blank

APPENDIX 1

INVESTMENTS HELD AS AT 30th JUNE 2014

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
FIXED TERM DEPOSITS				
SUMITOMO BANK	02/04/14	02/07/14	0.50000	10.0
LLOYDS BANK	04/07/13	04/07/14	1.01000	2.5
GOLDMAN SACHS	17/01/14	17/07/14	0.73500	5.0
NATIONWIDE BUILDING SOCIETY	16/01/14	23/07/14	0.57000	5.0
LLOYDS BANK	16/08/13	18/08/14	1.01000	5.0
HSBC	26/06/14	26/08/14	0.65000	5.0
GOLDMAN SACHS	05/03/14	05/09/14	0.72000	5.0
LLOYDS BANK	19/09/13	19/09/14	0.98000	2.5
SANTANDER UK	31/03/14	30/09/14	0.55000	10.0
BARCLAYS BANK PLC	31/03/14	30/09/14	0.54000	4.0
LLOYDS BANK	28/10/13	28/10/14	0.98000	15.0
NATIONWIDE BUILDING SOCIETY	06/05/14	06/11/14	0.57000	5.0
BARCLAYS BANK PLC	06/05/14	06/11/14	0.55000	6.0
LLOYDS BANK	19/11/13	19/11/14	0.98000	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 (King & Shaxson Client A/c) - CD	28/04/14	28/04/15	0.83000	5.0
RBS (King & Shaxson Client A/c) - CD	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
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
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
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
				199.5
OTHER				
Insight Sterling Liquidity Fund	Instant access account		0.41	15.0
Ignis Sterling Liquidity Fund	Instant access account		0.44	15.0
Prime Rate Sterling Liquidity Fund	Instant access account		0.41	2.7
RBS 95 day notice account	95 day notice account		0.60	15.0
Deutsche Bank 95 day notice account	95 day notice account		0.74	5.0
Svenska Handelsbanken instant access account	Instant access account		0.60	15.0
Payden Sterling Reserve Fund	Instant access account			15.0
CCLA Local Authority Property Fund	Property Fund			5.0
TOTAL INVESTMENTS AS AT 31st MARCH 2014				**287.2**
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 30/06/14 (94%)				-4,782,724
Principal sum unrecovered as at 30/06/14				304,341
Provision in 2013/14 accounts for non-recovery (5.9% of total claim)				300,000

APPENDIX 2

INVESTMENTS HELD AS AT 30/06/14

	FROM	TO	RATE	£m	TOTAL £m	LIMIT	REMAINING
UK BANKS							
HSBC BANK plc	26/06/14	26/08/14	0.65000	5.0	5.0	30.0	25.0
BARCLAYS BANK PLC	31/03/14	30/09/14	0.54000	4.0			
BARCLAYS BANK PLC	06/05/14	06/11/14	0.55000	6.0	10.0	10.0	0.0
LLOYDS BANK	04/07/13	04/07/14	1.01000	2.5			
LLOYDS BANK	16/08/13	18/08/14	1.01000	5.0			
LLOYDS BANK	19/09/13	19/09/14	0.98000	2.5			
LLOYDS BANK	28/10/13	28/10/14	0.98000	15.0			
LLOYDS BANK	19/11/13	19/11/14	0.98000	5.0			
LLOYDS BANK	31/03/14	31/03/15	0.95000	5.0			
LLOYDS BANK	11/04/14	13/04/15	0.95000	5.0	40.0	40.0	0.0
ROYAL BANK OF SCOTLAND-CD Investment	28/04/14	28/04/15	0.82000	10.0			
ROYAL BANK OF SCOTLAND-Floor 1.15%; ceiling 1.37%	21/05/14	23/05/16	1.15000	15.0			
ROYAL BANK OF SCOTLAND-95 day notice account	19/04/13	95 days	0.60000	15.0	40.0	40.0	0.0
SUMITOMO MITSUI BANKING CORP	02/04/14	02/07/14	0.50000	10.0	10.0	10.0	0.0
SANTANDER UK	31/03/14	30/09/14	0.55000	10.0	10.0	10.0	0.0
GOLDMAN SACHS	17/01/14	17/07/14	0.73500	5.0			
	05/03/14	05/09/14	0.72000	5.0	10.0	10.0	0.0
STANDARD CHARTERED BANK-CD Investment	28/04/14	28/04/15	0.83000	5.0	5.0	20.0	15.0
OVERSEAS BANKS							
SVENSKA HANDELSBANKEN	Instant access		0.60000	15.0	15.0	15.0	0.0
DEUTSCHE BANK	95 day notice		0.74000	5.0	5.0	5.0	0.0
UK BUILDING SOCIETIES							
NATIONWIDE BUILDING SOCIETY	16/01/14	23/07/14	0.57000	5.0			
NATIONWIDE BUILDING SOCIETY	06/05/14	06/11/14	0.57000	5.0	10.0	10.0	0.0
OTHER LOCAL AUTHORITIES							
KINGSTON-UPON-HILL CITY COUNCIL	02/01/14	04/01/16	0.90000	2.0	2.0	15.0	13.0
WEST DUMBARTONSHIRE COUNCIL	26/03/14	24/03/17	1.60000	2.5	2.5	15.0	12.5
PERTH & KINROSS COUNCIL	23/03/14	24/03/17	1.45000	5.0	5.0	15.0	10.0
LANCASHIRE COUNTY COUNCIL	18/02/13	18/02/15	0.85000	15.0	15.0	15.0	0.0
NORTHUMBERLAND COUNTY COUNCIL	01/03/13	02/03/15	0.85000	10.0	10.0	15.0	5.0
NEWCASTLE CITY COUNCIL	01/07/13	01/07/15	0.70000	5.0			
NEWCASTLE CITY COUNCIL	29/07/13	29/07/15	0.70000	10.0	15.0	15.0	0.0
WARRINGTON BOROUGH COUNCIL	31/10/13	31/10/16	1.45000	5.0	5.0	15.0	10.0
LONDON FIRE & EMERGENCY PLANNING AUTHORITY	28/11/13	28/11/16	1.50000	5.0	5.0	15.0	10.0
GREATER LONDON AUTHORITY	01/04/14	01/04/16	1.14000	15.0	15.0	15.0	0.0
OTHER ACCOUNTS							
INSIGHT STERLING LIQUIDITY FUND	Instant access		0.41	15.0	15.0	15.0	0.0
IGNIS STERLING LIQUIDITY FUND	Instant access		0.44	15.0	15.0	15.0	0.0
PRIME RATE STERLING LIQUIDITY FUND	Instant access		0.41	2.7	2.7	15.0	12.3
PAYDEN STERLING RESERVE FUND	Instant access			15.0	15.0	15.0	0.0
CCLA PROPERTY FUND	Property Fund			5.0	5.0	25.0	20.0
TOTAL INVESTMENTS AS AT 31/03/14				**287.2**	**287.2**		

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 30/06/04 (94%)				-4,782,724
Principal sum unrecovered as at 30/06/14				304,341
Provision in 2013/14 accounts for non-recovery (5.9% of total claim)				300,000

APPENDIX 3

Economic Background (provided by Sector)

1. Economic performance to date

After strong UK GDP growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Accordingly, markets are expecting a first increase around the end of 2014.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.

In June, the Federal Reserve continued with its monthly $10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from $85bn to $35bn and are expected to stop by Q3 2014, providing strong economic growth continues this year. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.

The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June to loosen monetary policy in order to promote growth.

2. Outlook for the next six months of 2014/15

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

As for the Eurozone, concerns subsided considerably during 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. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

RATING AGENCY COMMENTS ON LLOYDS & RBS

Lloyds Banking Group plc

Throughout the crisis, major rating agencies viewed Lloyds Bank as a bank of systemic importance to the UK. This implied that high levels of support would likely be available to the bank from the UK authorities, if required. This view remains unchanged. The first quarter results for 2014 showed a rise in pre-tax profit, impairments falling 57% to £431m and costs falling by 5% to £2.3bn. Looking at the capital adequacy, the bank's Common Equity Tier 1 ratio (fully loaded to meet future Basel III requirements) was 10.8%, some way above the minimum 7.5% requirement and its Leverage ratio was 4.1%, above the 3.5% minimum.

After the first sell off of the government stake on 16th September 2013, Fitch reaffirmed its view that "support for the banks from the UK authorities (AA+/Stable), in case of need, is still highly likely."

Fitch: Key Rating Drivers

Systemically Important: The Long Term Rating of Lloyds Bank plc reflects Fitch Ratings' view that as a systemically important bank, support from the UK authorities in case of need is highly likely.

Strong Franchise Drives Viability Rating: Lloyds Bank's Viability Rating is underpinned by strong UK retail and commercial banking franchises, a reduced risk profile due to deleveraging and healthy liquidity. The Viability Rating also take into account risks, especially those linked to commercial real estate and potential future conduct charges.

Asset Quality Risks Remain: Non-performing loans have steadily reduced since end-2010, but remain higher than most UK peers, at 7.7% of gross loans at end-H113 (end-2012: 8.7%). Impairment charges reduced significantly in H113, representing 0.64% of average gross loans 2012: 0.95%). Fitch expects impairment charges to remain moderately high as a result of subdued UK economic growth and high unemployment.

Evolving Assumptions on Support: In Fitch's view, there is a clear intention to ultimately reduce implicit state support for systemically important banks in the UK (and more broadly in the EU), as demonstrated by a series of legislative, regulatory and policy initiatives at UK and EU levels. The bank's ratings could be revised down if Fitch concluded that potential sovereign support had either weakened relative to its previous assessment or that it could no longer be relied upon.

Viability Rating on Upward Path: An improving UK operating environment, helping to sustain profitability and further strengthen capitalisation, could support positive momentum in the bank's Viability Rating.

Support Rating: Lloyds Bank has a Support Rating of '1' which is designated for banks for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long Term Rating floor of 'A−'.

Moody's: Key Rating Drivers (June 2014)

- Solid capital and leverage ratios

- Leading retail and commercial banking franchise combined with revenue diversification from its subsidiaries provide material "shock absorbers"
- Conduct remediation costs and potential litigation charges introduce potential earnings volatility
- Improved asset quality reduces downside risk arising from legacy portfolio, though run-off book remains sizeable
- Liquidity and funding profile has improved, though use of wholesale funding remains high

According to Moody’s, Lloyds's capital and leverage ratios continue to improve as the bank reduces its risk-weighted assets (RWAs) through disposals, positioning the bank well relative to regulatory requirements. The agency expects that the bank’s improved ability to generate earnings will increasingly contribute to further strengthening of its capital levels as the deleveraging process comes to an end.

S&P (30th May 2014) base their ratings on Lloyds "strong" business position, "adequate" capital and earnings, "moderate" risk position, "average" funding, and "adequate" liquidity, as defined by their criteria.

S&P assess Lloyds' business position as "strong," based on Lloyds' position as the largest mortgage and retail savings provider in the UK, and its good revenue diversity across a wide range of banking business lines. Lloyds' UK insurance franchise also adds to our view of its revenue diversity.

S&P view Lloyds' capital and earnings as "adequate" and they project its RAC (risk adjusted capital) ratio will be in the range of 8.0%-8.5% by the end of 2015. We calculate this ratio to have been a relatively low 6.3% as of 31st December 2013.

S&P regard Lloyds' funding as "average" and its liquidity position as "adequate." Deposit growth was healthy in Lloyds' retail and commercial banking divisions in 2013, and this has continued into 2014. Lloyds reported that its loan-deposit ratio improved to 111% as of 31st March 2014, from 119% a year before, and a material improvement from 176% in mid-2009.

Royal Bank of Scotland Group plc

According to the recent credit reports on Royal Bank of Scotland Group plc, the bank is considered as being well diversified with strong franchises in core and making good progress in run-down of non-core assets markets. In addition, the banks has an adequate capital position following significant equity injections from the UK government, the majority shareholder, and substantial balance sheet deleveraging (S&P, June 2014).

This positive view on the bank was reaffirmed by the credit report issued by Moody's on 1st August 2014. In its report, Moody's outline their view that that systemic support for the banks from the UK government would be available to senior depositors and bondholders, if required. The positive views on the bank are supported by (1) strong underlying earnings from non-investment banking activities (which are however currently being eroded by high conduct-related cost and litigation charges); (2) the strong track record of the current management in de-risking and restructuring the group; (3) adequate capitalisation levels, which we expect to be volatile in the run-up to the completion of the group's overall restructuring plan and therefore constrain financial flexibility during this period; and (4) sound liquidity and funding positions.

Fitch: (24th July 2014)

Royal Bank of Scotland Group plc (RBSG), The Royal Bank of Scotland Plc (RBS) and NatWest are managed as a group and Fitch assesses their creditworthiness on a consolidated basis. The risks of the subsidiary banks are incorporated into our assessment of the group and vice versa. They have therefore assigned a Viability Rating (VR) to NatWest at the same level as its immediate parent's, RBS, and of its ultimate parent, RBSG. This reflects the high degree of integration across the group and large relative size of the entity in the group context.

RBS's and NatWest's VR reflects the significant progress made in improving the group's overall risk profile. The strategy unveiled by its new CEO in February 2014 should result in a better capitalised bank in the medium term, with a much simpler organisational structure. As a result, Fitch expects its operating profitability to improve in the medium term and for the large one-off costs reported in recent years to reduce.

Profitability is set to benefit from a more targeted focus on its strong UK franchise where it has leading market shares in SME and mid-corporate business. The group has concentrated on deleveraging and restructuring over the past five years, and much investment is still required for its IT systems and processes. The new transformation and simplification projects should allow for a much leaner organisation, with better systems, procedures and controls. Internal capital generation should become steady and sustainable into the medium term. However, it is likely that some cross winds will impact the group's profitability at least in the short term as it puts through a significant level of transformation costs.

The bank now operates with a much more balanced funding profile, with an improved balance between the maturities of its assets and liabilities, with a much reduced reliance on wholesale (particularly short-term) funds, and a large, good quality liquidity buffer. Capitalisation has also been improving, and, by 2016 should compare well with peers. However, capital generation will partly depend on the achievement of the sale of its US subsidiary, Citizens, which is subject to execution risk. The group is targeting a common equity Tier 1 capital ratio of over 12% by 2016.

While the proportion of impaired loans on its balance sheet remains high, they have been significantly covered by impairment reserves, reducing the proportion of the bank's capital, which is still at risk from asset valuations.

Moody's: Key Rating Drivers (August 2014)

- RBS's ambitious and complex overall restructuring poses risk to bondholders, given RBS's constrained financial flexibility, but it will eventually improve its credit profile
- RBS's capital markets activities are still sizeable and will continue to constrain its credit profile, until material reduction in investment banking is achieved
- Asset quality is currently poor overall but it is gradually improving, as the RBS Capital Resolution (RCR) wind-down is progressed and credit conditions in the UK and Ireland further improve
- We expect RBS's capitalisation to improve in the medium term as the bank continues to deleverage, but it remains vulnerable to short-term shocks
- RBS has sizeable shock-absorbers because of its earnings from retail and commercial banking activities but their value has been eroded by ongoing conduct and litigation costs
- Liquidity and funding are currently sound

S&P (3rd June 2014) provide assessment of RBS' business position as "adequate" balancing their view of the group's leading franchises in UK retail, corporate, and private banking with its extended and long-running restructuring program, management transitions, and underperformance in key divisions. S&P view capital and earnings as "adequate."

S&P expect that the group's risk-adjusted capital (RAC) ratio (before diversification adjustments) will increase to the 8.5%-9% range by year-end 2015 (from 7.7% at end-2013).

S&P view the group's risk position as "moderate," reflecting the continued high impairment losses and the group's substantial exposure to conduct and litigation-related risks.

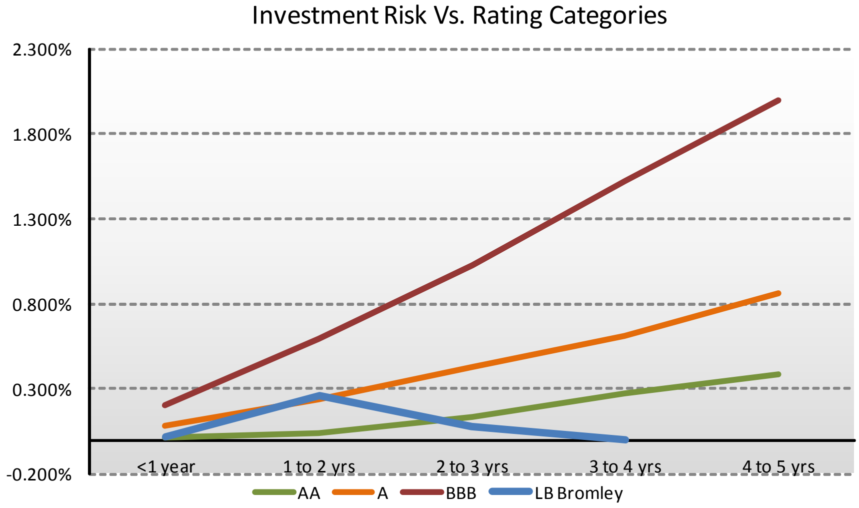
S&P consider funding as "average" and liquidity as "adequate" in light of the bank's stable deposit franchise and the progress that RBS has made in reducing its dependence on wholesale funding and enhancing its liquidity buffers over the past few years.

CAPITA

Asset Services

Relative Investment Risk and Rating Exposure

The aim of the graph below is to assess the investment risk of a Local Authority's portfolio when compared to the historic risk of default assigned to each of the rating categories according to duration by the rating agencies Fitch, Moody's and S&P.



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.017%	0.038%	0.137%	0.271%	0.384%
A	0.087%	0.237%	0.425%	0.610%	0.861%
BBB	0.201%	0.595%	1.025%	1.519%	2.000%
LB Bromley	0.022%	0.258%	0.082%	0.000%	0.000%

Historic Risk of Default

The table illustrates the issuer weighted historical average default rates by rating category over various investment horizons. First defaults are examined by year for each statistic pool and individual rating category. For example, if 25 issuers defaulted in 2002, and the 2002 static pool consisted of 2,000 issuer ratings, the resulting annual default rate for all ratings in 2002 would be 1.3%. If 10 of these defaults consisted of defaults among issuers rated 'BB' at the beginning of the year and the 'BB' cohort at the beginning of the year totalled 500, the 'BB' 2002 default rate would be 2% (10/500).

From these annual default rates, average annual default rates are derived by weighing each cohort's default rates by the number of ratings outstanding in the given cohort relative to the number of total ratings outstanding for all cohorts. Following the example, the 2002 'BB' annual default rate of 2% might be followed by a 2003 'BB' annual default rate of 1%. A straight average of these two rates would ignore potential differences in the size of the two cohorts. Rather, weighing the results based on the relative number of 'BB' ratings outstanding in 2002 and 2003 gives greater emphasis to the results of the 'BB' cohort with the most observations.

The same technique is used to calculate average default rates over multiple-year horizons. For example, the two-year default rate for the 2002 'BB' rating pool would be averaged with the two-year default rate for the 2003 'BB' rating pool by weighing the default rates by the relative size of each pool.

These average default rates over multiple-year horizons are then tabulated by each of the rating agencies as shown below:

2013 Default Calculations

FITCH	1	2	3	4	5
AAA	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
AA	0.0300%	0.0300%	0.0700%	0.1300%	0.1900%
A	0.0800%	0.2200%	0.3800%	0.5200%	0.7100%
BBB	0.1900%	0.6600%	1.1900%	1.7600%	2.3600%

Fitch Ratings recorded 14 issuer defaults in 2013, below the 18 recorded in 2012 and resulting in a default rate of 0.51% on the year (down from 0.65% in 2012). The 2013 defaults all carried speculative-grade ratings at the beginning of the year (rated BB– or lower). EM issuer defaults (nine) led advanced economy defaults (five) in 2013.

The 14 issuer defaults were:

Fitch-Rated Corporate Finance Defaults 2013[a]

Issuer	Rating at B-O-Y	Rating 12-Months Prior	Sector Detail	Country
Agroton Public Ltd.	B–	B–	Food, Beverage and Tobacco	Ukraine
Axtel, S.A.B. de C.V	B–	B+	Telecommunications	Mexico
Bank of Cyprus Public Company Ltd.	BB–	BB+	Banking and Finance	Cyprus
Corporacion GEO, S.A. de C.V.	BB–	BB–	Homebuilding and Construction	Mexico
Cyprus Popular Bank Public Co Ltd.	BB–	BB+	Banking and Finance	Cyprus
Desarrolladora Homex, S.A.B. de C.V.	BB–	BB–	Homebuilding and Construction	Mexico
Energy Future Holdings Corp.	CCC	CCC	Power Markets and Generation	U.S.
Energy Future Intermediate Holdings, Inc.	CCC	CCC	Power Markets and Generation	U.S.
Hellenic Bank Public Company Ltd.	BB–	BB+	Banking and Finance	Cyprus
Interpipe Ltd.	B–	B–	Natural Resources	Ukraine
OGX Petroleo E Gas Participações S.A.	B	B	Energy (Oil and Gas)	Brazil
Siderurgica del Turbio, S.A. (Sidetur)	CCC	B–	Natural Resources	Venezuela
Urbi Desarrollos Urbanos, S.A.B. de C.V.	B	BB–	Homebuilding and Construction	Mexico
Winsway Coking Coal Holdings Ltd.	BB–	BB–	Natural Resources	China

[a]Rated by Fitch at the beginning of the year in which they defaulted. B-O-Y – Beginning of year.
Source: Fitch.

MOODY'S	1	2	3	4	5
AAA	0.0000%	0.0360%	0.0360%	0.0360%	0.0360%
AA	0.0000%	0.0140%	0.2120%	0.4430%	0.6010%
A	0.1100%	0.3210%	0.6160%	0.8810%	1.2740%
BBB	0.2020%	0.5240%	0.8640%	1.2680%	1.5810%

World-wide, 66 Moody's-rated corporate issuers defaulted in 2013, up slightly from 63 in 2012. The majority of the 2013 defaults were recorded in the first half of the year when 40 companies defaulted, accounting for 60% of defaults for the whole year.

S&P	1	2	3	4	5
AAA	0.0000%	0.0300%	0.1300%	0.2400%	0.3500%
AA	0.0200%	0.0700%	0.1300%	0.2400%	0.3600%
A	0.0700%	0.1700%	0.2800%	0.4300%	0.6000%
BBB	0.2100%	0.6000%	1.0200%	1.5300%	2.0600%

In 2013, 81 Standard & Poor's global corporate issuers defaulted, relatively unchanged from 83 in 2012 (see table 1). These 81 defaulted issuers accounted for a total of $97.3 billion in debt, up from $86.7 billion in 2012.

CAS then takes an average of these default calculations to generate an overall figure encompassing each of the rating agencies default rates, as seen below. The Local Authority's portfolio is then benchmarked against each of rating categories to see what type of rated portfolio it most closely resembles.

Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.017%	0.038%	0.137%	0.271%	0.384%
A	0.087%	0.237%	0.425%	0.610%	0.861%
BBB	0.201%	0.595%	1.025%	1.519%	2.000%
LB Bromley	0.022%	0.258%	0.082%	0.000%	0.000%

Treasury solutions

40 Dukes Place, London, EC3A 7NH

Tel 0871 664 6800 Fax 0871 664 6830 www.capitaassetservices.com

This page is left intentionally blank

APPENDIX 6

REPORT ON INVESTMENT OPTIONS PREPARED FOR

London Borough of Bromley

Alick Stevenson
Managing Director Poseidon Consulting Limited

The brief

To prepare a paper setting out various investment alternatives in respect of the potential investment of between £10m and £30m for periods of between 3 and 5 years for submission to the London Borough of Bromley ("LBB") Cabinet. These investments may include Diversified Growth Funds or Property Investment Trusts and other long term strategies deemed appropriate and which fully satisfy the LBB treasury mantra of Security, Liquidity and Yield. This paper will highlight minimum time frames for the investments to achieve their stated return objectives, the levels of risk measured against investment return and the timeframes by which the chosen asset classes can be fully invested.

The current market

The "Lehman crisis" in 2008, almost brought down the global financial markets, and resulted in Central Banks taking unprecedented actions to both pump liquidity into the markets and to vocalise their intent to do whatever was necessary to achieve financial stability. The long term effects of this "crash" and the "antidote" of highly managed monetary policy remain with us, albeit in a less overt sense.

Currently, central bankers are quietly managing the nascent economic recovery in the developed world and considering what steps, if any, might be necessary to avoid stagflation or deflation in Europe, a burgeoning property market in the UK and a patchy but growing recovery in the USA. These activities are in parallel with slowing growth in China and concern over the stability of some emerging market economies. In addition, questions remain as to the process by which this monetary easing might be removed from the global economy.

The Bank of England base rate has been held at 0.5% pa since 2009, an unprecedented period of no change, and one which reflects Bank of England concern for the UK economy. As a result of this activity, bank deposit rates are low, with returns below the current rate of inflation.

In recent times there has been talk from some central bankers that rates will rise at some stage but not until at least 2015 and then only in response to economic pressures to perhaps dampen inflation potential or a "bubble" in particular market segments.

As a result, treasurers looking to invest funds surplus to their current requirements have been considering other investable assets, which at least provide a rate in line with inflation. These rates are not achievable through bank deposits or even through investment in gilts or index linked government bonds. Treasurers have and are investing in assets which may previously have been deemed too long term in nature for the corporate sector, but which have been part of the historic asset allocation of pension funds in order to achieve returns over inflation and partly to match scheme liabilities.

These assets are typically designed to show positive returns over at least one economic cycle, which effectively means the investment need to be held for a minimum period of between three and five years in order for the investment philosophy driving the investment returns to flow through**.**

What type of investment vehicles are currently available

There are various asset classes available for investment, each with its own particular risk/return characteristics:

i. Diversified growth funds
ii. Property investment trusts
iii. Alternative investments including Private equity

Investment Market developments

In the late 1980's and early 1990's pension funds began investing in what were known as "balanced" funds. The pension fund placed funds with an investment manager who then allocated it to various asset classes and in various countries, thus a typical asset allocation might have been:

80% in equities invested in the UK, USA, Europe and Japan, with perhaps a very small amount in Pacific Rim ex Japan
20% invested in fixed interest bonds with a significant holding in UK Gilts, US T Bills and maybe some investment grade corporate bonds.

This fund would have been measured against an index of balanced managers rather than against a target rate of return set by the pension fund.

In the late 1990's pension funds started to move away from balanced funds towards specific investment mandates which overall, had a target return and which was not simply a comparison to other funds. In the mid to late 2000's several investment managers took their old "balanced" funds and reinvented them as diversified growth or real return funds. By taking the concept of manager driven asset allocation but adding a target rate of return and benchmark, investment managers marketed these funds to small and medium pension schemes and charities where trustees had little investment expertise and little time to make asset allocation decisions.

Property investment trusts more commonly known as Real estate investment trusts or "REITs")

Originally established in the USA, REIT's were established in the UK at the beginning of 2007, with some of the biggest UK property companies converting to REIT's as the tax structure was extremely attractive. There are now nearly 50 REIT companies established in the UK

REIT's are better described as **equities or common stock in a listed company** which invests in property, and thus offer the investor an equity like return (and equity like risk) in return for liquidity. Most REIT's are listed on the Stock Exchange and whilst some investors use REIT's as a proxy for direct property investment, it provides them with a liquidity based return rather than attracting the "illiquidity premium" through investing in either direct property or through a property unit trust. However, as part of the FTSE All Share Index, REIT's react not only to broad stock market changes but also market driven perceptions of movements in value in the property market.

Great care must be exercised through due diligence, in determining the extent to which the REIT is diversified across the different property sectors (office, retail, retail distribution and warehousing, residential and others), as a particular concentration in one sector or region could prove expensive.

From an investment return perspective the REIT sector as measured by the FTSE Actuaries share indices has a running yield of 3.25% pa Thus when measured against the Liquidity, Security, Return mantra of LBB, an investment in a REIT has liquidity as the shares can be purchased or sold on a typically T plus 2 days settlement basis.
It's security is the perceived value of the property assets held within its portfolio. The investment return ie dividend stream, is adequate and above the current rate of inflation, however, from a relative risk/return perspective the asset is an equity and therefore subject to the vagaries of the market place.
Chart 1 on page 4 indicates a risk or volatility level of 12.1% pa for the FTSE ALL Share index when measured over a three year period.

Investors can also gain exposure to commercial and retail property by **purchasing units in pooled vehicles ("OEIC's) investing solely in property assets**. Once again these do not offer the same "illiquidity premium" returns that are available through direct property holdings as they are usually traded on a bid and offer spread price.

In most cases investors wanting to redeem units will submit a redemption request which will be executed and proceeds paid out after 3 months. Note that with some managers there is a subscription charge and a redemption charge in addition to the bid and offer spread around the last net asset value calculation.
Typically a managed fund will carry a cash buffer from which to make redemptions. In certain instances, and certainly in recent years, significant investor redemptions have forced managers to impose a "waiting list" for client redemptions pending sales of property holdings enabling those redemptions to be made. In some extreme cases managers have imposed additional exit levies in order to protect those investors remaining in the funds and in one very recent case, investors were forced to accept a 12 month moratorium on redemptions in order to save the fund from going into liquidation.
However, whilst they basically fulfil two of the three requirements namely return and security, as far as liquidity is concerned, the investor will have to wait a minimum of 3 months to get paid out and in some cases much longer should the fund be subjected to significant redemption request.

Direct property investment is not an option for LBB as the size of the potential investment as evidenced in "The Brief" on page 1 is not large enough to provide sufficient diversity of holdings both sectorally and geographically. In any event the potential illiquidity risk would also rule direct property out.

Corporate bonds

Bonds issued by investment grade corporates have done well over the longer term, but in recent months, as talk of interest rate rises becomes commonplace, they have lost some of their lustre and whilst still returning a margin over gilts, would appear to be fully valued at the present time. An interest rate rise would impair their capital value and whilst they are currently meeting two of the three criteria, liquidity and security, they must be deemed a failure as regards return.

Chart 3 Corporate bond investment returns

Period		1Q 14	12months	3years	5 years
number of funds		56	56	56	55
		% return	% return	% return pa	% return pa
Upper Quartile		2.8	1.7	8.0	10.8
Median		2.5	-0.3	6.8	8.6
Lower Quartile		2.1	-2.3	5.6	5.0

Source: BNYMellon P&RA E ltd

Asset backed securities have much in common with corporate bonds although the investment returns may be slightly higher, potential capital losses from a future interest rate hike make these investments currently less attractive.

Alternative investments

Alternative investment opportunities such as infrastructure, private equity, private debt and asset backed securities are all available to the investor through a mixture of open or closed end investment funds. One of the drawbacks from LBB's perspective of investing in ***alternative assets is the mean time between committing to invest and being fully funded.***

For **private equity** as an example, becoming fully invested can take several years and then an investor has to wait for investments to be realised and cash returned, before a rate of return can be calculated.
Whilst returns can be extremely attractive, the investment is effectively illiquid until realised as there is only a very limited secondary market.

Infrastructure funds operate in similar way to private equity in that the commitments are made and then periodic drawdowns are made. Whilst the drawdown period is usually less long than for private equity, these investments are effectively illiquid until they mature.

"Capital release" funds are another investment opportunity which almost meet the criteria, but again do not meet the liquidity requirement as they would generally take between twelve and 18 months from commitment to full drawdown and would then have an average repayment life of approximately four years. During that time the investment is essentially illiquid until maturity.

For these particular reasons an investment in private equity, infrastructure or capital release funds does not meet the three criteria set by LBB, especially in terms of liquidity.

Diversified growth funds

As mentioned on Page 2, "DGF" funds emerged around ten years ago as a means whereby smaller funds, in particular, could obtain exposure to a broad range of assets and a reasonable rate of return, but with a lower level of risk, or volatility than equities. These smaller funds who had limited governance capacity were able to delegate asset allocation and timing decisions to the investment manager. More recently larger pension funds also began investing in them as a risk mitigating investment and also where they wanted to gain exposure to alternative investment classes without having to go through lengthy and costly procurement processes.

In more recent times, corporate treasurers and finance directors have also been investing in these funds as an alternative to cash deposits in order to improve their returns whilst managing down risk levels.

These funds comply with the LBB Treasury mantra of Security, Liquidity and Yield

Security

By selecting managers who have a long and stable track record in managing these products, coupled with an asset pool which is reviewed on a regular basis for liquidity, investors have been able to achieve a return similar to that of equities but with less than 50% of their volatility.

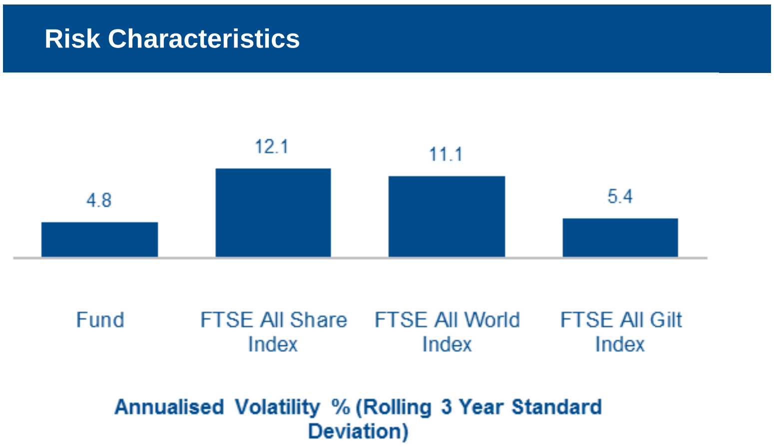
Liquidity

Most diversified growth funds trade on a daily or weekly basis with settlement on a trade plus 2 days. It is worth noting that there have been no temporary closures or delays in settling client disinvestment requests. On the contrary, in recent times several managers have closed their funds to new business as they recognise that growing assets is not the same as making sure their existing investors continue to benefit from the manager's long term investment philosophy.

Yield

Investment returns over the last five years have confirmed that these funds have been very successful in capturing investment return whist maintaining a relatively low risk profile when compared with equities. (see chart 1 on page 7 on risk characteristics). Investment returns over the last twelve to 18 months have been lower as markets settled into a risk on /risk off mode, as markets and investors pondered the next monetary move from the central banks. (See chart 2 on page 7).

Chart 1



Source:manager report for 1Q 2014 from internet

Chart 2

Period to 31/3/14 Manager		quarter	1 year	3 year % pa	5 year % pa
1*		-0.5	1.6	4.7	9.3
2		0.7	1.1	3.9	6.8
3**		0.7	1.1	5.1	13.3
4		0.2	3.3	5.9	9.3
5		0.3	5.2	4.2	11.2
6		0.9	5.7	4.6	8.5

Source: manager reports from internet

*Denotes soft closed
** Denotes hard closed

The above investment return table provides an indication of how broadly returns can differ over time, even though the risk or volatility factors have a fairly narrow range of 6.2% to 4.5%. Roughly 1/2 to 2/3 the risk associated with equities.

In terms of the relative risk or volatility profile ranges, the majority of the funds listed in the table above were in a very tight range of just 4.5% to 4.9% confirming that risk minimisation, or preservation of capital, is one of the key investment management elements within each fund.

As far as elapsed time from appointment to funding is concerned this should take no more than four weeks as the investor has only to complete a "subscription Agreement", authorised signature lists and various money laundering documents.

Summary

There are a significant number of different asset classes in which LBB could invest and which, when realised would be likely to show strong positive returns, however, the period in which the funds might be available for investment viz three to five years and the L B B mantra of **Security, Liquidity** and **Yield,** severely restricts the opportunities remaining available.

Cash deposits do remain a viable proposition, although this paper has not commented on them, as they would certainly qualify under two of the three criteria but would fall when yield considerations were taken into account.

Diversified growth funds, in the writer's opinion tick all three boxes.

Security in the sense that investments are made in highly liquid asset classes by investment managers who have spent a long time developing and refining their investment and risk management practices, **liquidity,** with daily or weekly dealing and finally **yield** where the returns, over a three year period to end March 2014 have been in a range of 3.9% pa to 5.9%pa. The additional measure, not included in the LBB mantra is the anticipated or actual levels of risk taken in order to achieve these returns. **The actual risk or volatility** as investment managers like to call it has, in the six examples taken, moved in a range of 4.5%pa to 4.9%pa with one outlier at 6.2%pa. A risk level of approximately 40% of the FTSE All Share Index and 43% of the FTSE All World Equity Index when measured over the same three year period.

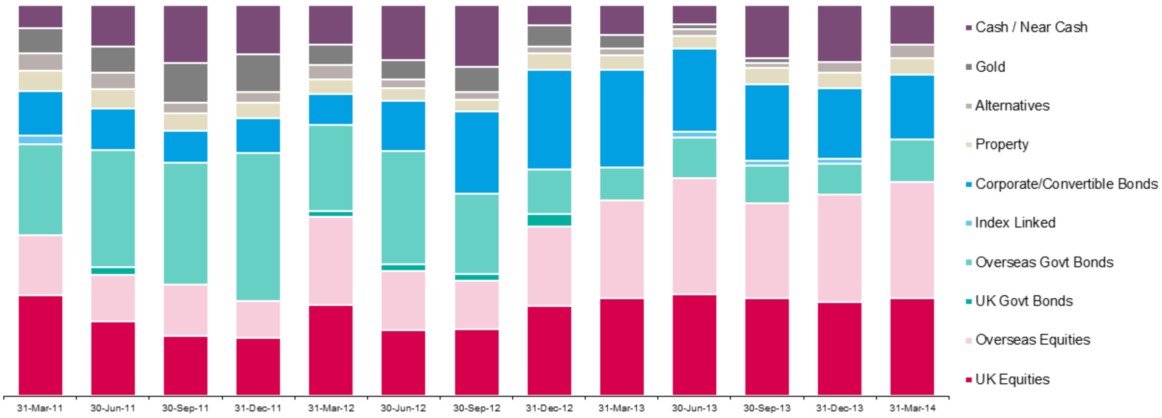
Recommendation

LBB should consider an investment in a minimum of two investment managers offering diversified growth fund products, but who have clearly contrasting or complimentary investment styles; providing LBB can accept that diversified growth funds are essentially relative value global investment strategies working over at least a full economic cycle (viz three to five years) and that any recall of funds before the three to five year period has elapsed will affect the overall return.

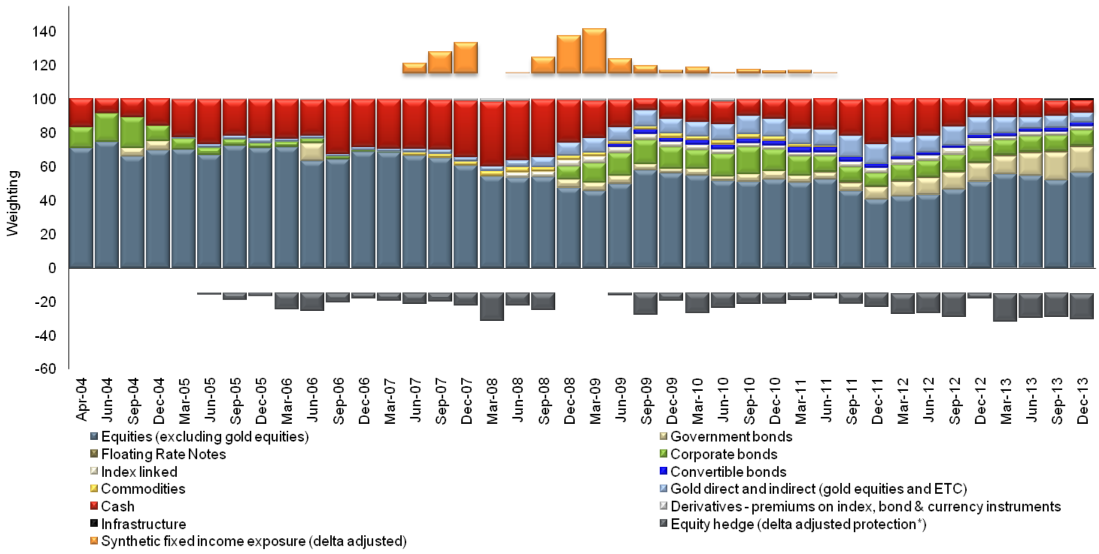
APPENDIX A

The two “pie charts” below highlight the asset allocations of two different DGF managers.

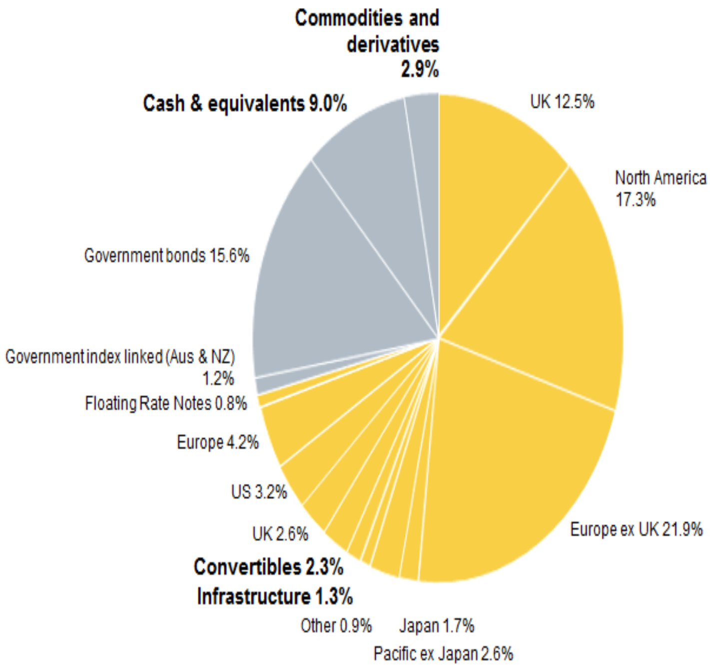
A typical “sandbox” demonstrating how one manager has changed asset allocations over time

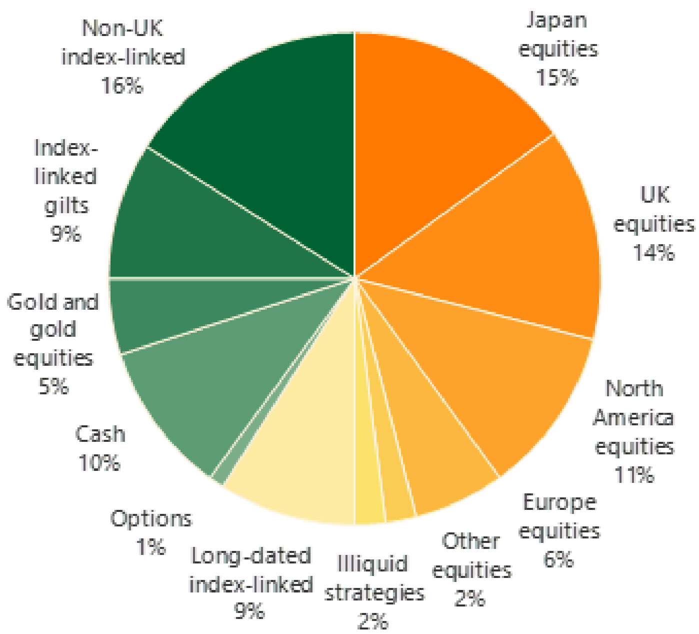


Another “sandbox” chart from a different DGF manager



The two "pie charts" below indicate how two managers set their asset allocations at 31 March 2014





10

**Report No.
RES14128**

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Council**		
Date:	**13th October 2014**		
Decision Type:	Non-Urgent	Non-Executive	Non-Key
Title:	**MEETING OF THE URGENCY COMMITTEE**		
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 The Urgency Committee deals with urgent non-executive decisions that are not of a sensitive nature where otherwise a meeting of full Council would be required. The Constitution specifies that any decisions made by the Committee should be reported to the next available meeting of the full Council. The Urgency Committee met on 15th July 2014 to consider an application for a dispensation from Councillor Nicholas Bennett JP and the minutes of this meeting are attached for information as Appendix 1.

---

2. RECOMMENDATION

That the decision made by the Urgency Committee at the meeting on 15th July 2014 be noted.

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): There are 10 posts (8.72 fte) in the Democratic Services Team

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

Legal

1. Legal Requirement: None:

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

Customer Impact

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

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)	Agenda and minutes of the Urgency Committee meeting on 15th July 2014

URGENCY COMMITTEE

Minutes of the meeting held at 6.30pm on 15 July 2014

Present:

Councillors Eric Bosshard, David Livett and Tony Owen

1 APPOINTMENT OF CHAIRMAN FOR THE MEETING

Councillor Owen was appointed Chairman for the meeting.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Carr, Dean and Wilkins.

3 DECLARATIONS OF INTEREST

No declarations of interest were received.

4 MINUTES OF THE MEETING HELD ON 12TH SEPTEMBER 2013

RESOLVED that the Minutes of the meeting held on 12 September 2013 be confirmed as a correct record.

5 APPLICATION FOR A DISPENSATION - COUNCILLOR NICHOLAS BENNETT JP

Report RES14112

Members considered a dispensation request from Councillor Nicholas Bennett JP to enable him to speak as a member of the public at the Plans 4 Sub-Committee meeting on 17 July 2014 on a planning application to extend his property at 18 Upper Park Road, Bromley.

The Director of Corporate Services clarified that changes made to the Localism Act 2011, made it necessary for Members to seek dispensation to enable them to address a Committee as a member of the public on any planning application in which they had a Disclosable Pecuniary Interest.

Councillor Bosshard had previously been granted dispensation under similar circumstances and therefore supported the application. It was recommended that Councillor Bennett be permitted to address Members and answer questions, but should not take part in the subsequent discussion or vote.

RESOLVED that the application from Councillor Nicholas Bennett JP to be allowed to address the Plans 4 Sub-Committee on 17 July 2014 (and any subsequent meetings on the same case) and answer questions on his application for 18 Upper Park Road, Bromley be granted unconditionally.

The meeting ended at 6.31 pm | Chairman