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DATE: 26 August 2014

To: Members of the
EXECUTIVE

Councillor Stephen Carr (Chairman)

Councillors Graham Arthur, Robert Evans, Peter Morgan, Colin Smith, Tim Stevens and Stephen Wells

A meeting of the Executive will be held at Bromley Civic Centre on **WEDNESDAY 10 SEPTEMBER 2014 AT 7.00 PM**

MARK BOWEN
Director of Corporate Services

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

A G E N D A

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

3 TO CONFIRM THE MINUTES OF THE MEETINGS HELD ON 16TH AND 22ND JULY 2014 (Pages 5 - 34)

a) to confirm the minutes of the meetings held on 16th and 22nd July 2014

b) Matters Arising report

4 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING

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

5 BUDGET MONITORING 2014/15 (Pages 35 - 72)

6 TREASURY MANAGEMENT - INVESTMENT STRATEGY REVIEW AND Q1 PERFORMANCE 2014/15 (Pages 73 - 108)

7 **GATEWAY REPORT - PROPOSALS FOR RE-TENDERING OF THE CHURCHILL THEATRE MANAGEMENT CONTRACT** (Pages 109 - 114)

8 **LAND AT UPPER ELMERS END ROAD AND CROYDON ROAD - APPLICATION FOR REGISTRATION AS A TOWN OR VILLAGE GREEN** (Pages 115 - 128)

9 **CONSIDERATION OF ANY OTHER ISSUES REFERRED FROM THE EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**

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

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

	Items of Business	Schedule 12A Description
11	**EXEMPT MINUTES OF THE MEETINGS HELD ON 16TH AND 22ND JULY 2014** (Pages 129 - 140)	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
12	**ACQUISITION OF INVESTMENT PROPERTIES** (Pages 141 - 150)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
13	**OPERATIONAL PROPERTY REVIEW AND DISPOSAL OPPORTUNITIES** (Pages 151 - 194)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
14	**CHISLEHURST LIBRARY, RED HILL, CHISLEHURST** (Pages 195 - 200)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
15	**LOCAL LAND CHARGES LITIGATION** (Pages 201 - 204)	Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

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EXECUTIVE

Minutes of the meeting held on 16 July 2014 starting at 7.00 pm

Present

Councillor Stephen Carr (Chairman)
Councillors Graham Arthur, Peter Morgan, Colin Smith, Tim Stevens and Stephen Wells

Also Present

Councillor Kathy Bance MBE, Councillor Nicholas Bennett J.P., Councillor William Huntington-Thresher and Councillor Diane Smith

18 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Robert Evans (Portfolio Holder for Care Services).

19 DECLARATIONS OF INTEREST

Councillor Colin Smith declared an interest by virtue of his daughter being employed on a part-time basis by the L B Bromley Library service.

20 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 10TH JUNE 2014

The minutes were agreed and matters arising noted.

21 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING

A number of questions were received, mainly for written reply. Mr Chris Spencer attended to ask two questions.

Details of all questions received and replies provided are at **Appendix A**.

22 BUDGET MONITORING 2014/15

Report FSD14047

Members considered the first budget monitoring position for 2014/15 based on expenditure and activity levels to May 2014.

The Leader highlighted the continued importance of in-year budgeting and tight gatekeeping.

RESOLVED that:

(1) a projected net overspend on services of £3,739k is forecast, based on information at May 2014;

(2) the full year cost pressures of £5.2m, as detailed at section 3.9 of Report FSD14047 be noted;

(3) a projected reduction to the General Fund balance by £5.3m to £14.7m be noted as detailed at paragraph 3.8.1;

(4) comments from the Director of Transformation and Regeneration, the Director of Education, Care and Health Services and the Director of Environment and Community Services as detailed at sections 3.2 ,3.3 and 3.4 of Report FSD14047 be noted;

(5) release of £250k to continue work as the Lead Local Flood Authority be agreed as set out at paragraph 3.5.2 of Report FSD14047;

(6) release of £275k from unallocated monies within Central Contingency to purchase and install the Radio Frequency Identification Data system detailed at paragraph 3.5.3 of Report FSD14047 be agreed;

(7) release of £31k from Central Contingency for the Carbon Reduction Commitment scheme, as detailed at paragraph 3.5.4 of Report FSD14047, be agreed;

(8) release of £102k funding from Central Contingency to implement Individual Electoral Registration, as detailed at paragraph 3.5.5 of Report FSD14047, be agreed;

(9) release of £533k from Central Contingency for the additional cost of Concessionary Fares, as detailed at paragraph 3.5.6 of Report FSD14047, be agreed;

(10) release of £40k from Central Contingency related to the cost of LBB staff transferred to Liberata, as set out at paragraph 3.5.7 of Report FSD14047, be agreed;

(11) all carry forward requests at paragraphs 3.6.1 to 3.6.7 of Report FSD14047 be agreed; and

(12) the changes in allocation of Government Grant funding for 2014/15, as detailed at section 3.7 of Report FSD14047, be noted.

23 CAPITAL PROGRAMME MONITORING – 1ST QUARTER 2014/15

Report FSD14049

Report FSD14049 summarised the current position on capital expenditure and receipts following the first quarter, 2014/15.

The Portfolio Holder for Resources commended a recent review of the Capital Programme resulting in a recommended deletion of £3,104k from the programme. A number of schemes were identified as either dormant or completed with residual balances. The Portfolio Holder refereed to the introduction of a discipline for removing schemes having no expenditure after a three year period. He also recommended that capital programme initiatives are considered by relevant PDS Committees.

RESOLVED that:

(1) the report be noted;

(2) the revised Capital Programme be agreed; and

(3) the following amendments to the Capital Programme be approved:

- **deletion of £3,104k following a detailed review of the programme (paragraph 3.3.1 to Report FSD14049);**
- **reduction of £361k over the four years, 2014/15 to 2017/18, in respect of reduced Schools Formula Devolved Capital grant support (paragraph 3.3.2 to Report FSD14049);**
- **addition of £144k in 2014/15 to reflect revised grant support from Transport for London for highway schemes (paragraph 3.3.3 to Report FSD14049);**
- **reduction of £218k in respect of schemes that have reached completion (paragraph 3.3.4 to Report FSD14049);**
- **addition of £746k over the three years, 2014/15 to 2016/17, to reflect additional specific grant to finance expenditure on Disabled Facilities Grants (paragraph 3.3.5 to Report FSD14049);**
- **net addition of £8k on the Parks for People and Crystal Palace Subway schemes (paragraph 3.3.6 to Report FSD14049).**

24 ONE SECTION 75 AGREEMENT WITH BROMLEY CCG

Report CS14048

Report CS14048 proposed that all existing and future joint commissioning and joint service delivery (e.g. *Better Care Fund*) be captured under an overarching *Section 75* agreement as set out in the National Health Service Act 2006.

Under an overarching Section 75 agreement, new individual agreements proposed by the Joint Integrated Commissioning Executive would be covered under a deed of variation. Noting this, the Leader recommended that both he and the Portfolio Holder for Care Services be given notice of any new agreement(s) or amendment(s) to existing agreements. The Leader suggested that he and the Portfolio Holder provide any objections within five days of receiving notice. Authority should be taken to proceed if officers had not received an objection within the five day period.

RESOLVED that:

(1) the proposed approach to legally administering the Council's integrated commissioning and service delivery arrangements under one high level Section 75 agreement between L B Bromley and Bromley's Clinical Commissioning Group, be approved;

(2) the power to approve the final Section 75 agreement between L B Bromley and Bromley CCG be delegated to the Chief Executive, the agreement being re-signed and re-sealed on an annual basis;

(3) The Leader and Portfolio Holder for Care Services be given notice of any new agreement(s) or amendment(s) to existing agreements under the overarching Section 75 agreement; and

(4) where no objection is received by officers from the Leader or Portfolio Holder for Care Services within five days of providing notice, this is to be taken as authority to proceed with the new agreement(s) or amendment(s).

(N.B. New individual agreements proposed by the Joint Integrated Commissioning Executive will be covered under a deed of variation and will be subject to the standard financial and contract regulations based on the level of funding involved e.g. if a new agreement involves funding contributions of over £1m it will be taken first through Executive for a decision.)

25 PUBLIC HEALTH CONTRACTS - ANNUAL UPDATE

Report CS14067

Report CS14067 provided an update on both (i) the administration of Public Health contracts following the transition of existing contracts from the now abolished Bromley Primary Care Trust, and (ii) an update on 2013/14 activity delivered by Public Health contracts along with detail on 2014/15 contract arrangements.

For the Genitourinary Medicine (GUM) service contract, arrangements for lower value contracts had been made with three providers to contract directly rather than through the existing section 75 agreement with Bromley Clinical Commissioning Group (CCG).

Given the significant sums for public health contracts, Members sought further detail on previous outcomes and future targets, including the approach taken to measure public health outcomes. Noting a rise in smoking prevalence since 2009, the Portfolio Holder for Renewal and Regeneration asked how it was possible to know that sums invested are worthwhile.

The Director of Public Health provided advice. This included reference to the provision of targets for public health including areas such as cardiovascular, new incidents of disease, and health check programmes. The majority of public health outcomes had improved although diabetes and obesity were notable exceptions. In this regard it was pleasing to note that child obesity at school reception levels had reduced. On smoking, although the number of new smokers was increasing there was an effective cessation service with Bromley having a known ex-smoking population of some 80,000.

The Portfolio Holder for Renewal and Regeneration suggested that some funds be switched from cessation to measures helping to prevent young people take up smoking. The Leader also asked how it was possible to be sure that the number of smoking cessations resulted from the cessation programme and not from other factors.

The Director of Public Health agreed that some funds should be invested in prevention. However, only a limited number of methods had proved successful. The Director confirmed that the cessation figures derived solely from the cessation programme, with the figures emanating from sources such as the GP register.

On activity related to the contraception and reproductive health service, the Portfolio Holder for Education suggested that the number of failed contraception outcomes leading to pregnancy be included in data. Without this, it was difficult to assess the effectiveness of the service. The Director of Public Health advised that it was no longer possible for Public Health to access individual NHS patient data and consequently it was not possible to provide a link to individuals. The Director nevertheless highlighted the effectiveness of contraceptive methods provided by the service.

Having considered the recommendations, the Leader felt they should be supported. However, it was necessary to obtain greater value for money on public health. Strict contract monitoring was also necessary along with further evidence to support future recommendations. This would also assist Members gain a greater understanding of public health administration.

RESOLVED that:

(1) the considerable progress to date on administering Public Health contracts in regard to a new framework agreement and new service level agreement with GPs be noted;

(2) contracts with the local community provider be continued under a section 75 agreement with the CCG until the contract ends in March

2016 (subject to the provider continuing to meet the performance measures put in place by Public Health officers);

(3) the main sexual health clinic contracts with the local south east London acute providers continue to be administered under the same section 75 agreement for a further year while other options are explored;

(4) the lead commissioner for sexual health services be authorised to contract directly with some out of borough providers that residents use where the commissioner can secure a better rate on the Council's behalf; and

(5) the activity performance of Public Health contracts during 2013/14 be noted.

26 SECTION 106 FUNDING FOR HEALTH PROVISION

Report CS14067

Report CS14067 reviewed arrangements for processing Section 106 funding secured for health provision.

The allocation of funding to specific projects was subject to further negotiation.

RESOLVED that:

(1) the process for Health partners accessing and utilising specific health related funding made available through Section 106 agreements be agreed as set out at paragraph 3.8 to Report CS14067;

(2) authority be delegated to the Executive Director, Education Care and Health Services, in consultation with the Portfolio Holder and Director of Corporate Services, to approve individual health proposals up to £250k with the funding being allocated under a formal grant arrangement as appropriate; and

(3) authority to agree proposals for spending above £250k be delegated to the Care Services Portfolio Holder up to a value of £1m.

27 PROPOSAL TO EXTEND THE CONTRACTS FOR DELIVERY OF SUBSTANCE MISUSE SERVICES

Report CS14063

Members were asked to agree an extension of the three existing contracts with Crime Reduction Initiatives (CRI) to provide an integrated drug and alcohol service for one year from January 2015 to December 2015.

Report CS14063 also sought approval to extend the contract with KCA - providing an integrated drug and alcohol service for children and young people - for a period of one year from January 2015 to December 2015.

On measuring outcomes from the contracts, Members were referred to paragraph 3.5 of Report CS14063 which included reference to the proportion of individuals successfully completing treatment i.e. not returning to the service within a period of six months following discharge. It was a strong programme with few individuals re-appearing. Local performance was subject to national monitoring and more data was available to Members if necessary. For 2013/14 and previous years it was agreed to circulate data on the number of individuals aged 21 in the borough having a drug addiction problem. It was not possible at the meeting to provide information on the number of Drug Rehabilitation Requirements issued to drug users by the Courts.

To help prevent young people experimenting with drugs, initiatives were taken forward mainly through schools and the Healthy Schools London Programme. Priorities on measures for the treatment of individuals misusing drugs were commissioned through the Substance Misuse Board.

The Deputy Leader suggested the report be referred back to the Care Services PDS Committee or the Health and Wellbeing Board (it was understood the Substance Misuse Board reported to the HWBB). Although there were benefits to the programme, the value of the contracts represented a significant sum and it was understood the PDS Committee had some reservations about the proposals, even though they were supported.

Supporting this approach, the Leader confirmed that the matter should be reported back to the Executive after the Health and Wellbeing Board had considered the matter and/or the Care services PDS Committee had re-considered. It was important for the Executive to have a full understanding of this area given the sums involved.

RESOLVED that the matter be reported back to the Executive after the Health and Wellbeing Board had considered it and/or the Care services PDS Committee had given the matter further consideration.

28 OUTSOURCING OF FINANCIAL ASSESSMENT TEAMS AND APPOINTEESHIP AND DEPUTYSHIP TEAM

Report FSD14050

It was proposed to transfer the Financial Assessment teams and the Appointeeship and Deputyship team to Liberata, generating full-year savings in the region of £121k per annum.

A paper highlighting the response to staff questions during consultation was tabled at the meeting for the information of Members.

RESOLVED that:

(1) transfer of the Council's Financial Assessment Teams and Appointeeship and Deputyship Team to Liberata be endorsed, generating savings in a full year of £121k p.a.;

(2) the Financial Assessment Teams be transferred on 1st October 2014;

(3) the Appointeeship and Deputyship Team be transferred on 5th January 2015; and

(4) consultation be carried out on the new Charging Policy for Appointeeship and Deputyship, as detailed at paragraphs 6.4 to 6.8 of Report FSD14050, and subject to no material changes being required as a consequence, delegate authority for implementation of the Policy to the Director of Finance in consultation with the Resources Portfolio Holder.

29 TRANSPORT GATEWAY REVIEW

Report ES14062

Report ES14062 detailed the outcome of the Transport Gateway Review, focusing on transport activities undertaken or commissioned by the Education, Care and Health Services Department.

Predominantly comprising Passenger Transport Services (PTS) for adults and the Special Educational Needs Transport (SENT) team for children, the existing Passenger Transport Framework Agreement utilised by the SENT team was due to expire in August 2015, and the vehicle hire agreement for delivering Passenger Transport Services had been extended to November 2015. There was potential to combine delivery of the services after August 2015 and identify through market testing whether significant savings could be realised from contracting either element or by delivering the services a different way.

The services had been soft market tested as part of the review. This included discussions with service managers. Permission was sought to go to the market to determine the best value option for delivering the services in future. The proposed contracts have a potential value of £5.8m per annum. As such it was necessary to place a Contract Notice advertisement in the Official Journal of the European Union (OJEU) to seek expressions of interest from organisations wishing to tender.

RESOLVED that:

(1) the tendering of contract(s) for the provision of transport services for adults and children, as outlined at paragraphs 3.28 – 3.30, be approved; and

(2) the placement of any required Notice of advertisement in the OJEU, seeking expressions of interest from organisations wishing to tender, be agreed.

30 INVEST TO SAVE - TRAINING STATEMENTED PUPILS TO TRAVEL INDEPENDENTLY

Report ED15060

In providing an update on the invest to save travel training programme, Report ED15060 recommended an investment of £60k per annum to continue providing the programme through a three year contract with Bexley Accessible Transport Services from 1st September 2014 to 31st August 2017. An investment of £60k per annum could be expected to deliver travel training for 20 statemented pupils each year.

In earlier consideration, PDS Members requested further information on whether the programme could be extended to more than 20 pupils per year. Early scoping suggested that, of 825 pupils being transported, approximately 60 pupils might be receptive to travel training in 2014/15 with a similar number in subsequent years. Experience from 2013/14 suggested that approximately one-third might ultimately prove unsuitable leaving a stretch target of approximately 40 pupils to become independent travellers in 2014/15. This would require increased funding of £120k per annum.

The Portfolio Holder for Education referred to the success of the initiative and desire for a longer term programme to ensure as many pupils as possible with special education needs are included in the scheme. There was a potential invest to save opportunity and a process whereby the young people could develop, with some becoming more independent. The Portfolio Holder for Resources commended the programme.

RESOLVED that:

(1) investment of £120k per annum be agreed to continue the travel training programme for the next three years;

(2) award of a three year contract to the current provider, Bexley Accessible Transport Services (BATS), for a programme of travel training be agreed provided:

- **the forecast return on investment continues to be achieved each year in line with projected savings; and**
- **the quality of training is maintained.**

31 UPDATE ON THE PROCESS FOR MARKET TESTING EDUCATION SERVICES

Report ED15073

Report ED15073 proposed expanding the scope of the market testing of Education Services to encompass additional services including Special Educational Needs provision, Adult Education provision, and strategic management functions related to sufficiency, access, and quality of education provision in Bromley.

To give confidence to families and residents in taking market testing forward, there would be a range of stakeholder engagement with opportunity for briefing at various meetings. The strategy would be communicated to all service users. The Portfolio Holder for Resources highlighted the importance of PDS consideration.

The Leader supported an evaluation of the market testing outcomes for the benefit of all parties. This would include a report back to Members. The Director added that there was no assumption made on outcomes from the process.

RESOLVED that:

(1) the scope of the market testing of Education Services be expanded to include: strategic management functions; the residual functions of the Behaviour Service; the Special Educational Needs Service (including the Specialist Support and Disability Service); and Bromley Adult Education (paragraphs 3.11 to 3.31 of Report ED15073);

(2) the option to explore management arrangements with relevant schools for the Hearing Impairment Units be rejected and the Hearing Impairment Units be included within the SEN Inclusion Support service as part of the overall market testing process (paragraphs 3.36 to 3.42 of Report ED15073);

(3) the market testing tendering process commence as per the timetable at paragraph 3.61 of Report ED15073 and that a Competitive Dialogue approach be used (paragraphs 3.59 to 3.61 of Report ED15073); and

(4) a further report detailing the outcome of the market testing be reported to a future Executive meeting, along with recommendations, and that this report describes how quality of service and support for children will be monitored and enforced.

32 CORPORATE PARENTING STRATEGY

Report CS14066

The multi-agency Corporate Parenting Strategy for 2014-15 aims to build services around the needs of children and young people in Council care to maximise their opportunities and improve outcomes.

The strategy sets out how the Council and its partner agencies intend to carry out their corporate parenting responsibilities for looked after children, young people and care leavers, setting out the Council's vision and strategic priorities. It identifies the key areas of focus along with the planning and governance arrangements to achieve them. The strategy is underpinned by the service business plan, related strategies for placements and care planning and various work streams within the Council.

Noting that the Strategy was to be presented to Full Council, Members agreed to defer consideration of the document until the Full Council meeting on 21st July 2014.

RESOLVED that the Corporate Parenting Strategy be referred to the Full Council meeting to be held on 21st July 2014.

33 SUPPORTING YOUNG PEOPLE WITH SPECIAL EDUCATIONAL NEEDS AND DISABILITIES (SEND) TO PREPARE FOR ADULT LIFE - FUNDING PROPOSAL

This item was withdrawn from the agenda prior to the meeting.

34 LEAD LOCAL FLOOD AUTHORITY FLOODING AND WATER MANAGEMENT ACT 2010

Report ES14042

Report ES14042 provided an update on the Council's role as Lead Local Flood Authority. It considered the impact of recent groundwater flood events and sought the Portfolio Holder's views on the Council's involvement in future events. Following the Environment PDS Committee on 1st July 2014, a Decision was made on this aspect by the Deputy Leader and Portfolio Holder for the Environment (dated 16th July 2014) and published on 17th July 2014.

Report ES14042 also sought Executive agreement to the release of dedicated Central Contingency funding (£250k) to fund works detailed in the report and to ensure the Council meets its statutory duties as Lead Local Flood Authority.

Councillor Nicholas Bennett J.P. (West Wickham) enquired whether guidance could be provided to householders on where to obtain grant and other assistance to help protect against any future groundwater flood events. Supporting provision of signposting for residents, the Deputy Leader confirmed that officers would take this forward, referring to the availability of grant funding.

RESOLVED that a sum of £250k be released from the dedicated 2014/15 Central Contingency budget to implement the proposals detailed in Report ES14042.

35 BROMLEY LIBRARY SERVICE - OUTCOME OF CONSULTATION

Report DRR14/054

Following the outcome of consultation with library users and staff (detailed in Report DRR14/054) a number of changes were proposed to meet budget savings for 2014/15, including changes to opening hours and extension of Radio Frequency Identification Data (RFID) equipment to all libraries in the borough.

The Executive was asked to approve the deletion of the mobile library service, as set out at paragraph 7.13 of Report DRR14/054, and (as a tabled recommendation) to agree one off funding of £275k to meet the cost of RFID equipment and its installation (paragraph 9.3 of Report DRR14/054).

Following closure of the mobile library service, the voluntary Home Library Service would continue to be available for any Bromley resident unable to:

- travel to a Library due to disability or illness;
- carry items to or from a library;
- access a library e.g. due to mobility problems and/or poor facilities at a Library.

Most mobile library stops overlap existing static library provision. Of the 37 mobile sites, 24 fall within a 1.5 mile radius of a static library. The remaining mobile sites are within 1.6 and 4.0 miles from static libraries and served by a variety of bus routes. They are also easily accessible by car.

The Home Library Service would be actively promoted to eligible customers including those who might be currently unaware of the service.

Provison of RFID equipment to all Libraries would enable library users to check books in and out and access a number of Council services.

Noting the new openng hours for Libraries, the Deputy Leader highlighted that Petts Wood and Southborough Libraries were due to close each Wednesday. As both are in close prioximity, he suggested that one Library open on Wednesdays and the other open on Tuesdays.

RESOLVED that:

(1) deletion of the mobile library service as set out at paragraph 7.13 of Report DRR14/054 be agreed; and

(2) in view of savings identified, one off funding of £275k from unallocated inflation in 2014/15 Central Contingency sums be agreed to meet the cost of RFID equipment and installation (paragraph 9.3 of Report DRR14/054).

36 CONSIDERATION OF ANY OTHER ISSUES REFERRED FROM THE EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

There were no additional issues to be reported from the Executive and Resources PDS Committee.

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

38 EXEMPT MINUTES OF THE MEETING HELD ON 10TH JUNE 2014

The exempt minutes were agreed.

39 DIRECT CARE UPDATE

Report CS14056

Members were updated on tendering for the in-house direct care services.

40 SUPPORT FOR THE VOLUNTARY SECTOR - COMMUNITY LINKS BROMLEY

Report CS14068

Consideration was given to the work of Community Links Bromley (CLB) and whether to award a new contract.

41 AFFORDABLE HOUSING PAYMENT IN LIEU FUND: MONITORING AND PROGRESS ANNUAL REPORT (2013-14) AND EXPENDITURE OPTIONS

Report DRR14/068

Members considered an annual update and recommendations concerning the Council's Affordable Housing Payment in Lieu (PIL) fund.

42 AWARD OF CONTRACT FOR A COMMUNITY WELL-BEING SERVICE FOR CHILDREN AND YOUNG PEOPLE

Report CS14062

Members considered the outcome of the tendering process to provide a community well-being service for children and young people with mental health needs aged 0-25 years (previously referred to as CAMHS).

The report provided a recommendation for award of contract.

43 FUTURE USE OF EDUCATION PROPERTY

Report ED15083

Members considered recommendations related to the future use of an education property.

44 FUNDING FOR CONDITION SURVEYS: OPERATIONAL PROPERTY PORTFOLIO

Report DRR14/063

For the Operational Property Portfolio, approval was sought to obtain competitive tenders and appoint external consultants to carry out condition surveys and other associated works outlined in Report DRR14/063.

45 LOCAL LAND CHARGES LITIGATION

Report CSD14094

Members were asked to agree terms for settling a claim in connection with charges previously levied for personal searches of the Land Charges Register.

46 CAPITAL RECEIPTS

Report FSD14049

Members noted Appendix D to Report FSD14049 showing details of the 2013/14 outturn for capital receipts along with a forecast of capital receipts for the years 2014/15 to 2017/18.

47 SECTION 106 FUNDING FOR HEALTH PROVISION

Report CS14067

Further financial details related to Report CS14067 were provided to Members as exempt information.

Chairman

The Meeting ended at 9.13 pm

Appendix A

QUESTIONS FOR ORAL REPLY

Questions from Mr Chris Spencer

1. (Ref. market testing SEND services) Would the Executive support the inclusion of new thinking on service provision so that the terms of reference include (a) implementation ideas borne out of the new SEND reform legislation and (b) new insight-based service strategies / ideas that could help potential providers to deliver more effectively?

Reply

All plans being developed are consistent within the new SEND reform legislation and where appropriate new ideas will be adopted to ensure services are delivered effectively.

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2. Will the Executive support and facilitate the bringing together of key people within education, health and care services so that we can define ways to deliver on the intent of the new SEND reform legislation? As a leading pathfinder the eyes of many service providers and decision makers across the country are on us!

Reply

Yes, the successful transformation of SEND services will only be achieved by working in partnership across agencies.

Supplementary Question

In his supplementary question, Mr Spencer asked for innovation in the development of proposals. He was encouraged that this approach had been accepted. In view of implementation work, he suggested a six month time frame thereby enabling professionals to be in a better position to undertake changes. Mr Spencer trusted officers to make good decisions – there was opportunity with the new legislation and a demand for change.

Reply

The Portfolio Holder referred to Market Testing being a long process and it was currently an early stage. He was confident there would be new ways of working at the end of the process and had confidence in officers to take the process forward.

QUESTIONS FOR WRITTEN REPLY

Question from Mr Tom Chance

Council monitoring suggests that nitrogen dioxide levels have consistently been above legal limits on Anerley Hill and Anerley Road in recent years, exposing residents and local business employees to this significant health risk. What steps are you taking to reduce pollution levels on these streets?

Reply

Air quality monitoring data undertaken in both the Anerley Hill and Anerley Road environs confirm in recent years the mean annual nitrogen dioxide objective of 40 µg/m^3 has been exceeded, in line with most of London.

Bromley has continued to work hard towards improving its air quality including the publication of an Air Quality Action Plan, which sets out a package of measures, using both existing powers available to the Council and working with other organisations and aimed at addressing the nitrogen dioxide exceedences in line with meeting the annual mean.

A copy of the action plan can be found on the Council website.

Questions from Mr Peter Leigh

1. How can the gardens be below the level of the culvert which runs under the electricity sub-station – see 3.16

2. When will the detailed study be undertaken – see 3.17

3. £30k is not going to go very far. – see 3.20. What if the report recommends increasing the size of the culvert from Glebe Way to Corkscrew Hill in view of its proven inadequacy in 2001 and 2014?

Reply

The main river culvert running from Corkscrew Hill to Courtfield Rise is very shallow, in some places only just below ground level. Although the culvert runs under the UKPN sub-station, the ground level at the low point of the garden immediately adjacent to the substation sits below the level of the culvert.

The detailed study is to be undertaken by the Environment Agency (EA).
The London Borough of Bromley have not been informed of the date they intend to implement it at this point in time.

Should the EA study identify any necessary maintenance / improvement works to the culvert over and above their available budget, such works would be subject to additional EA funding being made available.

Questions from Mr David Strawson

1. As a parent of a disabled child I am very concerned that both parents and children and young adults with disabilities are not being engaged sufficiently in this process, to influence outcomes that materially affect their lives. What will the Executive do to ensure this shortcoming is addressed?

Reply

The proposal under consideration is whether to expand the scope of the market testing of Education Services to include additional services such as Special Educational Needs and the Specialist Support & Disability Service. The decision to market test all other Education Services was previously agreed by the Council's Executive in October 2013.

It is for the Council to consider and make arrangements on how services are delivered, informing key stakeholders as appropriate as decisions are made. If the Council agrees to expand the scope of market testing, it is at that point that appropriate engagement with stakeholders will commence, as described in the report under consideration.

The process of market testing itself does not directly affect the services currently being received by service users. If, as a result of the market testing process or otherwise, proposals are made that involve specific changes to the services being delivered then the Council will engage as appropriate with all relevant stakeholders prior to decisions being made. It should be noted that a change in provider does not necessarily mean that the Local Offer or the educational provision provided to children with Special Educational Needs or disabilities will change.

The Assistant Director for Education has established a regular meeting with representative parent group to discuss issues relating to the SEND reforms and to provide a forum where parent views are heard as part of the commissioning of services.

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2. Significant benefit is derived from delivery of education, health and care services in an integrated way. The market test is only for education. Why, when these services are delivered in unison so successfully from the Phoenix centre is it difficult to market test and potentially outsource them together?

Reply

Health services, such as those delivered at the Phoenix Centre, are not, in the main, commissioned or funded by the London Borough of Bromley. They are commissioned and funded primarily by the Clinical Commissioning Group (previously the Primary Care Trust) and are delivered on their behalf by providers, such as Bromley Healthcare, who hold contracts with the Clinical Commissioning Group.

The new SEN Code of Practice and the Children and Families Act 2014 places particular emphasis on an integrated approach for the delivery of education, health and care services.

Regardless of how services are delivered in the future, this will continue to be a priority for the Council. This will be achieved, as it is now, through partnership working and planning between the Local Authority, the Clinical Commissioning Group and service providers.

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3. What opportunity have the parent, carer and disabled youngsters community
a) had
and
b) will they have
to review and influence the success criteria of the market test?

Reply

The market testing of Education Services covers a wide range of educational services, most of which may not be directly relevant to the parent, carer and disabled youngster community described, and therefore it is not appropriate for the overall process to be focused on any one particular group.

As market testing involves a competitive tendering exercise, through a competitive dialogue process, the Local Authority has to maintain confidentiality in the management of the process to ensure that no potential bidders are able to receive any information that may give them an unfair advantage over others.

However, throughout the process we will be engaging with all relevant stakeholders as appropriate and this will allow stakeholders to ensure their views are heard. Engagement will take different forms; the detail has yet to be decided as the decision to expand the scope of market testing has yet to be taken.

The Assistant Director for Education has established a regular meeting with a representative parent group to discuss issues relating to the SEND reforms and to provide a forum where parent views are heard as part of the commissioning of services. These views will inform the market testing process.

Questions from Susan Sulis, Secretary, Community Care Protection Group

1. LBB action on the Government's Index of Multiple Deprivation (IMD) ratings for Cray Valley West, (CVW), Cray Valley East (CVE), and Orpington wards.

CVW is scored as Quintile Level 1, the most deprived in England. CVE and Orpington, are rated at Level 2.

(a) How is the Council's Public Sector Equality Duty defined in its policies and allocation of resources for this area?

Reply

The Council will have regard to its obligations under the Equality Act 2010 and where appropriate to all other statutory and common law obligations and duties which are relevant to a decision or policy when a matter is under consideration.

(b) How would the closure of the 'Orpington Foodbank' affect Health Inequalities?

Reply

We have no evidence that it will any impact on health inequalities.

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2. 10th October 2013 Resources Portfolio Holder and PDS Committee confidential report to charge the full commercial rent of £8,400 per annum for the shop used by the 'Orpington Foodbank'.

(a) What factors did the report consider?

Reply

The report considered in October 2013 related to the request from the Oak Community Church (OCC) to remain in the property occupied on a temporary basis in Cotmandene Crescent rather than return to their original premises in Ranmore Path. The OCC subsequently chose not to return to Ranmore Path and agreed to take a lease of and pay a rent for the property in Cotmandene Crescent.

The report considered commercial property factors; the need to maximise income; the established policy that Council properties should be let at market rent to ensure transparency and to avoid hidden subsidies when letting to charitable organisations; estate management issues; that the letting of 111 Cotmandene Crescent at nil rent was only a temporary arrangement following the fire at Ranmore Path; the services provided by the Foodbank; views of the OCC about the benefits of Cotmandene Crescent over Ranmore Path; and the existence of OCC's own property in Chipperfield Road.

(b) Did it include the lack of income sources of the Bromley Borough Foodbank, compared to other charities with Council contracts and/or shop sales?

Reply

No

(c) Were the Public Health, Social Care and Health Inequality implications of possible closure in an area of Multiple Deprivation identified?

Reply

No

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3. 10th October 2013 Report and Decision on the 'Orpington Foodbank'.

(a) Was the Director of Care Services consulted, and his views incorporated in the report?

(b) Was the Director of Public Health consulted?

(c) Was the Portfolio Holder for Care Services and Public Health consulted?

Reply

The Director of Education, Care and Health Services (who is the line manager of the Director of Public Health) was consulted and he consulted the Portfolio Holder for Care Services and Public Health.

(d) Why was the report not referred to the Care Services Policy Development and Scrutiny Committee for its views?

Reply

Members did not resolve to do so. The Chairman of the PDS Committee is a Member of the Executive and Resources PDS Committee which considered the report.

Questions from Melanie Weston

1. When will you be holding a public meeting with the local residents?

2. After the 2001 flooding why did Bromley Council not carry out any maintenance to the culvert as recommended in the 2001 report and subsequently passed over to the Environmental Agency in 2007?

3. When residents have to renew household insurance will you provide evidence that as LLFA you are doing all that is necessary to protect our properties to ensure we are able to continue insuring our properties without inflated prices?

Reply

There are no plans to hold a public meeting.

Maintenance of the main river culvert remains the responsibility of individual riparian owners. The London Borough of Bromley are only the riparian owner for the culvert under the public highway in Courtfield Rise which had not been identified as needing repair during the period in question.

The London Borough of Bromley has a responsibility as LLFA to manage the risk of flooding and work with other stakeholders in the dissemination of information. The nature of Groundwater flooding is such that the LLFA are not in a position to do “all that is necessary” to protect any individual property.

Residents may be able to provide evidence that protection measures have been undertaken themselves via the R&R grant process**.**

Questions from Mr Chris Widgery

1) What does evidence from other authorities show about the impact of physically separating co-located education, care and health services on the outcomes of the children and what evaluation has been carried out about the impacts of physically separating the Phoenix preschool from other related services?

Reply

There are no proposals to separate education, care and health services in the way described. Options for the future location of the Specialist Support & Disability Service, currently based at the Phoenix Centre, have to be considered as the current lease arrangements will come to an end next year. All available options will be considered before a proposal for final decision is put forward. Any solution that is considered will, in discussion with our partners in health and care services, look at the ways in which an integrated service can continue to be delivered – whether that be full co-location or other effective ways of delivering an integrated service.

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2) Has consideration been given to working with the NHS jointly to relocate *all* services on the current Masons Hill site to a new location, thereby preserving the benefits of co-location? If so, please explain how this was done and who was involved?

Reply

As per my previous response, no decision on the relocation or otherwise of the London Borough of Bromley funded services currently based at the Phoenix Centre has been taken. Options are currently being considered before a proposal for a final decision is put forward, which will involve discussion with our partners in health services.

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3) Given that we understand a decision on the Masons Hill lease needs to be taken during the school holidays, will the Portfolio holder and Jane Bailey agree to ease the anxieties of families of affected children by discussing and explaining the proposals for relocation before any decisions are taken?

Reply

There is nothing in the report under consideration that would indicate that a decision needs to be taken in the timescale described. The market testing report briefly references the issue of the Phoenix Centre lease, included for information as it is relevant to the planning of the market testing. It references alternative locations as one of the potential options to be explored further.

For clarity, the current lease on the Phoenix Centre expires on the 31 July 2015. At this time, we are considering the options available to us. The timescale by which a final decision needs to be taken is still to be determined and may be subject to negotiation. It is likely that some options will need to be investigated in more detail before proposals for a final decision can be put forward. Proposals put forward for final decision by Members will include engagement with stakeholders as appropriate as part of the decision making process.

The Assistant Director for Education wrote last month to parents and carers who access services located at the Phoenix Centre outlining the situation. The Assistant Director for Education will continue to keep parents and carers informed as appropriate throughout the process.

EXECUTIVE

Minutes of the meeting held on 22 July 2014 starting at 7.09 pm

Present

Councillor Stephen Carr (Chairman)
Councillors Graham Arthur, Robert Evans, Peter Morgan, Colin Smith, Tim Stevens and Stephen Wells

Also Present

Councillor Julian Benington, Councillor Eric Bosshard, Councillor Peter Dean, Councillor William Huntington-Thresher, Councillor Charles Joel, Councillor Ian F. Payne, Councillor Pauline Tunnicliffe and Councillor Angela Wilkins

48 APOLOGIES FOR ABSENCE

There were no apologies.

49 DECLARATIONS OF INTEREST

There were no declarations.

50 ANERLEY TOWN HALL - LIBRARY PROVISION

Report DRR14/069

A locally run, community managed library offer was proposed for Anerley Town Hall following closure of the current local authority service pending relocation to the new Penge Library. Approval was sought for the Council to enter into a legal agreement with the Crystal Palace Community Development Trust to manage the community library. The report also requested capital funding of £40,800 to purchase and install technology at the library.

The Portfolio Holder for Renewal and Recreation introduced the report. The new Penge Library was due to open on 26th August 2014 and a library service would continue at Anerley. The new service would move to the reception area at the front of the town hall – the town hall being proposed as a community building. The service would have Radio Frequency Identification Data (RFID) technology and other equipment to dispense library material. People's Network terminals would also be provided. The service would help test whether a community library offer might be viable elsewhere in the future.

The Portfolio Holder for Care Services sought clarification on the capital funding request given that a decision had already been taken to merge Penge and Anerley libraries into the new Penge library. The Portfolio Holder for

Renewal and Recreation referred to comments received on the distance from Anerley to Penge and requests for continued provision at Anerley. The Portfolio Holder for Resources supported the recommendations, suggesting that regular reports be provided to PDS. Councillor Angela Wilkins (Crystal Palace) asked that underpinning work at Anerley Town Hall proceed quickly. She supported comments by the Portfolio Holder for Renewal and Recreation on the distance between Anerley and Penge.

RESOLVED that:

(1) the Council enter into a legal agreement with the Crystal Palace Community Development Trust to manage a 'community library offer' in Anerley Town Hall; and

(2) the sum of £40,800 be included in the Capital programme to purchase and install library hardware at Anerley Town Hall, funded from capital receipts.

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.

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

53 BROMLEY MUSEUM AT THE PRIORY ORPINGTON

Report DRR14/070

Further to the report considered by Executive in October 2013, Report DRR14/070 outlined the current position related to the Priory building and museum service along with possible options and recommended action.

54 ADULT SOCIAL CARE INVESTMENT PROPOSAL

Report CS14049

Report CS14049 provided recommendations related to the delivery of adult social care services and demand management.

Chairman

The Meeting ended at 7.58 pm

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Report No.
CSD14131

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive**
Date:	**10th September 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**MATTERS ARISING FROM PREVIOUS MEETINGS**
Contact Officer:	Keith Pringle, Democratic Services Officer Tel. 020 8313 4508 E-mail: keith.pringle@bromley.gov.uk
Chief Officer:	Director of Corporate Services
Ward:	N/A

1. Reason for report

1.1 **Appendix A** updates Members on matters arising from previous meetings.

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2. RECOMMENDATION

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

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Executive Minutes

Corporate Policy

1. Policy Status: Existing Policy The Executive receives an update on matters arising from previous meetings at each meeting.

2. BBB Priority: Excellent Council

Financial

1. Cost of proposal: No Cost

2. Ongoing costs: Not Applicable

3. Budget head/performance centre: Democratic Services

4. Total current budget for this head: £373,410

5. Source of funding: 2014/15 Revenue Budget

Staff

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

2. If from existing staff resources, number of staff hours: Monitoring the Executive's matters arising takes at most a few hours per meeting.

Legal

1. Legal Requirement: Non-Statutory - Government Guidance

2. Call-in: Not Applicable

Customer Impact

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

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Ward Councillor Views

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

2. Summary of Ward Councillors comments: N/A

Minute Number/Title	Executive Decision/Request	Update	Action by	Completion Date
10th June 2014				
11. Deprivation of Liberty Safeguards – Funding Request	The Executive Director, Education, Care and Health Services highlighted the significant increase in requests for Deprivation of Liberty Safeguards since the Supreme Court judgement. Court of Protection guidance was anticipated in the next few weeks and the Leader suggested further briefing for Members at a time when more information can be provided. Executive noted that: • further monies may be required to meet any additional demands arising from the judgement; • this would be clarified once further details of the judgement and its consequences become available and further mapping work has been carried out; and • these outcomes would be reported to a later meeting.	The Court has now issued guidance and the implications are being considered. An increasing number of DOLS applications are being received and worked on.	Executive Director of Education and Care Services	An update report will be presented to Care Services PDS and Executive in November 2014.
16/1 Award of Contract – Tenancy Support Services for Young People	Longer term proposals to be reported back to Members.	Meetings have commenced with the existing provider and a project plan is drawn up. An update will be provided by January / February 2015.	Executive Director of Education and Care Services	Further report will be presented to Care Services PDS in January 2015 and to Executive in February 2015.

16th July 2014				
27. Proposal to extend the contracts for delivery of Substance Misuse Services	The matter would be reported back to Executive after the Health and Wellbeing Board had considered it and/or the Care services PDS Committee had given the matter further consideration. It was important to have a full understanding of this area given the sums involved.	A further report will be submitted to the Executive meeting on 15th October 2014 following scrutiny by Care Services PDS at its meeting on 2nd October 2014.	Executive Director of Education and Care Services	Completion of further report required by 22nd September 2014 to ensure publication with the Care Services PDS agenda.
31. Update on the Process for Market Testing Education Services	A further report detailing the outcome of the market testing of Education Services was to be provided to a future Executive meeting along with recommendations. The report would describe how quality of service and support for children will be monitored and enforced.	Detailed planning for the market testing of Education Services is ongoing. Final draft tenders are due back Summer 2015.	Executive Director of Education and Care Services	It is expected that procurement will commence in Autumn 2014. The outcome and recommendations are estimated for Member decision in Summer 2015 with implementation in Autumn 2015.

Report No.
FSD14060

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Executive**
Date:	**10th September 2014**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**BUDGET MONITORING 2014/15**
Contact Officer:	Lesley Moore, Deputy Director of Finance , Tel: 020 8313 4633 E-mail: lesley.moore@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	Borough Wide

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1. Reason for report

1.1 This report provides the second budget monitoring position for 2014/15 based on expenditure and activity levels up to July 2014. The report also highlights any significant variations which will impact on future years as well as any early warnings that could impact on the final year end position.

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2. RECOMMENDATION(S)

2.1 Executive are requested to:

(a) consider the latest financial position;

(b) note that a projected net overspend on services of £4,351k is forecast based on information as at July 2014;

(c) note the full year cost pressures of £5.5m as detailed in section 3.9 of this report;

(d) note a projected reduction to the General Fund balance of £3.8m to £16.2m as detailed in para 3.8;

(e) consider the comments from the Director of Transformation and Regeneration, the Director of Education, Care and Health Services and the Director of Environment & Community Services as detailed in sections 3.2 ,3.3 and 3.4;

(f) agree to release funding from the Central Contingency of £66k for Welfare Reform as detailed in para 3.5.2;

(g) agree to release funding from the Central Contingency of £36k for Staying Put as detailed in para 3.5.3;

(h) agree all carry forward requests in para's 3.6.1- 3.6.7 of this report;

(i) note the changes in allocation of Government Grant funding for 2014/15 as detailed in section 3.7 of this report;

(j) Members views are sought on the amount of monies that should be set aside as an earmarked reserve for the "Parallel Fund" as detailed in para 5.1; and

(k) identify any issues that should be referred to individual Portfolio Holders for further action.

Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: N/A

2. Ongoing costs: Recurring cost.

3. Budget head/performance centre: Council wide

4. Total current budget for this head: £125m (excluding GLA precept)

5. Source of funding: See Appendix 1 for overall funding of Council's budget

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Staff

1. Number of staff (current and additional): 3,760 (per 2014/15 Budget), which includes 1,777 for delegated budgets to schools.

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

Legal

1. Legal Requirement: Statutory requirement. The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000; and the Local Government Act 2002.

2. Call-in: Call-in is applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2014/15 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.

Ward Councillor Views

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

2. Summary of Ward Councillors comments: Council wide

3. COMMENTARY

3.1 The table below provides a breakdown of the 2014/15 budget and projected spend as at end of July 2014:-

Portfolio	2014/15 Original Budget £'000	2014/15 Latest Budget £'000	2014/15 Projected Outturn £'000	2014/15 Variation £'000
Care Services	104,941	104,952	107,842	2,890
Education	4,649	4,946	5,315	369
Environment	32,699	33,014	33,221	207
Public Protection & Safety	2,526	2,526	2,526	0
Renewal & Recreation	8,370	8,699	8,889	190
Resources	39,218	40,131	40,826	695
Total Controllable Budgets	**192,403**	**194,268**	**198,619**	**4,351**
Capital Charges and Insurance	16,827	16,943	16,943	0
Non General Fund Recharges	Cr 916	Cr 916	Cr 916	0
Total Portfolio Budgets	**208,314**	**210,295**	**214,646**	**4,351**
Contingency Provision	11,850	11,423	9,403	Cr 2,020
Interest on General Fund Balances	Cr 1,591	Cr 1,591	Cr 1,591	0
Other Central Items	Cr 6,308	Cr 6,308	Cr 6,308	0
General Government Grants	Cr 83,861	Cr 83,861	Cr 83,975	Cr 114
Collection Fund Surplus	Cr 2,964	Cr 2,964	Cr 2,964	0
Total Central Items	**Cr 82,874**	**Cr 83,301**	**Cr 85,435**	**Cr 2,134**
Total Variation	**125,440**	**126,994**	**129,211**	**2,217**

3.1.2 A detailed breakdown of the Latest Approved Budgets and Projected Outturn across each Portfolio, together with an analysis of variations, is shown in Appendix 2.

3.2 Comments from the Director of Transformation and Regeneration (Resources Portfolio)

3.2.1 The. £1,313k overspend within Strategic Property Services mainly relates to a shortfall in rental income and includes the projection for Investment Fund income which is a shortfall of £1,410k.

3.2.2 The Regeneration Investment Fund, for investment in property, was created to identify key investment opportunities which would also assist in the regeneration ambitions of the Council. The target financial return for this fund is £2.025m in 2014/15. A report elsewhere on the agenda provides an update on the work undertaken so far.

3.2.3 Bromley should receive additional rent share income from The Glades once the Queens Gardens development is completed. INTU estimate that this additional income would be £17k in 2015, £78k in 2016, £82k in 2017, rising to £93k in 2020. Bromley's contribution to this project will be funded from the Economic Development and Investment Fund and a sum of £990k has been allocated for this purpose.

3.3 Comments from the Director of Education, Care and Health Services

Care Portfolio:

3.3.1 The placement budget in both adult and children's services give cause for concern. Evidence shows that the numbers of adult residents being placed in residential homes is continuing its downwards trend, standing at 312 at the beginning of July, the lowest number for several years. However, clients presenting to Panel are increasingly complex and so numbers in nursing homes remains stubbornly high. Voids continue to be managed downwards in our new Extra Care Housing schemes but we continue to see significant numbers not least because of safeguarding concerns in one scheme that precluded placement. This has now been addressed. Nonetheless very considerable pressures remain on this element of our services with the complex needs of those entering ECH schemes meaning that we have to offer typically around a third more hours than the original modelling predicted. However budgets were adjusted in 2014/15 to reflect this.

3.3.2 The need for more effective demand management was put to the last PDS for Scrutiny and the business case accepted. This work will be underway by early September with a report due back to the Portfolio Holder once the savings model has been agreed with the contractor. The pressures on the commissioning budget appear to arise from the recoding of activity as required by central government. The expenditure has yet to follow the recoded budget, but the pressures are captured in this report, even though they may not yet be under the correct heading. The complexity of these issues are given in the 'Reasons for Variations' commentary elsewhere in this Report.

3.3.3 Children’s social care remains under pressure from those with no recourse to public funds, a largely demand-led budget, and several high cost placements, including two secure placements made at the start of the financial year.

3.3.4 It has been assumed in this budget monitoring report that the overspend on Housing for bed and breakfast placements of £658k will be offset against the £1.2m held in the central contingency. Members will want to be aware that the very considerable pressures predicted for Housing in this year are being realised and still we see no slowing down of those pressures.

<u>Early Warning</u>

3.3.5 DoLs remain a very serious issue for the Council. One third of the way through the year we have completed three times the number of applications submitted to Court in all of last year. A best guess at this point is that our pressure here will be no more than 10 times that spent last year, less that the 'worst case prediction of £2m+ but nonetheless a considerable sum not included in our budget.

Education Portfolio:

3.3.6 The education budget is projecting a small overspend as a result of the pressures on Adult Education. Changes in funding from central government has left some of its courses very exposed and staff will be looking at how costs might be controlled in the planning of the coming term’s programmes.

3.4 Comments from the Director of Environment and Community Services

Renewal and Recreation Portfolio:

3.4.1 Overall, the controllable budget for the Renewal and Recreation Portfolio is projected to be overspent by £190k.

3.4.2 As part of the budget setting process for 2014/15 a budget savings target of £150k was included in the culture budget. To date, £90k savings have been identified leaving a balance of £60k. It is intended to identify further savings during the next few months in order to ensure that the culture budget will be balanced from April 2015 onwards.

3.4.3 The full years savings of £300k built into the library budget will not be realized until April 2015 due to two factors; the first is that a detailed consultation has been undertaken during the last few months with both the public and the library staff over options for reducing opening hours and the second is that in order to achieve the reduction in staffing, it is necessary to install the RFID system in the remaining 9 libraries. This installation will not be completed until after October 2014 and therefore only part year savings of £100k will be achieved for 2014/15.

3.4.4 The overspend of £260k within Recreation is partly offset by an underspend of Cr £70k within Planning.

Environment Portfolio:

3.4.5 Overall, the controllable budget for the Environment Portfolio is projected to be overspent by £207k.

3.4.6 The projected overspend in Waste Services is primarily due to the decline in the tonnage of paper collected and the increase in volume of residual tonnage collected. Both of these factors are reflected on the national stage and largely outside our control. However, officers are investigating options to mitigate the potential overspend both for 2014/15 and future years, which may include possible reductions in budgets in other service areas within Environmental Services. The trends will be monitored and possible management actions reported in future budget monitoring reports.

3.4.7 The overspend of £280k within Waste Services is partly offset by an underspend of Cr £73k within Parking.

3.5 Central Contingency Sum

3.5.1 Details of the variations in the 2014/15 Central Contingency are included in Appendix 3.

3.5.2 The Council has received additional funding of £66,463 for 2014/15 to meet the costs of implementing welfare reform changes, which has been included in the central contingency. The cumulative impact of these changes are now been seen with an increasing caseload of households at risk of becoming homeless, due to the caps now placed on their housing benefit eligibility. It is proposed to use this additional grant funding to work intensively with those households affected by the recent changes to assist in mitigating the potential risk of homelessness. This work which is now embedded in the service seeks to work in partnership to assist households to explore a range of options to resolve the caps faced. This includes access training and employment, debt and budgeting advice, moving to more affordable accommodation and so forth. Solutions can vary depending on individual households circumstances and as such flexibility is requested to use the sums across the range of prevention and housing options.

3.5.3 The central contingency includes provision of £36,487 for Staying Put, which is a new duty on local authorities to support young people to continue to live with former foster carers. Previously this duty ended when the young person reached the age of 18, but the placement can now continue up to the age of 21. A request to draw down this funding is being made this cycle to support costs associated with maintaining a “Staying Put” arrangement.

3.5.4 The central contingency assumed provision of £1,960k for the impact of maintained schools converting to academies. The pace of conversion has been much slower than originally anticipated which means that the impact in this financial year will be around £519k or less, and so £1,441k can be released back into the central contingency as it is no longer required.

3.6 **Carry Forwards from 2013/14 to 2014/15**

3.6.1 <u>Social Care Invest to save - £40,000</u>
In June 2014 the Executive approved the drawdown of £489k to continue the invest to save projects in Adult Social Care. At the last Care PDS in June only £449k was requested to be drawn down. The remaining £40,000 is requested to be drawn down this cycle to enable all of the work to be carried out in year. This has been agreed with the Portfolio Holder.

3.6.2 <u>Public Health Transition Grant - £42,264</u>

The Council was allocated a total of £210,000 additional funding between 2012/13 and 2013/14 to assist with the additional costs incurred by the Council with regard to the transfer process of the Public Health function to local government. The balance of £42k is required to complete this exercise, mainly around finalising legal, commissioning and contracts issues and support joint working with the CCG. This has been agreed with the Portfolio Holder.

3.6.3 <u>Public Health Grant - £43,920</u>

A report to Care Services PDS in October 2013 was approved, which sought to maximise the effectiveness of the NHS Health Check Programme. The funding was carried forward into 2014/15 and held in contingency. The projects are now underway and therefore approval is sought to draw down the funding. The first project is to improve diabetes prevention in Bromley and the second is to perform a comprehensive evaluation of the NHS Health Checks programme. This has been agreed with the Portfolio Holder.

3.6.4 <u>Customer Contact Centre - £26,342</u>

Executive approved the carry forward of £26,342 to fund staff required for the project and strategy work relating to the customer contact centre to deploy the portal and manage customer demand away from face to face and telephone channels. This has been agreed with the Portfolio Holder.

3.6.5 <u>Cabinet Office - £22,260</u>

Additional grant was received in March 2014 from the Cabinet Office to support the significant legislative changes required by the introduction of Individual Electoral Registration. Due to the lateness of the grant allocation it was not possible to spend this funding in 2013/14 and so this was carry forward into 2014/15. To enable this work to commence a drawdown of funding is being requested this cycle. This has been agreed with the Portfolio Holder.

3.6.6 CCG Funding to Comms Team - £9,806

In 2012/13 funding of £58k was received from the Clinical Commissioning Group under a Section 256 agreement, for the delivery and implementation of a communication strategy to support Health's Proactive Management of Integrated Services for the Elderly (ProMISE). To date £48k has been spent and the balance of £9,806 is to be used to fund staff costs in supporting small projects commissioned by Bromley CCG . This has been agreed with the Portfolio Holder.

3.6.7 Disaster Recovery - £105k

Executive agreed the carry forward of £105k at the end of 2013/14 to fund a new disaster recovery solution, in order to maintain key services in the event of the loss of systems at the civic site. This work now needs to proceed, so drawn is being requested. This has been agreed with the Portfolio Holder.

3.7 Grant Income and changes in General Government Grants

3.7.1 Care Bill Implementation Grant - £125,000
Since the 2014/15 budget was agreed, a new grant has been allocated to the Council to implement the Care Bill. The grant is to provide additional support to local authorities to build in change management capacity to implement the requirements of the Care Bill in advance of the implementation funds already confirmed for 2015/16.

3.7.2 SEND Implementation Grant - £259,317

A new grant has been received in 2014/15 to provide support to local authorities to implement the SEND reforms. This includes transferring children and young people from statements and young people in further education or training who had Learning Difficulty Assessments to Education, Health and Care plans.

3.8 General Fund Balances

3.8.1 The level of general reserves is currently projected to reduce by £3.8m to £16.2m at 31st March 2015. Further details are provided below:

	2013/14 Projected Outturn £'000
General Fund Balance at 1st April 2014	-20,000
Total Variation (para 3.1)	2,217
Adjustments to Balances:	
Carry forwards (funded from 2013/14 underspends)	1,554
Projected General Fund Balance 31st March 2015	**-16,229**

3.9 Impact on Future Years

3.9.1 The report identifies expenditure pressures which could have an impact on future years. The main areas to be considered at this stage are summarised in the following table:

	2014/15 Budget £'000	2015/16 Impact £'000
Care Services Portfolio		
Assessment & Care Management	34,464	2,046
Childrens Placements	28,802	715
Adults with Learning Disabilities	24,438	1,064
Adults with Mental Health Needs	5,644	255
Supporting People	2,061	-85
Housing Needs	2,913	469
		4,464
Education Portfolio		
Adult Education	-602	299
Education Services Grant	-2,732	675
		974
Resources Portfolio		
Corporate Services Division	13,974	-107
Revenues & Benefits	6,479	-280
		-387
Environment Portfolio		
Waste	17,570	**450**
TOTAL		**5,501**

3.10 The Schools' Budget

3.10.1 There is currently a projected underspend of £1,308k on the Schools' Budget. Overspends and underspends must be carried forward to the following year's Schools' Budget and have no impact on the Council's General Fund. Details of the 2014/15 monitoring for the Schools' Budget will be reported to the Education Portfolio Holder.

3.11 Interest on Balances

3.11.1 A rate of 1% was assumed in the 2014/15 budget for interest on new investments and the budget for net interest earnings was set at £1,591k. Interest rates appear to have started to increase slowly, but there have been no improvements to counterparty credit ratings, which means that the restrictions to investment opportunities that followed ratings downgrades in recent years are still in place. A report elsewhere on the agenda ("Treasury Management – Investment Strategy Review & Q1 Performance 2014/15") asks Members to approve and recommend to Council changes to our investment strategy, including an increase in the limits we can invest with the part-nationalised banks, Lloyds and RBS, a lowering of the minimum credit rating criteria for corporate bonds and new investment in diversified growth funds. At this stage, it is estimated that the 2014/15 budget for interest earnings will be achieved.

4 EARMARKED RESERVES

Economic Development & Investment Fund and Invest to Save Fund

4.1 Economic Development & Investment Fund

A detailed analysis of this Fund, dating back to its inception in September 2011, is included in a report elsewhere on the agenda ("Acquisition of Investment Properties". Total funding of £66.1m has been placed in the earmarked reserve to date to contribute towards the Council's economic development and investment opportunities. A total of £29.4m has been allocated to date, mainly on the acquisition of High Street properties, and the report elsewhere on the agenda seeks approval to allocate a further £6m, which would reduce the uncommitted balance to £30.7m.

4.1.2 Invest to Save Fund

This earmarked reserve was approved by Council in October 2011, with an initial allocation of £14m, to enable "loans" to be provided for Invest to Save initiatives, with advances to be repaid within a "reasonable" period and on-going revenue savings to contribute towards reducing the budget gap. In February 2013, the Executive agreed that the one-off Council Tax Freeze grant in 2012/13 be added to the Fund, bringing the total balance up to £17,304k. Five schemes have been approved to date and, as at 31st March 2014, the actual balance on the Fund stood at £15,975k. More detail on this was provided to the June meeting in the Final Accounts report.

5. Parallel Fund

5.1 The 2014/15 Budget included annual revenue savings of £0.9m to reflect the increase in the pension fund deficit recovery period to 15 years. At its meeting on 24th February 2014, Council agreed that a "Parallel Fund" be set up with investments through a Diversified Growth Fund.

5.2 The "Treasury Management – Investment Strategy Review & Q1 Performance 2014/15" report elsewhere on this agenda includes proposals for investments of £10m in Diversified Growth Fund as part of the Treasury Management Strategy.

5.3 Members views are sought on the amount that should be set aside in an earmarked reserve as part of the "Parallel Fund". If for example the amount set aside was for the equivalent savings for the 3 year period (3 x £0.9m) a sum of £2.7m would be set aside. There is funding available from earmarked reserves, previously set aside, relating to the Interest Rate Risk Reserve (a sum of £1.185m which may not be required if predicted increase in interest rates on investments arise) and the Provision for Impact of Recession (a sum of £1.5m which may no longer be required given the positive economic growth in the UK economy). Any further funding required would need to be met from any future revenue underspends that may arise or from the Economic Development and Investment Fund. An element of investment earnings from the Diversified Growth Fund will be earmarked to match the value of the "Parallel Fund".

6. POLICY IMPLICATIONS

6.1 "Building a Better Bromley" refers to the Council's intention to remain amongst the lowest Council Tax levels in Outer London and the importance of greater focus on priorities.

6.2 The "2014/15 Council Tax" report highlighted the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2014/15 to minimise the risk of compounding financial pressures in future years.

7. FINANCIAL IMPLICATIONS

7.1 These are contained within the body of the report with additional information provided in the appendices.

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	Financial Management Budget Monitoring files across all Portfolios. Provisional final Accounts - Executive 10th June 2014 Draft 2014/15 Budget and Update on Council's Financial strategy 2015/16 to 2017/18 - Executive 15th January 2014/15 Budget Monitoring file held by Technical and Control Finance Section

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Portfolio	2014/15 Original Budget	Budget Variations allocated in year #	2014/15 Latest Approved Budget	2014/15 Projected Outturn	Variation	Variation previously reported to Exec 16.07.14
	£'000	£'000	£'000	£'000	£'000	£'000
Care Services	104,941	11	104,952	107,842	2,890	2,791
Education (incl. Schools' Budget)	4,649	297	4,946	5,315	369	320
Environment	32,699	315	33,014	33,221	207	0
Public Protection & Safety	2,526	0	2,526	2,526	0	0
Renewal and Recreation	8,370	329	8,699	8,889	190	260
Resources	39,218	913	40,131	40,826	695	1,060
Total Controllable Budgets	**192,403**	**1,865**	**194,268**	**198,619**	**4,351**	**4,431**
Capital and Insurances (see note 2)	16,827	116	16,943	16,943	0	
Non General Fund Recharges	Cr 916	0	Cr 916	Cr 916	0	
Total Portfolios (see note 1)	**208,314**	**1,981**	**210,295**	**214,646**	**4,351**	**4,431**
Central Items:						
Interest on General Fund Balances	Cr 1,591	0	Cr 1,591	Cr 1,591	0	0
Contingency Provision (see Appendix 3)	11,850	Cr 427	11,423	9,403	Cr 2,020	Cr 578
Other central items						
Reversal of Net Capital Charges (see note 2)	Cr 15,735	0	Cr 15,735	Cr 15,735	0	0
Contribution to Economic Development & Investment Fund and Other Reserves	8,004		8,004	8,004	0	0
Levies	1,423	0	1,423	1,423	0	0
Total other central items	Cr 6,308	0	Cr 6,308	Cr 6,308	0	0
Total All Central Items	**3,951**	**Cr 427**	**3,524**	**1,504**	**Cr 2,020**	**Cr 578**
Bromley's Requirement before balances	**212,265**	**1,554**	**213,819**	**216,150**	**2,331**	**3,853**
Carry Forwards from 2013/14 (see note 3)	0	Cr 1,147	Cr 1,147	0	1,147	1,147
Carry Forward from 2013/14 Delegated Authority - R&M		Cr 407	Cr 407	0	407	407
Adjustment to Balances	0	0	0	Cr 3,771	Cr 3,771	Cr 5,293
	212,265	0	212,265	212,379	114	114
Revenue Support Grant	Cr 42,031	0	Cr 42,031	Cr 42,031	0	
Business Rates Retention	Cr 35,265	0	Cr 35,265	Cr 35,265	0	
New Homes Bonus	Cr 5,040	0	Cr 5,040	Cr 5,154	Cr 114	Cr 114
C Tax Freeze Grant	Cr 1,381	0	Cr 1,381	Cr 1,381	0	
Local Services Support Grant	Cr 144	0	Cr 144	Cr 144	0	
Collection Fund Surplus	Cr 2,964	0	Cr 2,964	Cr 2,964	0	
Bromley's Requirement	125,440	0	125,440	125,440	0	0
GLA Precept	37,133	0	37,133	37,133	0	
Council Tax Requirement	162,573	0	162,573	162,573	0	0

\# Budget Variations allocated to portfolios in year consists of:

	£'000
1) Carry forwards from 2013/14 (see note 3)	1,554
2) Allocations from the central contingency provision (see Appendix 3)	427
	1,981

1) **NOTES**

Portfolio Latest Approved Budgets analysed over Departments as follows:

	2014/15 Original Budget	Budget Variations allocated in year #	2014/15 Latest Approved Budget	2014/15 Projected Outturn	Variation	Variation previously reported to Executive
	£'000	£'000	£'000	£'000	£'000	£'000
Education Care & Health Services	130,800	318	131,118	134,390	3,272	3,111
Environmental & Community Services	54,240	601	54,841	55,219	378	260
Chief Executive's Department	23,274	1,062	24,336	25,037	701	1,060
	208,314	1,981	210,295	214,646	4,351	4,431

2) Reversal of Net Capital Charges

This is to reflect the technical accounting requirements contained in CIPFA's Code of Practice for Local Authority Accounting and has no impact on the Council's General Fund.

3) Carry Forwards from 2013/14

Carry forwards from 2013/14 into 2014/15 totalling £1,554k were approved by the Executive and under the delegated authority of the Finance Director. Full details were reported to the June meeting of the Executive in the "Provisional Final Accounts 2013/14" report.

Care Services Portfolio Budget Monitoring Summary

2013/14 Actuals £000's	Division Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	EDUCATION CARE & HEALTH SERVICES DEPARTMENT							
	Adult Social Care							
18	AIDS-HIV service	0	0	0	0		0	0
30,925	Assessment and Care Management	25,475	24,714	26,753	2,039	1	1,416	1,896
3,897	Direct Services	3,269	3,269	3,259	Cr 10		0	0
2,868	Learning Disabilities Care Management	2,052	3,002	3,357	355	1	308	370
1,694	Learning Disabilities Day and Short Breaks Servic	2,100	2,096	1,996	Cr 100	2	0	Cr 100
988	Learning Disabilities Housing & Support	1,562	1,383	1,263	Cr 120	3	0	Cr 120
40,390		**34,458**	**34,464**	**36,628**	**2,164**		**1,724**	**2,046**
	Operational Housing							
Cr 1	Enabling Activities	Cr 1	Cr 1	Cr 1	0		0	0
Cr 778	Housing Benefits	Cr 1,662	Cr 1,662	Cr 1,662	0		0	0
4,571	Housing Needs	4,576	4,576	4,576	0	4	0	469
3,792		**2,913**	**2,913**	**2,913**	**0**		**0**	**469**
	Strategic and Business Support Service							
1,945	Strategic & Business Support	2,198	2,169	2,102	Cr 67	5	0	0
331	Learning & Development	394	423	423	0		0	0
2,276		**2,592**	**2,592**	**2,525**	**Cr 67**		**0**	**0**
	Children's Social Care							
14,413	Care and Resources	17,238	17,238	17,565	327		234	300
1,544	Safeguarding and Quality Assurance	1,402	1,402	1,364	Cr 38		Cr 38	0
3,373	Safeguarding and Care Planning	3,499	3,499	3,499	0	6	0	0
3,615	Referral and Assessment	3,413	3,413	3,666	253		155	415
765	Bromley Youth Support Programme	817	817	817	0		0	0
4,025	Childrens Disability Service	2,433	2,433	2,433	0		0	0
27,735		**28,802**	**28,802**	**29,344**	**542**		**351**	**715**
	Commissioning							
3,311	Commissioning	3,105	3,156	3,138	Cr 18		0	0
0	Information & Early Intervention	1,278	1,226	1,226	0		0	0
22,327	Learning Disabilities	24,311	24,316	24,438	122	1	431	1,064
4,776	Mental Health Services	5,644	5,644	5,876	232	1	285	255
2,843	Supporting People	2,060	2,061	1,976	Cr 85	7	0	Cr 85
	NHS Support for Social Care							
10,299	- Expenditure	4,548	5,496	5,496	0		0	0
Cr 10,299	- Income	Cr 4,548	Cr 5,496	Cr 5,496	0		0	0
33,257		**36,398**	**36,403**	**36,654**	**251**		**716**	**1,234**
	Public Health							
12,229	Public Health	12,230	12,230	12,095	Cr 135		Cr 97	0
Cr 12,601	Public Health - Grant Income	Cr 12,601	Cr 12,601	Cr 12,466	135		97	0
Cr 372		**Cr 371**	**Cr 371**	**Cr 371**	**0**		**0**	**0**
107,078	**TOTAL CONTROLLABLE CARE SERVICES ECHS**	**104,792**	**104,803**	**107,693**	**2,890**		**2,791**	**4,464**
2,398	**TOTAL NON CONTROLLABLE**	1,783	1,772	1,788	16		19	0
9,825	**TOTAL EXCLUDED RECHARGES**	10,893	10,893	10,893	0		0	0
119,301	**TOTAL CARE SERVICES ECHS DEPARTMENT**	**117,468**	**117,468**	**120,374**	**2,906**		**2,810**	**4,464**
	Environmental Services Dept - Housing							
179	Housing Improvement	148	148	148	0		0	0
179	**TOTAL CONTROLLABLE FOR ENV SVCES DEPT**	**148**	**148**	**148**	**0**		**0**	**0**
Cr 325	**TOTAL NON CONTROLLABLE**	Cr 300	Cr 300	Cr 300	0		0	0
58	**TOTAL EXCLUDED RECHARGES**	354	354	354	0		0	0
Cr 88	**TOTAL FOR ENVIRONMENTAL SVCES DEPT**	**202**	**202**	**202**	**0**		**0**	**0**
119,213	**TOTAL CARE SERVICES PORTFOLIO**	**117,670**	**117,670**	**120,576**	**2,906**		**2,810**	**4,464**

	<u>Memorandum Item</u>								
	Invest to Save projects: Savings								
30	Dementia Investment Plan	Cr 250	Cr 250	Cr 237	13		13		0
216	PD Investment Plan	Cr 250	Cr 250	Cr 66	184		184		0
246	**Invest to Save projects**	**Cr 500**	**Cr 500**	**Cr 303**	**197**		**197**		**0**
	Trading Accounts								
Cr 33	Trading Account - Performance & Research	0	0	Cr 34	Cr 34		0		0
Cr 33	**Sub Total Trading Accounts**	0	0	Cr 34	Cr 34		0		**0**

Reconciliation of Latest Approved Budget		**£'000**
2014/15 Original Budget		**117,670**
Local Reform and Community Voices - IMHA (Exec 2/4/14):		
- grant related expenditure 2014/15		64
- grant related expenditure 2014/15	Cr	64
Local Reform and Community Voices - DOLS (Exec 10/6/14):		
- grant related expenditure 2014/15		24
- grant related expenditure 2014/15	Cr	24
Adult Social Care Investment Proposal - Demand Management (Exec 22/7/14)		
- expenditure		250
- contribution from earmarked reserve	Cr	250
New Grant - Staying Put Implementation Grant		
- expenditure		36
- income	Cr	36
Carry Forwards:		
Social Care funding via the CCG under s256 (Invest to Save)		
- expenditure		449
- income	Cr	449
Impact of Care Bill / Adult Social Care Gateway Review		
- expenditure		249
- income	Cr	249
Tackling Troubled Families		
- expenditure		764
- income	Cr	764
Public Health weight management pilot		
- expenditure		98
- income	Cr	98
Items to be Requested this Cycle:		
Carry forward - Social Care Funding via the CCG under s256 (Invest to Save)		
- expenditure		40
- income	Cr	40
Welfare Reform Impementation Funding		
- expenditure		66
- income	Cr	66
Public Health s256		
- expenditure		44
- income	Cr	44
Public Health Transition Funding		
- expenditure		42
- income	Cr	42
Total Variations		0
2014/15 Latest Approved Budget		**117,670**

REASONS FOR VARIATIONS

1. Adult Social Care and Commissioning - Care-Related Costs - Dr £2,748k

	£'000
Adult Social Care:	
Assessment & Care Management (18-65 and 65+)	2,039
Learning Disabilities Care Management (18-65 and 65+)	355
	2,394
Commissioning:	
Learning Disabilities (18-65 and 65+)	122
Mental Health (18-65 and 65+)	232
	354
Total Projected Overspend	2,748

As reported last cycle, a new Adult Social Care "Service Reporting Code of Practice" (SERCOP) was implemented with effect from 1st April 2014. This had significant implications for budget management and financial reporting structures. In addition, "Zero Based Review" data collection changes were effective from the same date.

The main areas of change have included re-classification of all adult social care clients according to their Primary Support Reason (PSR), including those clients over 65 who were all previously classified as "Older People" irrespective of their primary care need. Further, support now has a greater degree of classification between long term and short term support.

The new PSRs include: Physical Support; Sensory Support; Support with Memory and Cognition; Learning Disability Support; Mental Health Support. There is a further category of Social Support which includes support to Carers.

There are still some issues to be resolved in relation to the implementation of the above changes, particularly final changes to some clients' PSRs and the consequent adjustments to budgets and projections.

These changes have had a significant impact on information available to monitor the budgets. Projections have been calculated based on the distribution of clients across PSRs at a point in time. Similarly, the budgets were calculated based on the profile of clients across the new PSRs in April 2014. Both of these sets of information continue to require further work and, as such, the above projections should be viewed only in total, with the expectation that the pattern of overspend will shift between individual budget heads in future months.

The projected overspend of £2.75m arises from the full year effect of 2013/14 activity combined with projected new activity in 2014/15 and 2014/15 budget savings, including £1.45m saving from the capping of Adult Social Care costs.

2. Learning Disabilities Day and Short Breaks Service - Cr £100k

The learning disabilities short breaks service at Widmore Road has been running since 2013, when the 2 former respite units at Bromley Road and Tugmutton Close closed. The combining of the 2 facilities on to one new site has enabled staffing efficiencies to be made and a projected underspend of £100k is now reported as the service starts to bed down on the new site.

3. Learning Disabilities Housing and Support - Cr £120k

Some minor restructuring of the service , including the deregistration of the residential units at St Blaise and Orchard Grove and changes around the management of the service have resulted in a projected underspend of £120k.

4. Operational Housing - Dr £0k

Temporary Accommodation budgets are currently forecast to overspend by £653k. Increased client numbers (net increase of 15 per month during 2013/14, inclusive of welfare reform) and rising unit costs are evident and the projections assume the trend continues during this financial year. This increase has been noticeable across all London Boroughs and is the result of the pressures of rent and mortgage arrears coupled with a reduction in the numbers of properties available for temporary accommodation. There are high levels of competition and evidence of 'out bidding' between London boroughs to secure properties and this has contributed towards the high costs of nightly paid accommodation.

The full year effect of the projected overspend is currently anticipated to be a pressure of £1,122k in 2015/16. However, this only takes account of projected activity to the end of March 2015 and does not include any projected further growth in numbers beyond that point.

Budgets will continue to be monitored closely during the financial year. Officers are currently modelling different scenarios to quantify the effect of further possible initiatives and also the most appropriate deployment of existing initiatives to maximise the financial benefit.

There is £1.2m held in the central contingency earmarked for the impact of welfare reform. It is assumed that budget will be drawn-down from this to cover the overspend, so no variation is being reported.

There will be a further revenue contribution to Capital as part of the year end closing of accounts for 2014/15, due to increased costs (overspend) associated with the Bellegrove conversion of £49k. This is offset by one off in-year underspends on various staffing budgets due to delays in the recruitment and appointment of staff as part of the restructure.

5. Strategic and Business Support - Cr £67k

A combination of part year vacancies and projected net additional income from schools on the Performance and Research trading account is generating a forecast underspend of £67k.

6. Children's Social Care - Dr £542k

The projected overspend in Children's Social Care has increased this month with the main areas of under / overspending being:

Placements - Dr £236k
The children's placement budget is currently projected to overspend by £236k, based on current numbers of children being looked after, plus an assumption for new children having to be looked after during the year. This is no change from the figure projected last time.

No Recourse to Public Funds - Dr £253k

The cost to Bromley for people with no recourse to public funding significantly exceeded the budget established for these costs in 2013-14. Additional budget was moved into this area for 2014/15, however the trend of increased costs is continuing during the current financial year, with a current projected overspend of £253k now being reported.

Leaving Care Clients - 16/17 year olds - Dr £92k

Expenditure relating to leaving care services for 16 and 17 year old's is projected to overspend due to increased numbers of children leaving care recently. This could further increase if more children within this age group leave care requiring services.

Other miscellaneous budgets - Cr £38k

An SLA with an external provider was not renewed in 2013-14, resulting in a continuing underspend of £38k.

7. Supporting People - Cr £85k

The projected underspend of £85k arises from inflation-related savings and the effect of re-tendering / extending contracts at a reduced cost.

EARLY WARNINGS

Deprivation of Liberty Safeguards

A recent Supreme Court judgement relating to Deprivation of Liberty Safeguards and the deprivation of liberty of individuals has potentially significant financial implications. The background was outlined in a report to the Executive on 10th June 2014. There is already evidence of a significantly higher number of assessments than in previous years. Once further details of the judgement and its consequences are available and further mapping work has been carried out, likely cost implications will become clearer and will be included in a future report.

Waiver of Financial Regulations:

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempt from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub-Committee bi-annually.

Since the last report to the Executive, waivers were approved as follows:

(a) There were 10 contract waivers agreed for the continuation of current contracts / new contracts of less than £50k each and 2 contract waivers agreed for the continuation of current contracts of more than £50k each.

(b) There was 1 waiver agreed for placements over £50k in Adult Social Care.

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" are included in financial monitoring reports to the Portfolio Holder. Since the last report to the Executive, no virements have been actioned.

APPENDIX 2B

2013/14 Actuals £'000	Division / Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	EDUCATION CARE & HEALTH SERVICES DEPARTMENT							
	Education Division							
Cr 401	Adult Education Centres	Cr 602	Cr 602	Cr 303	299	1	230	299
275	Alternative Education and Welfare Service	104	104	104	0		0	0
412	Schools and Early Years Commissioning & QA	565	565	565	0		0	0
4,451	SEN and Inclusion	4,772	4,772	4,772	0	2	0	0
213	Strategic Place Planning	255	255	255	0		0	0
11	Workforce Development & Governor Services	11	11	11	0		0	0
Cr 2,957	Education Services Grant	Cr 2,732	Cr 2,732	Cr 2,732	0	3	0	675
Cr 1,415	Schools Budgets	Cr 1,493	Cr 1,493	Cr 1,493	0	4	0	0
160	Other Strategic Functions	158	158	158	0		0	0
0	Early Years	0	0	0	0		0	0
0	Primary Schools	0	0	0	0		0	0
0	Secondary schools	0	0	0	0		0	0
0	Special Schools & Alternative Provision	0	0	0	0		0	0
0	Post-16 Provision	0	0	0	0		0	0
749		**1,038**	**1,038**	**1,337**	**299**		**230**	**974**
	Children's Social Care							
1,790	Bromley Youth Support Programme - (Youth Svce)	1,468	1,468	1,558	90	5	90	0
1,889	Referral and Assessment Children's Centres	2,143	2,440	2,420	Cr 20	6	0	0
3,679		**3,611**	**3,908**	**3,978**	**70**		**90**	**0**
4,428	**TOTAL CONTROLLABLE FOR EDUCATION - ECHS**	**4,649**	**4,946**	**5,315**	**369**		**320**	**974**
9,221	**Total Non-Controllable**	5,096	5,117	5,113	Cr 4		Cr 4	0
3,802	**Total Excluded Recharges**	3,386	3,386	3,386	0		0	0
17,451	**TOTAL EDUCATION PORTFOLIO - ECHS**	**13,131**	**13,449**	**13,814**	**365**		**316**	**974**
Memorandum Item								
	Sold Services							
	Education Psychology Service (RSG Funded)	Cr 23	Cr 23	Cr 23	0	7		0
	Education Welfare Service (RSG Funded)	Cr 39	Cr 39	Cr 39	0	7		0
	Behaviour Support (Secondary) (RSG Funded)	Cr 61	Cr 61	Cr 61	0	7		0
	Workforce Development (DSG/RSG Funded)	Cr 8	Cr 8	Cr 8	0	7		0
	Governor Services (DSG/RSG Funded)	Cr 7	Cr 7	Cr 7	0	7		0
	Community Vision Nursery (RSG Funded)	0	0	0	0	7		0
	Blenheim Nursery (RSG Funded)	0	0	0	0	7		0
	Business Partnerships (RSG Funded)	0	0	0	0	7		0
	Total Sold Services	**Cr 138**	**Cr 138**	**Cr 138**	**0**		**0**	**0**

Reconciliation of Latest Approved Budget	**£'000**
Original Budget 2014/15	**13,131**
SEN Reform Grant Income	Cr 382
SEN Reform Grant Expenditure	382
Children's Centres carry forward	297
Non-controlllable carry forward re Adult Education property	21
Latest Approved Budget for 2014/15	**13,449**

REASONS FOR VARIATIONS

1. Adult Education - Dr £299k

A continuation of the significant overspend in 2013/14 is projected for the Adult Education Service. A total reduction in grant, tuition fee and other income of £317k has not been matched by the same level of reductions in the running costs of the service.

		Variations £'000
Skills Funding Agency grant		178
Tuition fee income		165
Lettings and other fees and charges	Cr	26
Business rates and other premises costs		25
Supplies and services	Cr	36
Staffing	Cr	7
		299

2. SEN and Inclusion - Dr £0k

To help authorities with the amount of work required to convert existing Statements of SEN to the new Education Health and Care (EHC) plans, and to implement the changes to working practices required, the Department for Education has created the SEN Reform Grant. LBB's allocation of this grant for 2014/15 is £382k, draw-down of which was approved by Executive on 2nd April 2014.
The SEN assessment and monitoring team is currently projected to have an underspend of £50k on staffing due to staff being charged to the SEN Reform Grant and temporary vacancies, offset by an overspend of £15k on consultancy work for tribunals, and an estimated £35k new cost for mediations.

3. Education Services Grant - Dr £0k

Current projections for the Education Services Grant (ESG) allocation is £519k less than budget. The ESG allocation is re-calculated on a quarterly basis, so the grant reduces in-year as schools convert to academies. The current projection is based on the 3 conversions on 1st April and 1 on 1st August 2014, with a further 13 conversions approved by DfE, including the PRU, all expected to convert before December 2014. The projection also includes a further 8 conversions which DfE has either received an application for, or are deemed likely to occur. The full year effect of these 25 conversions is £1,194k. It is currently assumed that the shortfall with be drawn-down from contingency to cover this, so no variation is being reported.

4. Schools Budgets (no impact on General Fund)

Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided for by the Department for Education (DfE). DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget. Any overspend or underspend must be carried forward to the following years Schools Budget. There is a total projected underspend of £1,308k on DSG funded services as outlined below to be carried forward to 2015/16.

Current projections for SEN placements show a continuance of the significant underspend in 2013/14, primarily due to lower than budgeted numbers of children, combined with the maintained lower average costs.

SEN support costs for students in further education establishments, for which funding and responsibility transferred to the authority for the first time in September 2013, is currently expected to underspend by £123k.

The 2014/15 budget included a sum of £600k to be allocated to early years providers. It had previously been anticipated that this would be unspent, as the funding regulations no longer permit in-year changes to the early years funding formula, however DfE has since confirmed that this can in fact be distributed in-year as top-up funding.

A net increase of £261k to the DSG allocation was made in July accounting for the increase in pupil numbers on the January 2014 Early Years Census, and a reduction in high needs funding relating to special unit places at a school which converted to academy status.

A major pressure areas in 2013/14 was Free Early Education (FEE) provision for 3 and 4 year olds, with an outturn of £529k overspend. To offset this, and to manage the anticipated continued growth in take-up, £1.3m budget growth was added for 2014/15. An underspend of £222k is now projected on the £11.4m total budget.

Continued growth in uptake is expected for FEE for 2 year olds in 2014/15, with an estimated 32% achieved by March 2014 against DfE's target of 40% for September 2014. However, current projections suggest that a significant underspend of around £1.4m is likely on this budget. From 2015/16 onwards DfE will fund this provision on a participation basis, so this underspend will not continue. The service are also intending to contribute £150k in-year from this underspend to the capital scheme to help build capacity for these extra places.

The underspends above are partly offset by a continued increase in the requirement for bulge classes, resulting in an overspend of £793k on the £1m budget.

		Variations £'000
SEN Placements	Cr	395
SEN Support in FE colleges	Cr	123
FEE provision - 3 & 4 year olds	Cr	222
FEE provision - 2 year olds	Cr	1,250
Additional Early Years DSG allocation	Cr	314

Additional High Needs DSG deductions		53
Bulge classes		793
One-off spend re academy conversions/classroom rental etc		150
	Cr	**1,308**

5. Youth Service - Dr £90k

Savings of £360k have been applied to the BYSP budget. The majority of the savings will be achieved through the realigning and repositioning of the Youth Services (universal and targeted). During this process there has been a staff consultation and the planned restructure will be completed at the end of September. This will result in a one-off in-year overspend of £90k.

6. Referral & Assessment Children's Centres - Cr £20k

There is a £20k underspend projected for the Parent Partnership team as a result of two part-year vacancies.

7. Sold Services (net budgets)

Services sold to schools are separately identified in this report to provide clarity in terms of what is being provided. These accounts are shown as memorandum items as the figures are included in the appropriate Service Area in the main report.

Early Warning

For 2013/14, funding for Behaviour Services was delegated to schools. As a result, the Secondary Outreach team became a trading account selling to schools. From early on it was recognised that the service would not be able to achieve the income target, and was a major pressure on the Education budget. At the end of July 2014, the staff were assimilated into vacant posts within the Pupil Referral Unit's establishment, with the expectation that Bromley Education Trust Academy would continue the service when the PRU converts to academy status in September 2014. Due to the term-time nature of the service, it has not been possible to complete a final variation for the service now that it has ceased as part of LBB, but estimates suggest that a shortfall of approximately £80k is likely.

Waiver of Financial Regulations:

The Council’s Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. One waivers has been approved since the last report to the Executive, for £303k for therapy provision for Bromley schools and settings.

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, a virement of £173k for funding of the Behaviour and Attendance Partnership/Local Inclusion Forum has been approved.

APPENDIX 2C

2013/14 Actuals £'000	Division Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	Customer & Support Services							
Cr 6,461	Parking	Cr 6,036	Cr 6,036	Cr 6,109	Cr 73	1-4	0	0
1,247	Support Services	1,198	1,198	1,198	0		0	0
Cr 5,214		**Cr 4,838**	**Cr 4,838**	**Cr 4,911**	**Cr 73**		**0**	**0**
	Public Protection - ES							
76	Emergency Planning	75	75	75	0		0	0
76		**75**	**75**	**75**	**0**		**0**	**0**
	Street Scene & Green Space							
4,135	Area Management/Street Cleansing	4,079	4,079	4,099	20	5	0	0
2,540	Highways	2,535	2,535	2,515	Cr 20	6	0	0
Cr 18	Markets	1	1	1	0		0	0
5,775	Parks and Green Space	5,898	5,963	5,963	0		0	0
481	Street Regulation	461	461	461	0		0	0
17,085	Waste Services	17,570	17,570	17,850	280	7	0	450
29,998		**30,544**	**30,609**	**30,889**	**280**		**0**	**450**
	Transport & Highways							
6,436	Highways incl London Permit Scheme	6,611	6,861	6,861	0		0	0
129	Highways Planning	136	136	136	0		0	0
177	Traffic & Road Safety	171	171	171	0		0	0
6,742		**6,918**	**7,168**	**7,168**	**0**		**0**	**0**
31,602	**TOTAL CONTROLLABLE**	**32,699**	**33,014**	**33,221**	**207**		**0**	**450**
7,391	**TOTAL NON-CONTROLLABLE**	6,386	6,386	6,367	Cr 19	8	Cr 19	0
2,035	**TOTAL EXCLUDED RECHARGES**	2,095	2,095	2,095	0		0	0
41,028	**PORTFOLIO TOTAL**	**41,180**	**41,495**	**41,683**	**188**		**Cr 19**	**450**

Reconciliation of Latest Approved Budget	**£'000**
Original Budget 2014/15	**41,180**
Keston Ponds Dam carry-forward from 2013/14	65
Lead Local Flood Authorities	250
Latest Approved Budget for 2014/15	**41,495**

REASONS FOR VARIATIONS

1. Income from Bus Lane Contraventions Dr £65k

Due to a combination of greater compliance and the impact from the works at Bromley North which has resulted in some areas becoming unenforceable from April, a deficit of income of £65k is projected.

2. Off Street Car Parking Cr £64k

Overall a surplus of £64k is projected for off street parking. There is a net projected surplus within the multi-storey car parks of £40k. This is made up of variations of Cr £38k from Village Way, Cr £2k from the Civic Centre and additional income of Cr £24k projected from surface car parks.

Summary of variations within Off Street Car Parking		£'000
Off Street Car Parking income - multi-storey car parks	Cr	40
Off Street Car Parking income - other surface car parks	Cr	24
Total variations within Off Street Parking	**Cr**	**64**

3. On Street Car Parking Cr £60k

An overall surplus of £60k is projected for on street parking income. Major variations are within Bromley Town Centre with a net surplus of Cr £15k, and a net surplus of Cr £45k from Petts Wood, Orpington and other areas.

SSince the income projected for parking as a whole is now in suplus, previous management action taken to freeze part of the budget for the replacement of pay and display machines to balance the budget is no longer required.

Summary of variations within On Street Car Parking		£'000
Income from Bromley Town Centre	Cr	15
Income from Petts Wood, Orpington & other areas	Cr	45
Total variations within On Street Car Parking	**Cr**	**60**

4. Car Parking Enforcement Cr £14k

Based on activity levels up to July 2014, there is a projected net surplus of £56k from PCNs issued by Vinci in the current year due to an increase in contraventions. Additional income is also projected for PCN contraventions in 2013/14 totalling Cr £10k.

A net deficit of Dr £55k is projected for mobile and static cameras due to the works being undertaken in Bromley North which has led to areas becoming unenforceable from April to September 2014. This is partly offset by extra income received for tickets issued in 2013/14 of Cr £3k.

Summary of variations within Car Parking Enforcement		£'000
PCNs issued by wardens	Cr	66
PCNs issued by mobile & static cameras		52
Total variations within Car Parking Enforcement	**Cr**	**14**

Summary of overall variations within Parking:		£'000
Bus Routes Enforcement		65
Off Street Car Parking income	Cr	64
On Street Car Parking	Cr	60
Car Parking Enforcement	Cr	14
Total variation for Parking	**Cr**	**73**

5. Area Management & Street Cleansing Dr £20k

Within the FPN littering offence scheme there is a projected deficit of £20k, relating to the period to 31st August 2014. This has arisen due to a combination of lower than anticipated income recovery rates, as well as fewer tickets issued than expected in recent months, and therefore costs exceed income collected. If the contract is extended to 31st March 2014, it is expected that the deficit would rise to £50k. This will continue to be monitored closely in the coming months, with any further deficit identified requiring compensating savings.

6. Highways SSGS Cr £20k

Within Highways, there is a projected surplus income from skip licences of £20k. This is due to a combination of a general upturn within the economy, as well as improved management systems and processes within the SSGS division.

7. Waste Services Dr £280k

There is currently projected to be an overspend within waste disposal tonnages of £130k. Actual tonnage is 880 tonnes above budget for the first four months of the year, and 930 tonnes above the same period in 2013-14. It is currently anticipated that there will be a year-end variation of 1,450 tonnes, resulting in an overspend of £130k. However, if the variation for the first 3rd of the year is repeated throughout 2014-15, the deficit could be as high as 2,640 tonnes, which equates to an overspend of £235k.

In addition to the increase in residual disposal tonnage from households, the green garden waste tonnage is 708 higher for the first 4 months of the year when compared to the same period last year. It is expected that this will continue for the rest of the year and a year end variation is expected of at least 2,800 tonnes, resulting in an overspend of £125k.

The green garden waste collection service is projected to be underspent by £125k by the year end. This is due to a number of factors; Staffing and running expenses are expected to be £33k lower than budgeted and the fourth vehicle has not been required until August, providing a saving of £45k. A combination of additional customers for the wheelie bin scheme and the continued sale of green garden waste stickers has led to an overachievement of income of £47k.

There is a projected deficit from paper recycling income of £120k due to reduced tonnages currently being collected from households. Paper tonnages have been reducing for the last two years, and it is likely that this trend will continue into future years.

There is currently a projected deficit within income from trade waste collections of £80k. This has arisen where around 4% of commercial customers have withdrawn from the services since April 2014.

Within trade waste delivered income, there is a projected surplus of £50k, resulting from higher activity than budgeted.

Summary of variations within Waste Services		**£'000**
Waste disposal tonnages		255
Underspend from green garden waste collection scheme	Cr	125
Paper recyling income		120
Trade waste collection income		80
Collection contract	Cr	50
Total variation for Waste Services		**280**

8.Non-controllable budgets Cr £19k

For information here, the variation relates to a net surplus within property rental income across the Environment portfolio. Property division are accountable for these variations.

Waiver of Financial Regulations

The Council’s Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the from the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. Since the last report to the Executive, no waivers have been approved:

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive no virements have been actioned.

2013/14 Actuals £'000	Division Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	Public Protection							
433	Community Safety	313	313	313	0		0	0
322	Mortuary & Coroners Service	348	348	348	0		0	0
1,779	Public Protection	1,865	1,865	1,865	0		0	0
2,534	**TOTAL CONTROLLABLE**	**2,526**	**2,526**	**2,526**	**0**		**0**	**0**
191	**TOTAL NON CONTROLLABLE**	6	6	6	0		0	0
281	**TOTAL EXCLUDED RECHARGES**	94	94	94	0		0	0
3,006	**PORTFOLIO TOTAL**	**2,626**	**2,626**	**2,626**	**0**		**0**	**0**

Reconciliation of Latest Approved Budget	**£'000**
Original Budget 2014/15	**2,626**
Latest Approved Budget for 2014/15	**2,626**

REASONS FOR VARIATIONS

There are no projected variations.

Waiver of Financial Regulations:

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. Since the last report to the Executive no waivers have been actioned:

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, no virements have been actioned.

2013/14 Actuals £'000	Division Service Areas	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	R&R PORTFOLIO							
	Commissioning Fund							
0	Commissioning Fund	0	0	0	0		0	0
0		**0**	**0**	**0**	**0**		**0**	**0**
	Housing Strategy & Development							
Cr 16	Housing Strategy & Development	Cr 14	Cr 14	Cr 14	0		0	0
Cr 16		**Cr 14**	**Cr 14**	**Cr 14**	**0**		**0**	**0**
	Planning							
Cr 23	Building Control	12	12	2	Cr 10	1	0	0
Cr 165	Land Charges	Cr 168	Cr 168	Cr 168	0		0	0
492	Planning	649	649	609	Cr 40	2	0	0
1,119	Renewal	1,093	1,153	1,133	Cr 20		0	0
1,423		**1,586**	**1,646**	**1,576**	**Cr 70**		**0**	**0**
	Recreation							
2,029	Culture	1,902	1,896	1,956	60	3	60	0
4,882	Libraries	4,656	4,931	5,131	200	4	200	0
243	Town Centre Management & Business Support	240	240	240	0		0	0
7,154		**6,798**	**7,067**	**7,327**	**260**		**260**	**0**
8,561	**Total Controllable R&R Portfolio**	**8,370**	**8,699**	**8,889**	**190**		**260**	**0**
9,276	**TOTAL NON CONTROLLABLE**	2,577	2,594	2,594	0		Cr 2	0
2,215	**TOTAL EXCLUDED RECHARGES**	2,275	2,275	2,275	0		0	0
20,052	**PORTFOLIO TOTAL**	**13,222**	**13,568**	**13,758**	**190**		**258**	**0**

Reconciliation of Latest Approved Budget	**£'000**
Original budget 2014/15	**13,222**
Repairs & Maintenance	17
Local Plan Implementation	60
Business Support Scheme- Grant Related Expenditure	23
Business Support Scheme- Grant Related Income	Cr 23
Allocation of funding for RFID from central contingency	275
Discretionary rate relief returned to the General Fund	Cr 6
Latest Approved Budget for 2014/15	**13,568**

REASONS FOR VARIATIONS

1. Building Control Cr £10k

For the chargeable service, an income deficit of £70k is anticipated based on information to date. This is being more than offset by a projected underspend within salaries of £95k arising from reduced hours working / vacancies. In accordance with Building Account Regulations, the net surplus of £25k will be carried forward via the earmarked reserve for the Building Control Charging Account.

Within the non-chargeable service, as a result in delays in not appointing to vacant posts, there is a projected underspend of £10k.

2. Planning Cr £40k

Income from non-major planning applications is £48k above budget for the first four months of the year, and a surplus of £120k is projected for the year. For information, actual income received for April to July is £45k higher than that received for the same period last year.

For major applications, £66k has been received as at 31st July and planning officers within the majors team have provided a schedule of additional potential income that may be received in the coming months of approximately £220k. Allowing for delays in some of this income being received, as well as other items not being received at all, a deficit of £120k is being projected for major applications at this stage of the year.

There is projected surplus income of £40k from pre-application meetings due to higher than budgeted activity levels.

Summary of variations within Planning:		**£'000**
Surplus income from non-major applications	Cr	120
Income deficit within major applications		120
Surplus pre-application income	Cr	40
Total variation for planning	**Cr**	**40**

3. Renewal Cr £20k

Within salaries, there is a projected net underspend of £20k. This has arisen due to a combination of departing staff being replaced at the lower end of the salary scale, and a secondment to Resources not being back-filled for 6 months.

4. Culture £60k

A budget saving of £150k was built into the culture budget for 2014/15 in anticipation that a review of the service would deliver the necessary savings. To date only £90k savings have been identified, leaving a budget gap of £60k. It is expected that further savings will be identified to ensure a balanced budget from April 2015.

5. Libraries Dr £200k

As part of the budget setting process for 2014/15, savings of £300k were built into the library budget. Detailed consultations have taken place with both staff and the public over the last few months about options to reduce opening hours. The installation of the Radio Frequency Identification Data system (RFID) in the remaining 9 libraries will be undertaken in the next two months and it is expected that only part year savings of £100k will be achived this financial year. The full £300k savings will be achieved from April 2015.

Waiver of Financial Regulations

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. Since the last report to the Executive no waivers have been actioned:

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, no virements have been actioned.

Resources Portfolio Budget Monitoring Summary

2013/14 Actual £'000	Financial Summary	2014/15 Original Budget £'000	2014/15 Latest Approved £'000	2014/15 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
	CHIEF EXECUTIVE'S DEPARTMENT							
	FINANCIAL SERVICES DIVISION							
	Financial Services & Procurement							
1,552	Exchequer - Payments & Income	1,687	1,687	1,671	Cr 16	1	Cr 12	
4,729	Exchequer - Revenue & Benefits	6,697	6,479	6,180	Cr 299	2	Cr 139	Cr 280
186	Finance Director & Other	193	193	193	0		0	
557	Financial Accounting	598	602	602	0		0	
1,580	Management Accounting & Systems	1,653	1,649	1,616	Cr 33	3	Cr 28	
392	Procurement	410	441	442	1		4	
8,996	**Total Financial Services Division**	**11,238**	**11,051**	**10,704**	**Cr 347**		**Cr 175**	**Cr 280**
	CORPORATE SERVICES DIVISION							
4,391	**Information Systems & Telephony**	4,512	4,617	4,594	Cr 23	4	Cr 34	
	Operational Property Services							
Cr 3	CDM	0	0	0	0		0	
146	Client & Facilities Services	153	153	151	Cr 2	5	0	
42	Property Services Planned	1	1	4	3		1	
244	Property Services Reactive	176	176	255	79		74	66
1,923	Repairs & Maintenance (All LBB)	1,886	2,293	2,293	0		0	
	Customer Services & Bromley Knowledge							
100	Bromley Knowledge	10	10	10	0		0	
832	Contact Centre	831	897	899	2		1	
	Legal Services & Democracy							
1,490	Democratic Services	1,539	1,539	1,469	Cr 70	6	Cr 72	Cr 100
317	Electoral	310	310	310	0		Cr 9	
1,625	Legal Services	1,583	1,583	1,568	Cr 15	7	Cr 30	
Cr 118	Registration of Births, Deaths & Marriages	Cr 93	Cr 93	Cr 91	2		Cr 2	
1,850	Admin. Buildings	1,838	1,838	1,704	Cr 134	8	Cr 134	Cr 73
461	Facilities & Support	484	484	451	Cr 33	9	Cr 33	
166	**Management and Other (Corporate Services)**	**166**	**166**	**166**	**0**		**0**	
13,466	**Total Corporate Services Division**	**13,396**	**13,974**	**13,783**	**Cr 191**		**Cr 238**	**Cr 107**
	HR DIVISION							
1,379	Human Resources	1,521	1,521	1,542	21	10	29	
1,379	**Total HR Division**	**1,521**	**1,521**	**1,542**	**21**		**29**	**0**
	CHIEF EXECUTIVE'S DIVISION							
766	Audit	846	846	753	Cr 93	11	4	
110	Comms	210	210	210	0		Cr 5	
641	Management and Other (C. Exec)	588	588	634	46	12	40	
144	Mayoral	178	178	124	Cr 54	13	Cr 32	Cr 32
1,661	**Total Chief Executive's Division**	**1,822**	**1,822**	**1,721**	**Cr 101**		**7**	**Cr 32**
	TRANSFORMATION & REGENERATION DIVISION							
	Strategic Property Services							
254	Investment & Non-Operational Property	397	408	308	Cr 100	14	Cr 27	
559	Strategic Property Services	619	619	619	0		Cr 6	
Cr 4,869	Investment Income	Cr 6,345	Cr 6,356	Cr 4,937	1,419	15	1,476	0
Cr 802	Other Rental Income - Other Portfolios	Cr 780	Cr 791	Cr 797	Cr 6	16	Cr 6	
Cr 4,858	**Total Transformation & Regeneration Division**	**Cr 6,109**	**Cr 6,120**	**Cr 4,807**	**1,313**		**1,437**	**0**
20,644	**Total Controllable Departmental Budgets**	**21,868**	**22,248**	**22,943**	**695**		**1,060**	**Cr 419**
	CENTRAL ITEMS							
7,610	**CDC & Non Distributed Costs (Past Deficit etc.)**	7,450	7,450	7,450	0		0	
9,650	**Concessionary Fares**	9,900	10,433	10,433	0		0	
37,904	**Total Controllable**	**39,218**	**40,131**	**40,826**	**695**		**1,060**	**Cr 419**

2013/14 Actual £'000	Financial Summary	2013/14 Original Budget £'000	2013/14 Latest Approved £'000	2013/14 Projected Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
6,117	**Total Non Controllable**	2,032	2,148	2,148	0		0	
Cr 19,007	**Total Excluded Recharges**	Cr 20,013	Cr 20,013	Cr 20,013	0		0	
Cr 1,382	**Less: R&M allocated across other Portfolios**	Cr 1,531	Cr 1,569	Cr 1,569	0		0	
802	**Less: Rent allocated across other Portfolios**	780	791	797	6		6	
24,434	**TOTAL CHIEF EXECUTIVE'S DEPARTMENT**	**20,486**	**21,488**	**22,189**	**701**		**1,066**	**Cr 419**
24,434	**TOTAL RESOURCES PORTFOLIO**	**20,486**	**21,488**	**22,189**	**701**		**1,066**	**Cr 419**

	<u>Memorandum Item</u>					17		
	Sold Services							
Cr 4	Audit (Schools) Trading Account	0	0	0	0		0	
Cr 1	Health & Safety Schools Trading Account	Cr 3	Cr 3	Cr 3	0		0	
Cr 15	HR Schools Trading Account	24	26	48	22		24	
Cr 43	Finance Schools Trading Account	Cr 13	Cr 13	Cr 34	Cr 21		Cr 23	
8	Facilities Schools Trading Account	0	0	0	0		0	
Cr 3	Reactive Maintenance Schools Trading Account	0	0	1	1		0	
Cr 58	**Total Sold Services**	**8**	**10**	**12**	**2**		**1**	**0**

Reconciliation of Final Budget	**£'000**
Original budget 2014/15	**20,486**
Repairs and Maintenance carry forward from 2013-14	369
Transfer budget for NNDR Discretionary Relief to contingency	Cr 218
Concessionary Fares	533
Carbon Tax	31
Customer Services Centre	40
Carryforward Requests drawn down from Central Contingency this cycle	131
Increase in insurance costs	116
Latest Approved Budget for 2014/15	**21,488**

REASONS FOR VARIATIONS

FINANCIAL SERVICES DIVISION

1 Exchequer Services - Payments & Income - £16k Cr

An underspend of £16k Cr is projected for Payments & Income. £11k Cr relates to staffing, due to reduced hours and other staff changes. Other minor variations net out to 5k Cr.

2 Exchequer Services - Revenue & Benefits - £299k Cr

An overall underspend of £299k Cr is projected for Revenue & Benefits. £66k Cr relates to vacant posts for which there are no plans to fill this financial year. Negotiations with Liberata have resulted in reduced contract costs of £97k Cr relating to the allowance for inflation and variations in services. A variation on the provision made for incentive payments relating to 13-14 is expected to result in an underspend of £33k Cr. Further reductions in costs of £185k Cr are expected on licence and support costs for Exchequer systems. These underspends are offset by additional costs relating to a secure network backup solution for the transmission of sensitive data £48k, the introduction of kiosk payment facilities £24k, and reduced income from payroll charges to schools of £24k. Other minor variations total £14k Cr. It is currently expected that there will be ongoing underspends of approx. £280k Cr, mainly relating to the contract budget and licences and support.

3 Management Accounting & Systems - £33k Cr

An underspend of £33k Cr is projected for Management Accounting and Systems. £21k Cr relates to additional net income expected from Finance Services sold to schools. The remaining £12k Cr relates to minor variations on salaries.

CORPORATE SERVICES DIVISION

4 Information Systems & Telephony - £23 Cr

The ISD is projecting an underspend of £23k Cr. This mainly relates to the vacant Head of IT post. It has been assumed for this projection that the post will be filled by the 01/10/2014, however this issue is subject to further discussion.

5 Operational Property Services Dr £80k

The latest forecast for Operational Property is a net overspend of £80k. This is mainly due to a historic shortfall in the budget. This shortfall is £66k, and mainly relates to a number of small variations in salary budgets (includes non-achievement of turnover, regrading of staff, overtime provisions and minor variations on posts deleted as budget savings). The Director of Corporate Services continues to explore ways of mitigating this variation. Other minor variations total £14k Dr across salaries and supplies and services within planned and reactive.

6 Democratic Services - £70k Cr

Democratic Services is expecting an underspend of £70k Cr. This predominantly relates to Members allowances. A freeze in allowance rates, and the removal of Members from the pension scheme from June 14, has resulted in a reduction of £99k Cr. This is offset by costs of £29k relating to the purchase of IPADs.

7 Legal Services - £15k Cr

Legal Services is projecting an underspend of £15k Cr relating to staffing. There are ongoing discussions with all departments to establish what level of legal services are required. There are vacant posts which will be filled following the outcome of these discussions, however, in the meantime casual staff are being employed during the transition period pending the restructuring.

8 Admin Buildings - £134k Cr

An underspend of £134k Cr is projected for Admin Buildings. A £38k Cr reduction in salary costs is expected following the flexible retirement of an office attendant and the effects of a previous re-structuring which resulted in staff working reduced hours. An underspend of £61k Cr is expected on NNDR costs and the re-tendering of the cleaning contract has resulted in reduced costs of £44k Cr. These underspends are offset by a shortfall in car parking income of £9k.

9 Facilities & Support - £33k Cr

Facilities and Support is projecting an underspend of £33k. This relates to salaries within office services and caretaking due to a vacant post and unpaid leave which are being covered within the establishment.

HR DIVISION

10 Human Resources - £21k Dr

The HR Division is projecting an overspend of £21k. An underspend of £15k Cr is projected on employee costs. This is offset by an anticipated shortfall in HR trading income of £25k (mainly due to a reduction in the number of schools purchasing HR services) plus a shortfall in income with HR strategy of £6k, mainly relating to a historic income budget that cannot be achieved. A further £5k Dr contribution to the 14-15 savings target still needs to be identified.

CHIEF EXECUTIVE'S DIVISION

11 Audit - £93k Cr

An underspend of £93k Cr is projected for Audit. A reduction of £53k Cr has been negotiated on the cost of the Greenwich Fraud contract. The Audit Commission has made a one-off rebate of £21k Cr for external audit fees and reduced staff costs of £19k Cr are projected.

12 Management & Other - £46k Dr

An overspend of £46k is projected for Management & Other. A saving of £68k was built into the 14-15 budget (which is yet to be identified), however this is offset by a £28k Cr reduction in employers pension fund contributions as a result of an employee no longer needing to contribute to the Pension Fund. Other minor variations total £6k Dr.

13 Mayoral - £54k Cr

An underspend of £54k Cr is currently being projected for Mayoral Services. In addition to the long standing vacant Mayoral attendant post, the Mayoral service manager post has now become vacant. This post will potentially be covered by existing staff, thus generating a saving, however details of this are still to be finalised.

TRANSFORMATION & REGENERATION DIVISION

14 Investment and Non-Operational Property (expenditure) £100k Cr

An overspend of £75k is projected on the premises budget for Surplus Properties. This relates to additional costs of £71k for utilities and £4k for security at Oakfield.

An underspend of £87k Cr is expected on Business Rates, which consists of £27k Dr on Surplus Properties, £101k Cr at Bromley Old Town Hall (the building is vacant and listed), and £13k Cr at Anerley Business Centre.

Additional income of £11k Cr is expected from the Trust (CPCDT) who operate Anerley Business Centre.

An underspend of £82k Cr is expected on Bromley Old Town Hall (the building is vacant and listed), which consists of £31k Cr on utilities, £30k Cr on other hired and contracted services and £21k Cr on security costs.

An overspend of £4k is expected on Properties Held for Investment due to the cleaning costs of the walkway from the link bridge to the Glades.

15 Investment Income £1,419k Dr

This variation mainly relates to the projected shortfall in income from Investment Fund properties. The 2014/15 budget for these properties is £2,025k. Four High Street properties have been purchased to date costing £9.8M and the income projected for these properties is £615k, resulting in an estimated shortfall of £1,410k.

Further acquisitions are in progress. Members have agreed to the purchase of 147 - 153 High Street and 145 High Street. The full year annual income from these would be £1,065k. The conveyancing work is progressing, however there is no firm date for completion, so no allowance has been made in the projections for the rental income from these additional properties. If the acquisitions were to complete by the end of August, however, the additional rent income would be £621k in 2014/15, and the FYE would reduce from £1,410k to £345k.

A further investment opportunity has been identified and, if a purchase is agreed, the income would mean that the target of £2,025,000 would be achieved.

In addition to the above, a shortfall of income of £53k is projected for the Walnuts Head Rent based upon the 2011 statement from Garden Property Investments Ltd and information from our Principal Valuer.

Other variations in rental income net out to £44k Cr. This relates to Anerley Business Centre £15k Cr, Properties Held for Investment £16k Cr, Agricultural Properties £8k Cr and other items £5k Cr.

16 Other Rental Income - Other Portfolios £6k Cr

Various minor variations net out to £6k Cr.

17 Sold Services (Net Budgets)

Services sold to schools are separately identified in this report to provide clarity in terms of what is being provided. These accounts are shown as memorandum items as the figures are included in the appropriate Service Area in the main report.

Early Warning

INTU have recently been granted planning approval for a proposed new development at The Glades Shopping Centre, which involves internal alterations and extending on to the roof to provide a Cinema and new restaurants. These works are currently estimated to cost approx. £ 14M. INTU are still working on their detailed proposals for this project, and have not yet requested Bromley's consent as Landlord and approval for funding. It is assumed, however, that they will want to proceed with this scheme in due course and Bromley's contribution to the cost of these works, under the existing leasing arrangements, would be approx. £2.1M. A detailed report will be submitted to Members, including proposed funding arrangements, once ITNU have made a formal request and provided the business case.

Waiver of Financial Regulations

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempted from the normal requirement to obtain competitive quotations, the Chief Officer has to obtain the agreement of the Director of Resources and Finance Director and (where over £100,000) approval of the Portfolio Holder, and report use of this exemption to Audit Sub committee bi-annually. Since the last report report to the Executive, the following waivers have been actioned :

Award of contract for Funeral Services where no one else is able to deal with the arrangements. This required approval due to the low number of tenders received. Annual contract value £50,000, whole life contract value £150,000.

Extension of licence for use of Google Search on LBB Website. Annual contract value £9,916, whole life contract value £29,750, cumulative contract value £58,250.

Exemption from tendering arrangements for Legal Services in relation to Insurance claims. This relates to three firms of solicitors used to support insurance claims as required on an ad hoc basis. Maximum annual expenditure limit for each supplier £50,000. Total value of waiver £300k.

Exemption from tendering arrangements for Loss Adjusting Services in relation to Insurance claims. This relates to two loss adjusting companies used to support insurance claims as required on an ad hoc basis. Maximum annual expenditure limit for each supplier £20,000. Total value of waiver £40k.

Virements Approved to date under Director's Delegated Powers

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, the following virement has been actioned :

The Director of Finance has approved a one off virement of a budget of £48K from line of business software, within the Exchequer Benefits & Admin. cost centre 400002, to fund a secure network connection back up (LPSN).

Allocation of Contingency Provision for 2014/15

Item	Original Contingency Provision	Allocations					Variation to Original Contingency Provision
		Previously Approved Items	New Items Requested this Cycle	Items Projected for Remainder of Year	Total Allocations/ Projected for Year		
	£	£	£	£	£		£
Environmental Services							
Street Environment contract	200,000			200,000	200,000		0
Renewal and Recreation							
Planning appeals - change in legislation	60,000			60,000	60,000		0
Resources							
Net shortfall of Glades income	114,000			114,000	114,000		0
Care Services							
Additional spend related to funding from NHS support for Social Care							
- expenditure	1,195,200			1,196,250	1,196,250		1,050
- income	Cr 1,195,200			Cr 1,196,250	Cr 1,196,250		Cr 1,050
Additional spend related to funding from Public Health							
- expenditure	352,800			352,800	352,800		0
- income	Cr 352,800			Cr 352,800	Cr 352,800		0
Education							
Net impact of reduction in funding arising from LACSEG	1,960,000			519,000	519,000		Cr 1,441,000
General							
Provision for unallocated inflation	792,000	156,023		635,977	792,000		0
Provision for risk/uncertainty	1,840,000	275,000		1,565,000	1,840,000	(3)	0
Provision for cost pressures arising from variables	2,000,000			2,000,000	2,000,000		0
Provision for homelessness (impact of recession/ changes to welfare benefits)	1,200,000			1,200,000	1,200,000		0
Provision for risk/uncertainty relating to volume and cost pressures	1,120,000			1,120,000	1,120,000		0
Freedom Passes	614,000	533,277		0	533,277	(3)	Cr 80,723
Cost of Local Elections	500,000			500,000	500,000		0
Carbon tax	300,000	31,000		0	31,000	(3)	Cr 269,000
Grants to voluntary organisations	275,000			275,000	275,000		0
Disabled Facilities Grant Revenue Cont.to Capital	232,000			232,000	232,000		0
Impact of Auto Enrolment	200,000			200,000	200,000		0
Further increases in fuel costs	190,000			190,000	190,000		0
Discretionary rate relief budgets returned to Contingency		Cr 224,890		0	Cr 224,890		Cr 224,890
	11,597,000	**770,410**	**0**	**8,810,977**	**9,581,387**		**Cr 2,015,613**
Grants included within Central Contingency Sum							
SEN Reform Grant							
Grant related expenditure	381,937	381,937		0	381,937	(1)	0
Grant related income	Cr 381,937	Cr 381,937		0	Cr 381,937		0
SEND Pathfinder Grant							
Grant related expenditure	44,600			71,063	71,063		26,463
Grant related income	Cr 44,600			Cr 71,063	Cr 71,063		Cr 26,463
Lead Local Flood Authorities							
Grant related expenditure	253,000	250,000		0	250,000	(3)	Cr 3,000
Local Reform and Community Voices							
Grant related expenditure	89,570	88,060		0	88,060	(1&2)	Cr 1,510
Grant related income	Cr 89,570	Cr 88,060		Cr 1,510	Cr 89,570		0
Adoption Reform							
Grant related expenditure	273,154			273,154	273,154		0
Grant related income	Cr 273,154			Cr 273,154	Cr 273,154		0
Tackling Troubled Families Grant							
Grant related expenditure	426,400			318,000	318,000		Cr 108,400
Grant related income	Cr 426,400			Cr 318,000	Cr 318,000		108,400
London Waste & Recycling Board							
- expenditure		Cr 145,000		0	Cr 145,000	(1)	Cr 145,000
- income		145,000		0	145,000		145,000
Welfare Reform							
- expenditure			66,463	0	66,463		66,463
- income			Cr 66,463	0	Cr 66,463		Cr 66,463
Individual Electoral Registration Process							
- expenditure		102,335		0	102,335	(3)	102,335
- income		Cr 102,335		0	Cr 102,335		Cr 102,335
Care Bill Implementation Grant							
- expenditure				125,000	125,000		125,000
- income				Cr 125,000	Cr 125,000		Cr 125,000
SEND Implementation Grant							
- expenditure				259,317	259,317		259,317
- income				Cr 259,317	Cr 259,317		Cr 259,317
Pothole Funding (DFT)							
- expenditure				504,982	504,982		504,982
- income				Cr 504,982	Cr 504,982		Cr 504,982
Staying Put Implementation Grant							
- expenditure			36,487		36,487		36,487
- income			Cr 36,487		Cr 36,487		Cr 36,487
Total Grants	**253,000**	**250,000**	**0**	**Cr 1,510**	**248,490**	**0**	**Cr 4,510**
TOTAL CARRIED FORWARD	**11,850,000**	**1,020,410**	**0**	**8,809,467**	**9,829,877**		**Cr 2,020,123**

Notes:

(1) Approved by Executive 2nd April 2014
(2) Approved by Executive 10th June 2014
(3) Approved by Executive 16th July 2014

Allocation of Contingency Provision for 2013/14 (continued)

Item	Carried Forward from 2012/13	Allocations: Previously Approved Items	Allocations: New Items Requested this Cycle	Allocations: Items Projected for Remainder of Year	Allocations: Total Allocations/ Projected for Year		Variation to Original Contingency Provision
	£	£	£	£	£		£
TOTAL BROUGHT FORWARD	**11,850,000**	**1,020,410**	**0**	**8,809,467**	**9,829,877**		**Cr 2,020,123**
Items Carried Forward from 2013/14							
Care Services							
Social Care Funding via the CCG under S256 (Invest to Save)							
- expenditure	840,920	448,920	40,000	352,000	840,920	(3)	0
- income	Cr 840,920	Cr 448,920	Cr 40,000	Cr 352,000	Cr 840,920		0
Older People Day Opportunities Year 2							
- expenditure	264,390	264,390		0	264,390	(4)	0
- income	Cr 264,390	Cr 264,390		0	Cr 264,390		0
Adult Care Gateway review - Care Bill							
- expenditure	248,680	248,680		0	248,680	(3)	0
- income	Cr 248,680	Cr 248,680		0	Cr 248,680		0
Children's Social care Year 3							
- expenditure	23,600	23,600		0	23,600	(6)	0
- income	Cr 23,600	Cr 23,600		0	Cr 23,600		0
Public Health S256							
- expenditure	43,920		43,920	0	43,920		0
- income	Cr 43,920		Cr 43,920	0	Cr 43,920		0
HealthWatch start up Funding							
- expenditure	4,350			4,350	4,350		0
- income	Cr 4,350			Cr 4,350	Cr 4,350		0
Adoption Reform							
- expenditure	485,269			485,269	485,269		0
- income	Cr 485,269			Cr 485,269	Cr 485,269		0
Tackling Troubled Families							
- expenditure	904,071	764,000		140,071	904,071	(3)	0
- income	Cr 904,071	Cr 764,000		Cr 140,071	Cr 904,071		0
Step Up to Social Work							
- expenditure	72,159			72,159	72,159		0
- income	Cr 72,159			Cr 72,159	Cr 72,159		0
Public Health							
- expenditure	768,900	98,000		670,900	768,900	(2)	0
- income	Cr 768,900	Cr 98,000		Cr 670,900	Cr 768,900		0
Public Health Transition Funding							
- expenditure	42,264		42,264		42,264		0
- income	Cr 42,264		Cr 42,264		Cr 42,264		0
Chief Executive's							
CCG Funding to Comms Team							
- expenditure	9,806		9,806	0	9,806		0
- income	Cr 9,806		Cr 9,806	0	Cr 9,806		0
Cabinet Office Funding							
- expenditure	22,260		22,260	0	22,260		0
- income	Cr 22,260		Cr 22,260	0	Cr 22,260		0
Renewal & Recreation							
Business Support Scheme							
- expenditure	22,500	22,500		0	22,500	(1)	0
- income	Cr 22,500	Cr 22,500		0	Cr 22,500		0
General							
Disaster Recovery Solution	105,000		105,000	0	105,000		0
Contact Centre	26,342		26,342	0	26,342		0
Welfare Fund	441,996			441,996	441,996	(5)	0
Staff Merit Awards (held in Contingency)	151,941			151,941	151,941		0
Local Plan Implementation	60,000	60,000		0	60,000	(1)	0
Children's Centres	297,000	297,000		0	297,000	(3)	0
Keston Ponds Dam	65,000	65,000		0	65,000	(3)	0
	1,147,279	**422,000**	**131,342**	**593,937**	**1,147,279**		**0**
Grants included within Central Contingency Sum							
Adult Social Care Data							
- expenditure	30,674			30,674	30,674		0
- income	Cr 30,674			Cr 30,674	Cr 30,674		0
Total Grants	**0**	**0**	**0**	**0**	**0**		**0**
Total Carried Forward	**1,147,279**	**422,000**	**131,342**	**593,937**	**1,147,279**		**0**
GRAND TOTAL	**12,997,279**	**1,442,410**	**131,342**	**9,403,404**	**10,977,156**		**Cr 2,020,123**

Notes:

(1) Approved by Renewal & Recreation PDS 23rd June 2014
(2) Approved by Executive 12th February 2014
(3) Approved by Executive 16th July 2014
(4) Approved by Executive 6th February 2013
(5) To be used to support a revised welfare scheme in 15-16 (per E & R PDS 8.7.14)
(6) Approved by Executive 20th June 2012

Description	2014/15 Latest Approved Budget £'000	Variation To 2014/15 Budget £'000	Potential Impact in 2015/16
Education Services Grant	Cr 2,732	0	The Education Services Grant (ESG) is allocated on the basis of pupil numbers, and grant reduces in-year as schools convert to academies. The full year effect of the 25 conversions projected to take place during 2014/15 is £1,194k. Assuming that the in year shortfall of £519k is drawn down from contingency, the full year effect is reduced to £675k.
Adult Education	Cr 602	299	The current projected overspend for the Adult Education Service has continued from 2013/14, and is expected to continue into 2015/16. The service has indicated that they will plan for further efficiency savings, however there is a total income shortfall of £317k, with only a net reduction of £18k on running costs to offset this.
Housing Needs - Temporary Accomodation	4,576	0	The full year effect of the projected overspend is currently anticipated to be a pressure of £1,122k in 2015/16. However, this only takes account of projected activity to the end of March 2015, and does not include any projected further growth in numbers beyond that point. Officers are currently modelling different scenarios to quantify the effect of further possible initiatives and also the most appropriate deployment of existing initiatives to maximise the financial benefit. Assuming that the in year shortfall of £653k is drawn down from contingency, the full year effect is reduced to £469k.
Adult Care Placements	48,264	2,748	The net overspend on adult care placements is forecast to produce a full year overspend of £3,585k, based on activity to 31/3/15 only (i.e. doesn't include changes to activity levels in future years).
Learning Disabilities Short Breaks Service	649	Cr 100	The underspend currently reported in 2014/15 is expected to continue into next year.
Learning Disabilities Housing & Support	1,383	Cr 120	The underspend currently reported in 2014/15 is expected to continue into next year.
Supporting People	2,061	Cr 85	Based on current contracts a full year underspend of £85k is anticipated.
Children's Social Care - Placements	12,800	235	The full year effect of the current projection is calculated at a £300k overspend. Officers continue to work towards increasing the number of inhouse foster carers so that expensive external placements can be avoided.
Children's Social Care - No Recourse to Public Funds	382	253	The full year effect of clients who have no recourse to public funds and Bromley are having to pay for has been calculated at £415k based on current numbers after the increase in budget has been taken into account. The Welfare Reform changes currently being implemented may impact on this amount further . Officers will monitor the position and report any changes as part of the budget monitoring process during the year.

Description	2014/15 Latest Approved Budget £'000	Variation To 2014/15 Budget £'000	Potential Impact in 2015/16
Revenue & Benefits	6,479	Cr 299	It is currently expected that there will be ongoing underspends of approx. £280k Cr, mainly relating to the contract budget and licences and support.
Operational Property Services	330	80	There is a historic budget shortfall of £66K relating to a number of small variations in salary budgets (includes non-achievement of turnover, regrading of staff, overtime provisions and minor variations on posts deleted as budget savings). The Director of Corporate Services continues to explore ways of mitigating this variation.
Human Resources	1,521	21	An ongoing income shortfall of £9k has been identified as a result of the continuing reduction in income from the Media Advertising contract for staff. There has been a general reduction in the level of staff adverting and changes in the way adverts are placed (e.g. LBB website).
Investment Income	Cr 6,356	1,419	An ongoing income shortfall of £1,463k is currently projected. Income of £2,025k is budgeted for the investment in Property, however the expected income is £615k resulting in a shortfall of £1,410k. Further properties are in the process of being purchased which should improve the position. In addition a shortfall of £53k is projected for The Walnuts Rent Share.
Democratic Services	1,539	Cr 70	A freeze in Members allowance rates, and the removal of Members from the pension scheme from June 14, has resulted in a on-going reduction of £100k Cr.
Admin. Buildings	1,838	Cr 134	A £38k Cr reduction in salary costs is expected following the flexible retirement of an office attendant and the effects of a previous re-structuring which resulted in staff working reduced hours. The re-tendering of the cleaning contract has resulted in reduced costs of £44k Cr. These underspends are offset by a shortfall in car parking income of £9k.
Mayoral	178	Cr 54	An underspend of £32k Cr is projected for Mayoral Services. This relates to a vacant Mayoral attendant post.
Waste	8,636	400	Actual tonnage is 880 tonnes above budget for the first four months of the year and a year-end deficit of 1,450 tonnes is projected. There are also deficits within paper recycling income and trade waste collected, and a surplus within trade waste delivered. At this stage, it is expected these trends will continue into 2015/16 and full-year effect of £450k is projected. These variations will continue to be monitored closely during the coming months, with appropriate management taken to address the shortfall as part of the budget setting process.

SECTION 106 RECEIPTS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. provision of affordable housing, healthcare facilities & secondary school places). The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

The major balances of Section 106 receipts held by the Council are as follows:

31 March 2014 £000	Service	Income £000	Expenditure £000	Transfers (to) /from Capital £000	Actual as at 31 July 2014 £000
Revenue					**Revenue**
679	Highway Improvement Works				679
5	CCTV		5		-
45	Road Safety Schemes				45
120	Local Economy & Town Centres				120
69	Parking				69
-	Landscaping				-
727	Healthcare Services				727
40	Community Facilities (to be transferred to capital)				40
10	Other	-	-	-	10
1,695		-	5	-	1,690
Capital					**Capital**
0	Local Economy & Town Centres				-
1,571	Education	232			1,803
4,461	Housing	514	427		4,548
-	Community Facilities				-
6,032		746	427	-	6,351
7,727		**746**	**432**	**-**	**8,041**

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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

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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

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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

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Ward Councillor Views

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

2. Summary of Ward Councillors comments:

3. COMMENTARY

General

3.1 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required, as a minimum, to approve an annual treasury strategy in advance of the year, a 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.

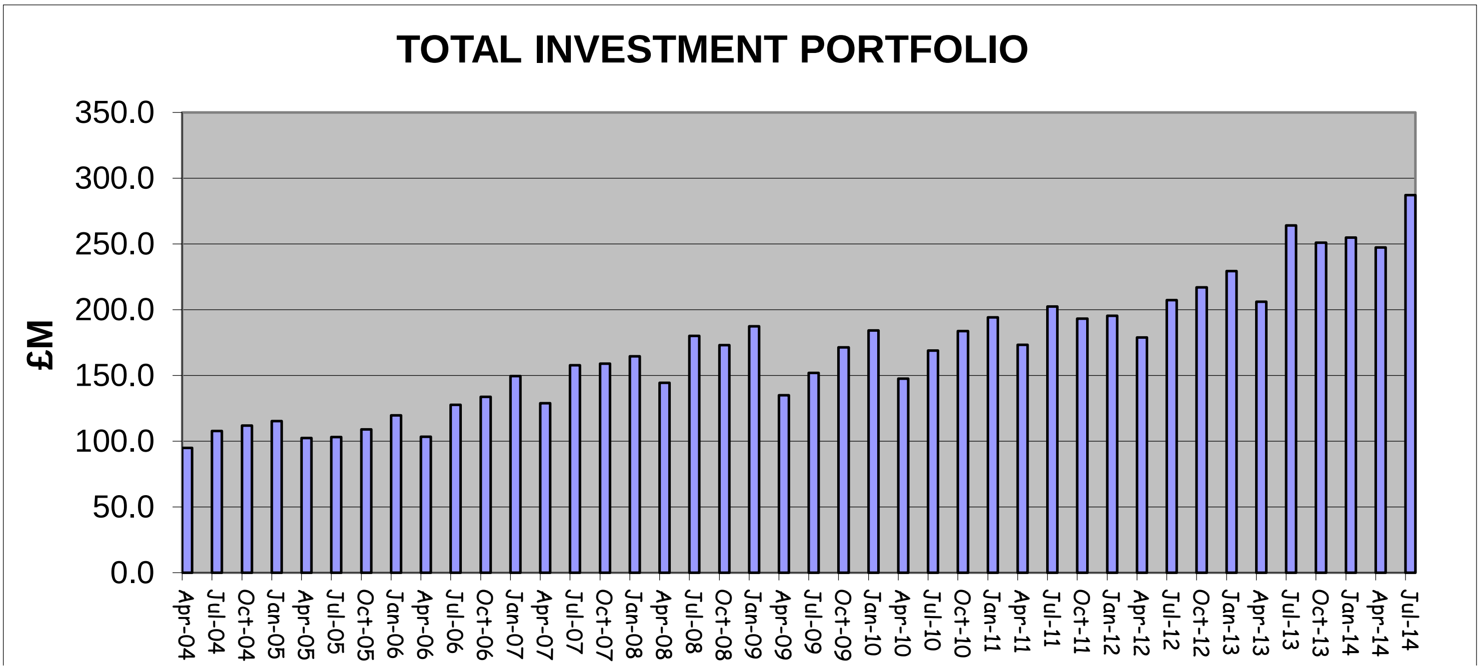
3.12 Our external advisers, Sector, continue to recommend caution and, between September 2011 and January 2013, were recommending that no investment be placed for longer than 3 months with any bank other than Lloyds and RBS (a maximum of 1 year was recommended in their case). In January 2013, however, 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.

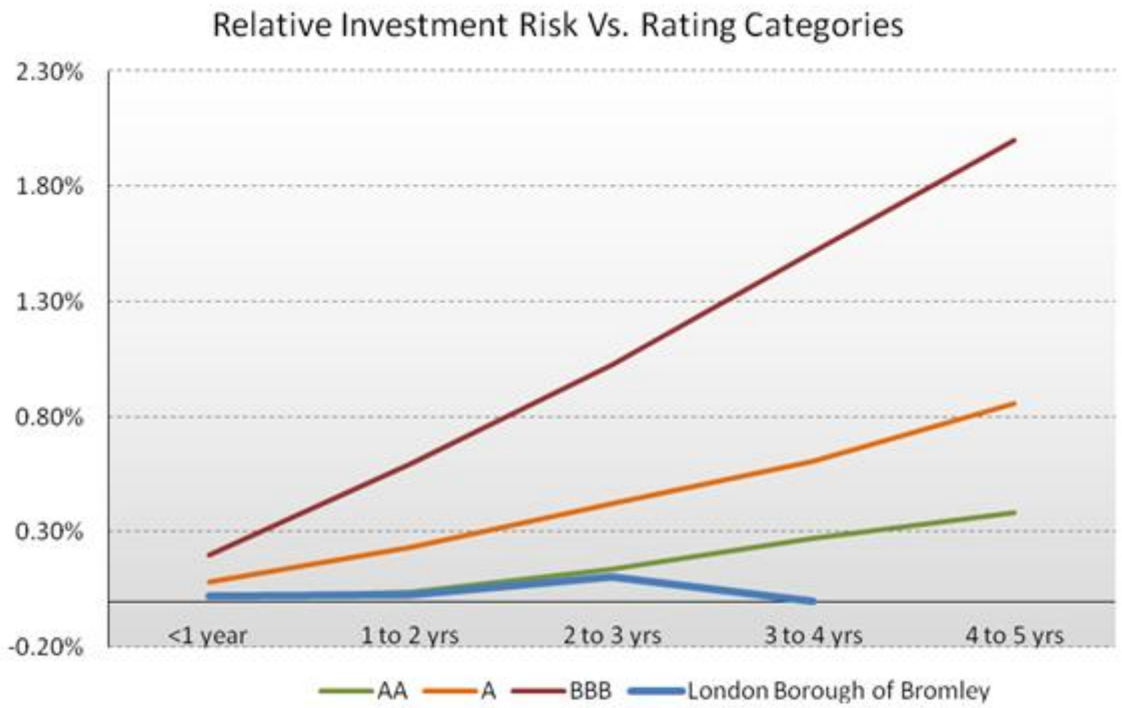
3.32 There are a number of benefits, drawbacks and risks to consider before and during investing in corporate bonds. The main benefits, drawbacks and risks are as follows:

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

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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."

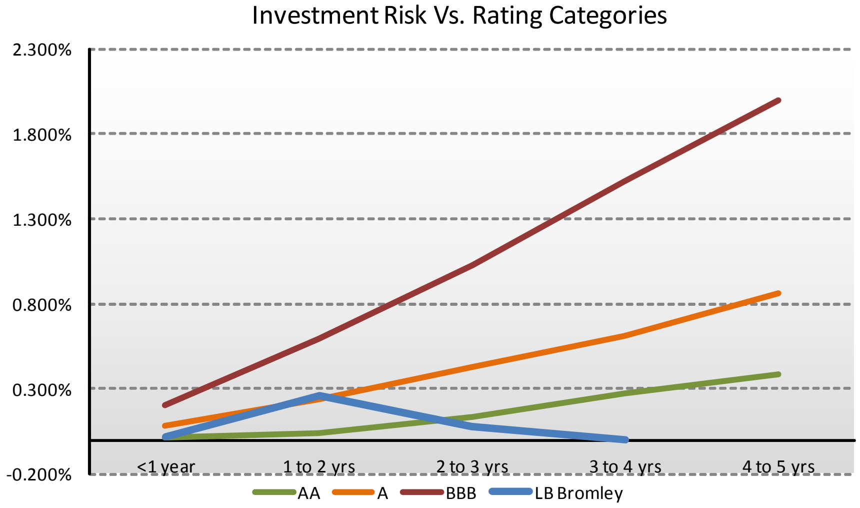
S&P expect that the group's risk-adjusted capital (RAC) ratio (before diversification adjustments) will increase to the 8.5%-9% range by year-end 2015 (from 7.7% at end-2013).

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.

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%

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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.

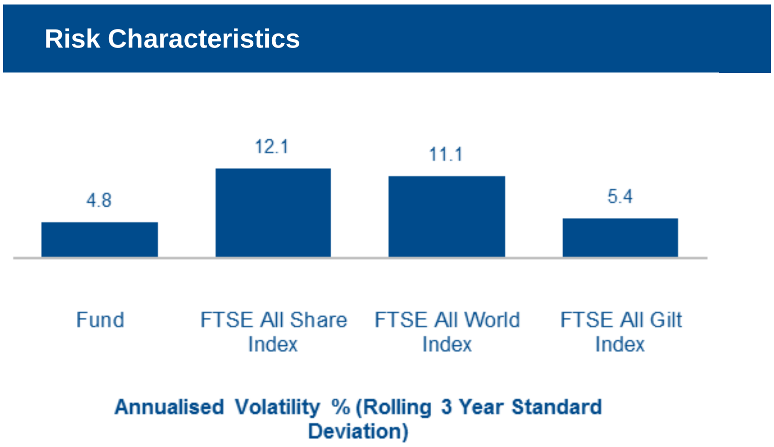
Liquidity

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.

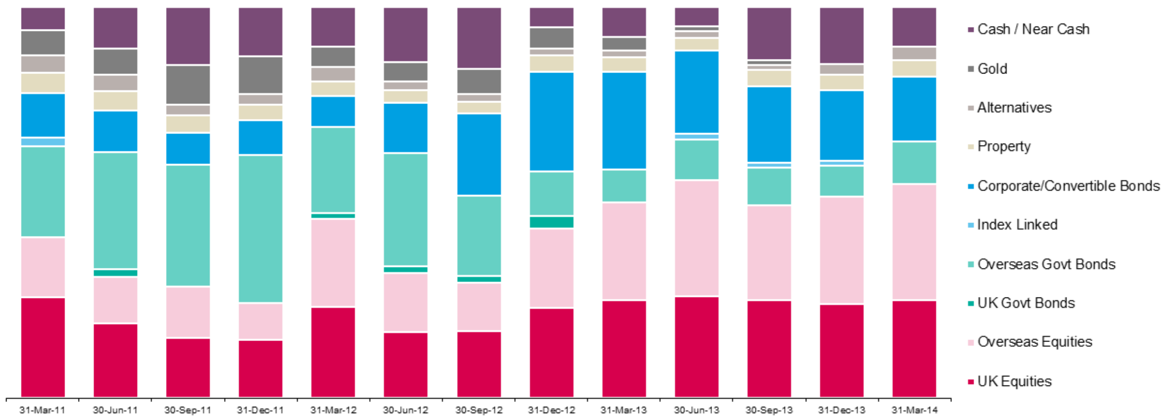
Recommendation

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.

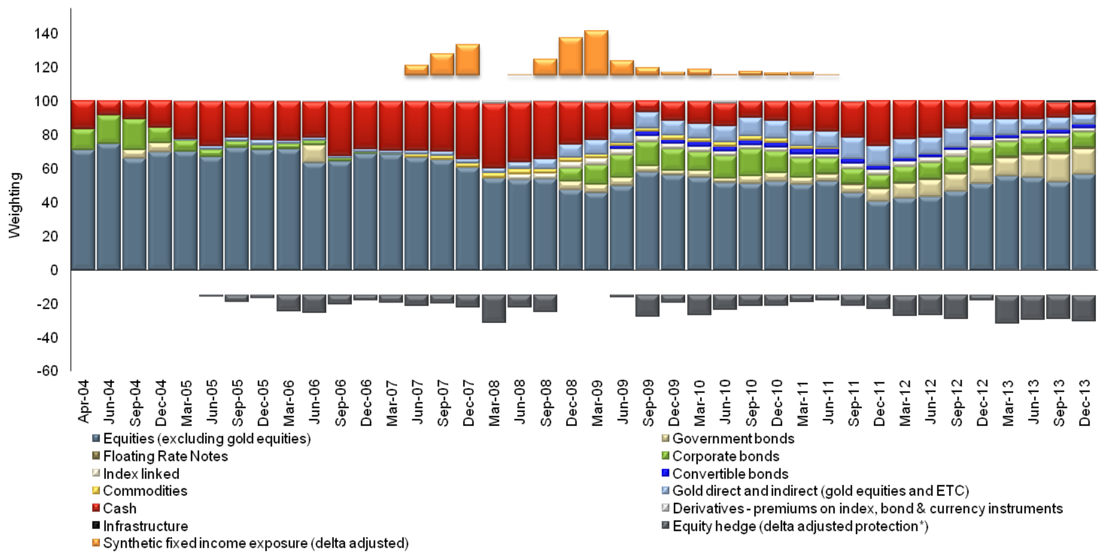
APPENDIX A

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



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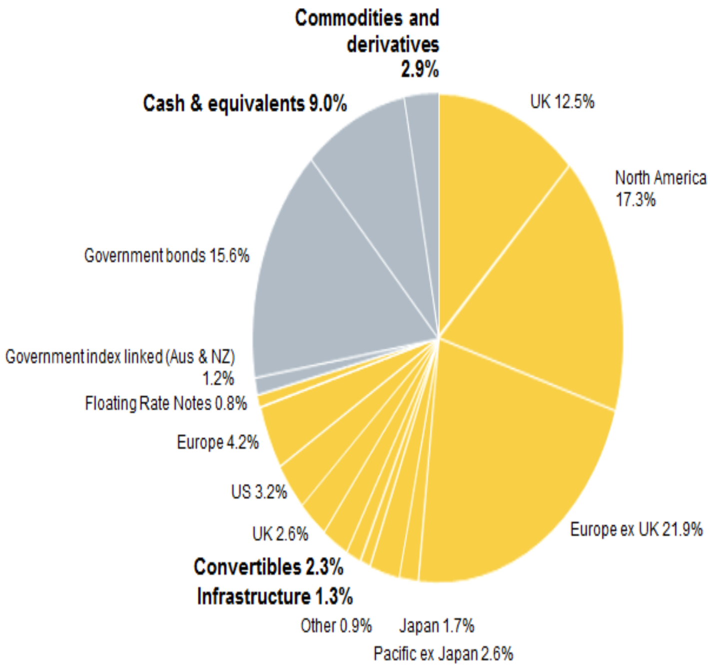
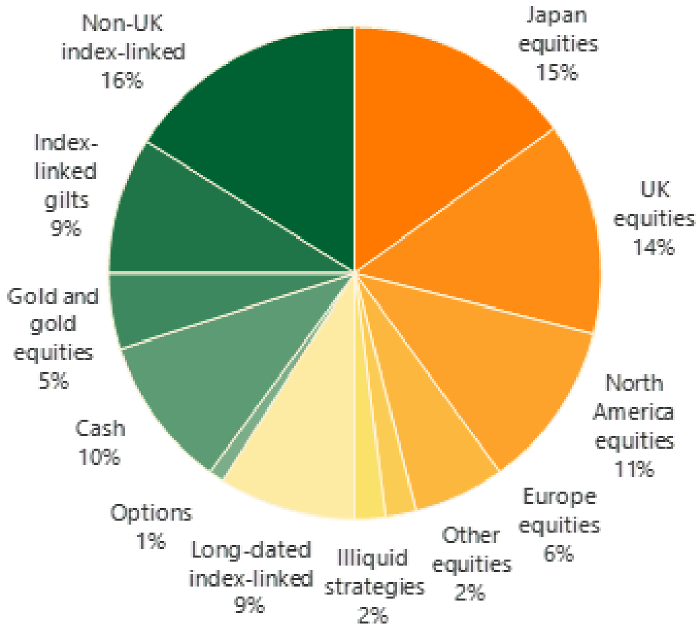
The two “pie charts” below indicate how two managers set their asset allocations at 31 March 2014





Report No.
DRR14/075

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive**
	10th September 2014
	Renewal and Recreation PDS Committee
Date:	**2nd September 2014**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**GATEWAY REPORT – PROPOSALS FOR THE RE-TENDERING OF THE CHURCHILLTHEATRE MANAGEMENT CONTRACT**
Contact Officer:	John Gledhill, Head of Cultural Business Development Tel: 0208 461 7527 E-mail: john.gledhill@bromley.gov.uk
Chief Officer:	Executive Director of Environment & Community Services
Ward:	(All Wards);

1. Reason for report

This report provides an overview of the current arrangements for management of the Churchill Theatre which are due to expire 3 April 2016, and describes the process and timetable whereby the lease shall be re-tendered in line with the Councils financial regulations and procurement procedures.

2. RECOMMENDATIONS

2.1 That the Renewal and Recreation Policy and Development Scrutiny Committee consider the details of the proposed tender process and timescales outlined within this report, and provide the Executive with their comments.

2.2 That the Executive:

2.2.1 Consider the details of the proposed tender process and timescales outlined within this report, along with the comments provided by the Renewal and Recreation Policy and Development Scrutiny Committee.

2.2.2 Approve the proposed tender process and timescales outlined within the document, and agree for Officers to undertake the tendering process.

2.2.3 Note that a further report be brought to the Executive in May 2015 on the results of the tender process and evaluation, along with the results of the condition survey on the building that is currently being undertaken.

Corporate Policy

1. Policy Status: Existing Policy:

2. BBB Priority: Quality Environment Vibrant, Thriving Town Centres:

Financial

1. Cost of proposal: Estimated Cost: £7.9m (£317.7k per annum for 25 years)

2. Ongoing costs: Recurring Cost: £317.7k

3. Budget head/performance centre: Leisure Trust Client

4. Total current budget for this head: £317.7k

5. Source of funding: Existing Revenue Budget 2014/15

Staff

1. Number of staff (current and additional): n/a

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

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Legal

1. Legal Requirement: Non-Statutory - Government Guidance:

2. Call-in: Applicable:

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 200,000

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No

2. Summary of Ward Councillors comments: n/a

3. COMMENTARY

3.1 At the Executive meeting on 3rd November 2010 the Executive awarded a five-year contract for the running of the Churchill Theatre, including the education, arts development, and outreach work, from 4th April 2011 to 3rd April 2016, to the Ambassadors Theatre Group (ATG), for a contract sum of £295,000 per annum.

3.2 ATG were the only company to submit a tender return and therefore Council Officers undertook negotiations with the ATG and reduced the management fee to £295k per annum, providing a saving of £210k per annum compared to the previous contract. This was made up of £250k per annum to deliver the core programme and co-productions, and £45k per annum for the education, arts development and outreach work delivered through their Creative Learning Department.

3.3 The Council is now proposing to retender for the management and operation of the Theatre, for a period of twenty five years, with a break clause for redevelopment at years ten, fifteen and twenty, exercisable with a twenty four month notice period. This gives enough flexibility for the site to be included in any works relating to Site G if required while also giving any contractor a sufficiently certain period of operation to make the proposal attractive. The proposed timetable is detailed in section 3.8 below and has a proposed contact award date of June 2015. This is to allow the successful company a minimum 6 month lead in period to develop and confirm their programme before the contract commences in April 2016, as is normal practice within the Theatre industry.

3.4 Prospective companies will be required to detail their proposals, service arrangements and associated management fees for the delivery of the services, and in respect to:

- Programming, audience development, and artistic policy
- Education, arts development and outreach work.
- Pricing policy and strategy
- Planned maintenance and capital investment.

3.5 Tenderers shall be required to supply:

- Separate costings to deliver the core programme and co-productions, and to deliver the education, arts development and outreach work.
- An indicative core programme for the Theatre for its first year of operation.
- A description of the artistic policy that would be pursued at the Theatre under their management.
- An indicative programme and development plan for the education, arts development and outreach work.
- Costed examples of their proposed Planned and Routine Maintenance schedules for the building including the indicative costs of investments proposed and how they address health and safety and statutory responsibilities.
- Examples of investments that would be made in the building, fixtures or equipment over the life of the contract options which would improve the quality of the customer experience, and enhance the productions and programmes available.

3.6 The Council will again grant a lease of the Theatre with the day to day maintenance being undertaken by the operator. The responsibilities of both parties will be detailed within the lease and contract arrangements. Officers will review the current lease generally, and in particular the split of responsibilities between the landlord and tenant maintenance obligations, and will seek to assign to the tenant as many responsibilities as is practical, although much of the plant and equipment serves both the library and the theatre and will therefore have to remain as the landlord's responsibility. The lease will, like previous leases, be outside the provisions of the Landlord and Tenant Act 1954 to ensure that the contractor does not acquire a right to a new lease and to ensure the break clause can be operated.

3.7 Tenders will be evaluated in respect of the cost of delivering the service, the quality of the services proposed, the technical competence and the financial robustness of the tenderer, to determine overall value for money and ensure the Councils priorities are being met.

3.8 The proposed timetable for the tender process is as below:

Report to Renewal and Recreation Committee	2nd September 2014
Report to the Executive	10th September 2014
Advertisement to tender, and issue of PTQ	September 2014
PTQ analysis and approval of short list of tenderers	November 2014
Tender documents issued	December 2014
Tenders returned	January 2015
Tender evaluation	February 2015
Interviews and presentations	March 2015
Report to R and R PDS and PH	May 2015
Report to E and R PDS	May 2015
Report to Executive	May 2015
Award Contract	June 2015
New contract commences	April 2016

3.9 Officers from the Councils Operational Property section are currently undertaking a condition survey of the Churchill Theatre and Central Library building. A summary of the findings from that survey will be included within the Report on the outcome of the tendering process which is scheduled to be considered by this Committee in May 2015.

4. FINANCIAL IMPLICATIONS

4.1 The 2014/15 revenue budget for the Leisure Trust Client includes a sum of £317.7k for the current Churchill Theatre Contract.

5. LEGAL IMPLICATIONS

These are contained in the body of the report.

6. PROCUREMENT IMPLICATIONS

The service is currently a B service and therefore not subject to OJEU. It will be advertised transparently and given the nature of the market, opened out to any foreign commercial operations.

7. CUSTOMER PROFILE

7.1 At present, there are around two hundred thousand visits per annum to the Churchill Theatre. This includes attendances to performances on the main stage, plus comedy and other acts shown in the small hall, plus those attending the education and arts development work that the ATG deliver at the Theatre.

8. STAKEHOLDER CONSULTATION

8.1 There has been no stakeholder consultation undertaken, as there are no service reductions planned. The longer contract terms being proposed may enable greater future investment opportunities at the Theatre, providing enhanced services to customers.

9. SERVICE PROFILE / DATA ANALYSIS

9.1 This Report proposes to re-tender the management of the Churchill Theatre using a similar process to that used on 2010. A key part of the re-tendering process is to ensure that the Theatre continues to deliver high quality services and shows, with tenderers being required to provide Method Statements, proposed programmes and their artistic policy. These qualitative elements will be evaluated as part of the selection process.

10. MARKET CONSIDERATIONS

10.1 There are two major theatre management companies currently operating within the United Kingdom that officers anticipate will be interested in tendering for this contract. The Ambassador Theatre Group (ATG) is the largest owner and operator, and currently manages the Churchill Theatre, and HQ Theatres is the second largest owner and operator and is a wholly owned subsidiary of Qdos Entertainment Ltd. The Theatre market is however becoming increasing a global industry and therefore there may be interest from other theatre owners or operators from outside of the United Kingdom.

10.2 The market is now favoring longer term contractual arrangements, enabling theatre operators and management companies to make more significant capital investments into buildings and facilities, hence the proposal to go to the market for a twenty five year period as detailed in 3.3.

11. OUTLINE CONTRACTING PROPOSALS & PROCUREMENT STRATEGY

11.1 All contracts for the proposals will be undertaken in accordance with the Council's Procurement Guidance and with the advice of the Council's Head of Procurement.

Non-Applicable Sections:	**PERSONNEL IMPLICATIONS**
Background Documents: (Access via Contact Officer)	Churchill Theatre Award of Contract Executive 3rd November 2010 Churchill Theatre Extension of Contract Renewal and Recreation Portfolio Holder 13th October 2009

Report No.
CSD14132

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive**
Date:	**10th September 2014**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**LAND AT UPPER ELMERS END ROAD AND CROYDON ROAD - APPLICATION FOR REGISTRATION AS A TOWN OR VILLAGE GREEN**
Contact Officer:	Marion Paine, Lawyer Tel: 020 8461 7647 E-mail: Marion.Paine@bromley.gov.uk
Chief Officer:	Director of Corporate Services
Ward:	Kelsey and Eden Park;

1. Reason for report

The Development Control Committee of 9th July 2014 considered a report relating to the third party application to register the Land as a new Town or Village Green. The report, which is produced here as Annex A, recommended that, as the application failed to meet the legal criteria for a third party registration, it should be rejected. The committee were minded to register the land and advised that this could be achieved by way of an application for voluntary registration by the Council in its capacity as owner of the Land.. This report is for the Executive as the relevant decision maker to consider whether to follow this course of action.

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2. RECOMMENDATION(S)

The decision of the Executive as landowner is sought on whether it is minded to have the Land registered as a new Town or Village Green or not. If it is agreed to seek voluntary registration the Director of Regeneration and Transformation is given delegated authority to submit an application for voluntary registration to the Council as Registration Authority.

Corporate Policy

1. Policy Status: Not Applicable:

2. BBB Priority: Quality Environment:

Financial

1. Cost of proposal: If the registration takes place, it is not anticipated that this will involve any cost additional to the routine maintenance currently being carried out.

2. Ongoing costs as 1. above

3. Budget head/performance centre:

4. Total current budget for this head: £

5. Source of funding:

Staff

1. Number of staff (current and additional): No additional staff required

2. If from existing staff resources, number of staff hours: it will be necessary for an officer to complete and submit the application in the event of it being decided to proceed to registration, and another officer will be required to process that application and report to Development Control Committee:

Legal

1. Legal Requirement:: The Council as Registration Authority has a statutory duty to process any application made by the Council as Landowner.

2. Call-in: Applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected) Residents of the area in which the Land is located – difficult to estimate on current information.:

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Reference is made to Annex A, which sets out the detailed legal implications and considerations which are to be applied when considering an application by any party other than the owner of land for the registration of that land as a new Town or Village Green.

3.2 An application was received by the Council, in its capacity as Registration Authority for the purposes of the Commons Act 2006, from Marie Pender, seeking the registration of the Land as a new Town or Village Green.

3.3 As Registration Authority, the Council processed this application, publicised it and sought comments within a consultation period in excess of the minimum required in the legislation. The Applicant was also asked if she wished to submit supporting evidence in excess of that provided with the application.

3.4 A small number of responses were received in the consultation period, including a response from the Council as landowner. As landowner, it was stated that the Council did not consider that the land fulfilled any of the legal criteria for the registration to proceed, and that it was held and maintained as highway land. As such the Council allows members of the public to use the Land *by right* as opposed to "*as of right"* stipulated by the legislation, which means that it fails to fulfil one of the major legal tests. A summary of the responses, including the Applicant's reply to the proposed recommendation in the report the Development Control Committee are contained in Annex A.

3.5 The Report to Development Control Committee recommended that the application be refused as it clearly failed to meet any of the legal criteria for registration. .Members are requested to read Annex A to familiarise themselves with the background and legal considerations, including the importance of the distinction between use *"as of right" and "by right"* .

3.6 When the Development Control Committee considered the report to them, they were minded, despite the failure of the application to meet the legal criteria, to register the Land. That committee was advised that It was possible for a land owner on a voluntary basis to dedicate land as a Town Green but this would be a separate matter for the Executive to deliberate upon

3.7 The Commons Act 2006 provides at S15 (8) that "*The owner of any land may apply to the commons registration authority to register the land as a town or village green".* If such an application is made, then the Council as Registration Authority must grant the application if it is satisfied that the applicant is the owner of the land and that any consents required (eg charge holders, leaseholders) have been obtained. Such an application does not need to satisfy any of the other tests required when a non-owner makes such an application.

3.8 The Draft Minute of the Development Control Committee is produced here as Annex B in order that members may be aware of the reason for their requesting this report.

3.9 The application for registration of the Land as a new town or village green which was submitted by Marie Pender fails to satisfy the legal tests required for the registration to proceed. If however, the Council as land owner wishes the registration to take place, then the way to proceed with this should be by making an application for voluntary registration.

4. LEGAL IMPLICATIONS

4.1 Fully addressed in the body of the report and in Annex A.

Non-Applicable Sections:	Policy/Financial/Personnel
Background Documents: (Access via Contact Officer)	

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Annex A

Report No.
CSD14095

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**DEVELOPMENT CONTROL COMMITTEE**
Date:	**Wednesday 9 July 2014**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**LAND AT UPPER ELMERS END ROAD & CROYDON ROAD - APPLICATION FOR REGISTRATION AS A TOWN OR VILLAGE GREEN**
Contact Officer:	Marion Paine, Lawyer Tel: 020 8461 7647 E-mail: Marion.Paine@bromley.gov.uk
Chief Officer:	Director of Corporate Services
Ward:	Kelsey and Eden Park;

1. Reason for report

The Council is the Registration Authority for town and village greens within its area. Section 15 of the Commons Act 2006 provides that land can become a new green if a significant number of the inhabitants of any locality or any neighbourhood within a locality have indulged as of right in lawful sports and pastimes on the land for a period of at least 20 years. They must continue to do so at the time of the application or meet the alternative qualifying period specified in section 15. The Council received an application dated 30th August 2013 to register land comprising the triangular area of ground bounded by Upper Elmers End Road, Croydon Road and Elmerside Road in Elmers End on the basis that it has become a Town Green. After completion of the statutory requirements, it is the duty of the Council as registration authority to decide whether or not the area should be registered as a new Town or Village Green, or whether to cause a public inquiry to be held for an Inspector to make a recommendation in this respect. The purpose of the report is to set out the legal position and the evidence for members to make that decision.

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2. RECOMMENDATION(S)

To decline to register the land as a new town or village green for the reasons set out in the report.

Corporate Policy

1. Policy Status: Existing Policy:
2. BBB Priority: Quality Environment

Financial

1. Cost of proposal: Not Applicable:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre:
4. Total current budget for this head: £
5. Source of funding:

Staff

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

Legal

1. Legal Requirement: Statutory Requirement:
2. Call-in: Not Applicable: This report does not involve an Executive decision

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Customer Impact

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

Ward Councillor Views

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

3. COMMENTARY

Land, once registered as a Town or Village Green, will remain available for continued enjoyment by the inhabitants for recreational use. Registration does not in itself confer any recreational rights that did not exist prior to registration. The practical effect of registration is only to confirm the existence of such rights. Consequently, a registered Village Green is held in the same way as any other land and, although nothing should be done which would interfere with the lawful recreational activities of the local inhabitants, the owner is not required to maintain it in a suitable state for such activities. A significant consequence of registration is that the land cannot be developed in such a way as would make it impossible to exercise those rights

There is a legal framework which must be applied to any application for such a registration.

3(1) Requirements of S15 of the Commons Act 2006

The application was made by Marie Pender in terms of S15(2), which states:

15 Registration of greens

(1)Any person may apply to the commons registration authority to register land to which this Part applies as a town or village green in a case where subsection (2), (3) or (4) applies.

(2)This subsection applies where—

(a)a significant number of the inhabitants of any locality, or of any neighbourhood within a locality, have indulged as of right in lawful sports and pastimes on the land for a period of at least 20 years; and

(b)they continue to do so at the time of the application.

The burden of proof lies on the applicant to establish to the civil standard of balance of probabilities. Thus, in order to fulfil this requirement, the applicant must prove the various elements of the requirements, namely:

a) “A significant number…”

This does not necessarily mean substantial, but should be sufficient to indicate that their use of the land signifies that it is in general use by the local community for informal recreation, rather than occasional use by individuals as trespassers. Provided that a significant number of the inhabitants of the claimed locality or neighbourhood are among the users, it does not matter that many come from elsewhere. The requirement is to establish a clear link between the locality or neighbourhood and the proposed town or village green.

b) “… of the inhabitants of any locality…”

A “locality” cannot be created by drawing a line on a map. It must be some division of the county known to law, such as a borough, parish or manor.

c) “…or of any neighbourhood within a locality…”

Where a locality is relied on, for instance a town, it can be a relevant locality even if it is not (or is no longer) a recognisable local government unit.

d) “… have indulged as of right…”

As of right means that it is not use by force, stealth or with the licence of the owner. This does not turn upon the subjective belief of the users. The use must be judged objectively, from the standpoint of a reasonable owner.

e) "… in lawful pastimes…"

This is a composite expression which includes informal recreation such as walking, with or without dogs, and childrens play. Use that is more in the nature of a right of way, a cut-through or a shortcut will not fall to be considered as a lawful sport or pastime

f)"…on the land…"

"Land" is defined as including land covered by water, but is generally accepted as excluding buildings.

g)"…for a period of at least 20 years…"

The relevant use must generally continue throughout the whole of the 20 year period.

h)"…and they continue to do so at the time of the application."

In order to satisfy the criteria in S15(2) the qualifying use must continue at the date of the application.

3(2) The application and supporting evidence

The application may be made by any person, and should be done by completion and service of the Form 44, which contains an affidavit in support of the application and a map showing the location of the land in question.

Marie Pender, an individual who advised that she was representing the West Beckenham Residents Association made the application. There was no supporting documentation from the residents association, but this simply meant that Ms Pender should be regarded as the applicant. This has no bearing on the substance of the application.

A map was submitted showing the area in question, and the applicant identified the "locality or neighbourhood as Elmers End.

A supporting statement and statutory declaration were submitted by the applicant, together with a historic map and photographs showing the area in 1928, and a sign erected there in 1998.

The application fulfilled the basic requirements and was accepted by the Council as Registration Authority. The applicant was given the opportunity to submit evidence in support of the application, but did not do so. The Registration Authority therefore proceeded with publicising the application and requesting comment from the public.

During the consultation period **one letter in support** of the application was received. This stated that the writers had lived in Beckenham since 1977 and that they "…can confirm that the land noted has been used lawfully by a significant number of local inhabitants for these 36 years or more". The writer also stated that they had a grandparent who lived in Elmers End after the Great War and had a parent who was born in St Margaret's Road in 1923.

3(3) Opposing submissions

In the consultation period, **one letter of objection** to the application was received. The writer stated that they had "…lived in Beckenham for more than 20 years and do not remember seeing the land used for lawful sports and pastimes as mentioned in the public notice in that amount of time, it does not lend itself easily to be used for games as it has roads as boundaries and no fences." The writer goes on to day that they regard the area as a roundabout with grass and flower beds, with a building in the middle which used to be public toilets, which have been closed.

The London Borough Bromley in its capacity as landowner was advised of the application.

They responded within the consultation period as follows:-

1. "The application is currently deficient as there is no evidence whatsoever that a significant number of local residents have used the land for lawful games and pastimes; the applicant merely asserts that they have done so with no supporting evidence.
2. The plan supplied does not show the current layout of the site – I have attached a plan and aerial photograph taken from our current digital mapping system, which shows a fourth footpath crossing the land and also a reasonably substantial building in the middle of it. The building consists of the former public toilets, which have been closed down and which we are currently in the process of selling.
3. As the Inspector in the Queens Gardens TVG inquiry found (paras 56 and 57 of his report), buildings are not 'land' for the purposes of the Commons Act 2006 and should not be registered as new town greens; the toilet block must therefore be taken out of the application.
4. The application land includes public highway, as it covers the footpath running around the majority of the site. This cannot be village green as it is highway and used for passage and repassage. You may wish to check the status of the footpaths running across the land with highways."

In addition, they made the following comment in their capacity as highway authority:-

"The grassed area is surrounded by adopted highways and is maintained under the maintenance contract. The public obviously have full access to it. Having spoken to colleagues we are of the opinion that it is part of the maintainable highway. As highway it would be open and available for the public to use and the Council would maintain it…"

3(4) The applicant's response

Having received all of the above mentioned documentation, a copy was sent to the applicant together with a draft of the substance of this report, advising her of the analysis and conclusions which follow this section, and the recommendation for declining to register the land as requested. The applicant was invited to make any further submissions in respect of these documents and responded with the following points:-

" **-** I made the application as Chair of the West Beckenham Residents Association. I am sorry if I did not make my position with the Association clearer.

- You state that the plan supplied does not show the current layout of the site. The plan is a download of the current Ordnance Survey map of Elmers End Green. We were required to provide such a map (scale 1:2500 and showing the land in question in colour) under Q5 of the application form, but there was no requirement to show further detail.

- We do not consider the Green to be part of the Highway itself, but a long standing piece of open land. We consider the highway to run around the Green, which is designated under Bromley's Unitary Development Plan as protected Urban Open Space, not a highway. Part of this land is being sold to a third party and therefore is presumably not part of the "Highway", so the rest of the green space is also not part of the "Highway" "

Ms Pender also seeks to address this committee.

The points raised in this response can be dealt with as follows:-

The first and second comments address points which have had no part in the consideration of the application. The mention of the building on the site is a separate matter and the fact that it was not shown on the applicant's plan is not significant in consideration of its status.

The part of the land which is being sold to a third party comprises a building which cannot be considered as "land" for the purposes of the statute, The rest of the application site will continue to be held and maintained as it is at present, with access permitted to the public.

3(5) Analysis

Having made a valid application, it is for the applicant to show, on the balance of probabilities, that the application land fulfils all the criteria for registration.

The tests mentioned in part 1 of this document should therefore be applied.

a) "A significant number…"

The applicant has stated that residents of Elmers End have indulged in lawful sports for the requisite period of time. This was repeated by the writer of the supporting letter.

Neither of these statements is supported by evidence of numbers of users. There have been no supporting statements other than as detailed in this report, and no one came forward as a result of the publication of the application other that the writer referred to.

If we are to take it that the applicant and the supporting letter writers (2 signatories to the letter) have used the area as required, for the requisite time, this does not amount to a body of evidence that a significant number of people have done so.

There would therefore appear to be a lack of evidence to support this aspect of the definition

b) & c) "..of the inhabitants of any locality or of any neighbourhood or locality…"

Similar comments apply as in relation to the first point. With a lack of supporting evidence, it is difficult to take these points any further.

There would therefore appear to be a lack of evidence to support this aspect of the definition

d)"… have indulged as of right…"

In relation to this aspect of the definition, attention must be paid to the second comment by the Council in their capacity as highway authority.

As a highway, the right to access the area would be "by right" (ie in exercise of a legal right to do so, as opposed to "as of right".(ie without permission, force or secrecy).The public is entitled to do anything reasonable on highway land which does not interfere with the right to pass and repass. Such activities can include lawful sports and pastimes.

In a case decided this year [*R(Barkas) v North Yorkshire County Council]*, the Supreme Court decided that *"…where the owner of the land is a local authority which has lawfully allocated land for public use (whether for a limited period or for an indefinite period), it is impossible to see how, at least in the absence of unusual additional facts, it could be appropriate to infer that members of the public have been using the land "as of right", simply because the authority haas not objected to their using the land. It seems very unlikely that, in such a case, the legislature could have intended that such land would become a village green after the public had used it for 20 years. It would not merely be understandable why the local authority had not objected to the public use; it would be positively inconsistent with their allocation decision if they had done so. The position is very different from that of a private landowner, with no legal duty and no statutory power to allocate land for public use, with no ability to allocate land as a village green, and who would be expected to protect his or her legal rights."*

This would therefore appear to preclude the registration in terms of the application.

e) "…in lawful pastimes…"

This must be more than use that is in the nature of a right of way, but can include walking, football or bird watching for example. The applicant has not given any indication of the activities which it is claimed would constitute "lawful pastimes". There would therefore appear to be no evidence to support this aspect of the definition.

The application statement refers to the recording of the land as meadows, footpaths and fields in historic records, and refers to the installation of an ornamental sign marked "Elmers End" on the land, together with some tree planting, co-funded by the local authority. It is questionable whether these activities would be classed as "lawful pastimes" in relation to the definition. In addition, they would appear to have been done with the active support of the Council as landowner, which goes back to the distinction between "by right" and "as of right").

Similarly, the applicant makes reference to the display of captured German trophies at the end of the First World War. It is questionable if this would come under the heading of "lawful pastimes" notwithstanding the point that this was not a continuing activity.

There would therefore appear to be no evidence to support this aspect of the definition

f) "…on the land…"

If there was sufficient evidence to support the other elements of the application, the plan would require to be amended to exclude the building, and possibly also the defined footpaths, particularly those at the edges of the area shown on the applicant's plan

g) & h) "…for a period of 20 years and they continue to do so at the time of the application"

Reference should be made to points a – e above.

There would therefore appear to be no evidence to support this aspect of the definition.

3(6) Conclusions

As may be seen from the analysis above, it is not considered that the application can succeed.

In the first instance, the land is regarded as maintainable highway, the definition of which is “an area of land which the public at large have the absolute right to use to ‘Pass and Repass without let or hindrance”. The recent Supreme Court decision indicates that land which is held by a local authority for a purpose which allows the public to have access to it, is likely to be used “by right” as opposed to “as of right”.

This being the case, it would appear that the application falls at this hurdle.

For the sake of completeness, it would appear that, even if this were not the case, the application would fall generally in relation to the other strands of the test as there is a lack of supporting evidence as to the nature and extent of the claimed use of the land.

3(7) Options

The Council as Registration Authority may decide to register or decline to register the land as a new Town or Village Green on the basis of the application and the evidence before them.

Alternatively, the Council may wish to cause a Public Inquiry to be held before a suitably qualified Inspector. If an inquiry is held, the Inspector would consider the application and evidence, hear witnesses, and apply the law to the facts and then report to the Council with a recommendation as to whether or not to register the land as a new Town or Village Green.

If the applicant or landowner is not satisfied with the outcome of the application, the remedy open to them is to seek a judicial review of the decision of the Council as registration authority.

4. FINANCIAL IMPLICATIONS

If a Public Inquiry is to be held, the cost could amount to £15 – 20,000.

5. LEGAL IMPLICATIONS

Addressed in the body of the report

6. PERSONNEL IMPLICATIONS

If there was to be a Public Inquiry, then one member of staff would be required to act on behalf of the Council as Registration Authority and one on behalf of the Council as landowner, together with any staff required as witnesses.

Non-Applicable Sections:	Policy Implications
Background Documents: (Access via Contact Officer)	The file containing the application and other documents referred to in this report may be obtained from the writer and will be available to members prior to the committee

Annex B

DEVELOPMENT CONTROL COMMITTEE

Extract from the Draft Minutes of the meeting held at 7.30 pm on 9 July 2014

6 LAND AT UPPER ELMERS END ROAD AND CROYDON ROAD - APPLICATION FOR REGISTRATION AS A TOWN OR VILLAGE GREEN

Report CSD14095

Members considered an application to register land comprising the triangular area of ground bounded by Upper Elmers End Road, Croydon Road and Elmerside Road in Elmers End as a Town Green. As the registration authority for Bromley, it was the duty of the Council to decide the application for registration of the land as a new Town or Village Green.

The Chairman of West Beckenham Residents' Association (WBRA), Ms Marie Pender, spoke in support of the application and made the following representations:-

"I hope you have been able to read my letter, see the old maps and the support we have had from local people and other local organisations - Copers Cope Area Residents' Association and The Beckenham Society.

Your legal advice concludes that "it is not considered that the application can succeed". But, you know - it can - if you want it to. The legal advice also says that you, as registration authority, "may decide to register - or decline - on the basis of the application and the evidence before you". It is therefore within your discretion to accept the implied compliance with the spirit of the 2006 Act, by accepting our case. Or by proceeding to register the green voluntarily - as owners of the land.

The spirit of the Act is surely that open land that has been enjoyed by local people for only 20 years should continue to be available for that enjoyment. The only real restrictions in the spirit of the Act are that the enjoyment must be legal and without the use of force or subterfuge, and that the owner should not be forced to have the land registered against its will.

Your legal advice is that the burden of proof lies in "the civil standard of balance of probabilities". The balance of probabilities does not require written testimony – that would be 100% proof. The balance of probabilities is most certainly that this land - never built on and in existence for 300 years – has been used, as the Act describes, for much longer than 20 years.

My letter and the maps show the history of this land. I also emphasise that, for much more than 20 years, the council provided benches for people to sit on – why would you do that if the green were not used for passing the time? Your signs say “don’t let your dog foul the grass” – why, if there is no dog walking? This land has been enjoyed legally and without the use of force for centuries.

The Council are owners of the land, so why would you object to its protection through registration? There need not be costs involved. If the Council were to agree, there is, for instance, no need for any public inquiry, as suggested by the legal advice.

We understand the Council has rightly been persuaded to register Beckenham Green under the Act. Though the initial legal reaction to that application was also a loud 'no'! We congratulate you on meeting the wishes of the people of Beckenham in that instance."

Having lived in Beckenham for over 30 years, the Chairman confirmed that the green had been used for various activities, ball games, dog walking etc for many years. The WBRA represented over 500 residents, most of whom would not support the application if the statement submitted by Ms Pender was untrue. The Council was unable to prove that the green had not been used for the activities mentioned above. The land was surrounded by roads, however, this had not prevented other areas of land from being registered as town or village greens.

The Chairman also reported that contrary to what was written in the report, the land on which the toilet block stood would be leased not sold and should be excluded from Member consideration.

It was reported that Ward Member Councillor Sarah Phillips was in support of the application. The Chairman moved that the land should be registered as a new town or village green.

In seconding the motion, Councillor Fawthrop emphasised the need to protect such land for residents in the Borough.

Councillor Arthur drew Members' attention to the legal technical definition for registering land as a town or village green. He was concerned that if legal advice was ignored and Members chose to register land without adequate proof of use, then this would set a precedent for future applications.

The Legal Officer agreed with Councillor Arthur and explained the legal framework which must be applied to any application in order for registration to take place and which was addressed in the report. The Development Control Committee when exercising the powers of the Council as a Registration Authority, was required to apply these criteria. It was possible for a land owner on a voluntary basis to dedicate land as a Town Green but this would be a separate matter for the Executive to deliberate upon.

RESOLVED that Members of the Executive Committee be recommended to apply to voluntarily register the land as a new town or village green.

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 12

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Agenda Item 14

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Agenda Item 15

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