BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

THE LONDON BOROUGH
www.bromley.gov.uk

TELEPHONE: 020 8464 3333
CONTACT: Keith Pringle
keith.pringle@bromley.gov.uk

DIRECT LINE: 020 8313 4508
FAX: 020 8290 0608

DATE: 24 January 2017

To: Members of the
EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Councillor Simon Fawthrop (Chairman)
Councillor Keith Onslow (Vice-Chairman)
Councillors Nicholas Bennett J.P., Ian Dunn, Judi Ellis, Ellie Harmer,
William Huntington-Thresher, David Livett, Russell Mellor, Alexa Michael,
Tony Owen, Sarah Phillips, Michael Rutherford, Stephen Wells and Angela Wilkins

A meeting of the Executive and Resources Policy Development and Scrutiny Committee will be held at Bromley Civic Centre on **WEDNESDAY 1 FEBRUARY 2017 AT 7.00 PM**

MARK BOWEN
Director of Corporate Services

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

PART 1 AGENDA

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

STANDARD ITEMS

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

2 **DECLARATIONS OF INTEREST**

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

In accordance with the Council's Constitution, questions to the 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 26th January 2017.

4 **MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 4TH JANUARY 2017** (Pages 5 - 20)

5 **FORWARD PLAN OF KEY DECISIONS** (Pages 21 - 32)

6 **CONTRACTS REGISTER**

Copies of the Contracts Register covering the Chief Executive's Department (CEX) will be circulated under separate cover.

HOLDING THE RESOURCES PORTFOLIO HOLDER TO ACCOUNT

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

In accordance with the Council's Constitution, questions to the Portfolio Holder 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 26th January 2017.

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

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

a **TREASURY MANAGEMENT - QUARTER 3 PERFORMANCE 2016/17** (Pages 33 - 44)

b **TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2017/18** (Pages 45 - 78)

HOLDING THE EXECUTIVE TO ACCOUNT

9 **SCRUTINY OF THE CHIEF EXECUTIVE**

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

Members of the Committee are requested to bring their copy of the agenda for the Executive meeting on 8th February 2017.

POLICY DEVELOPMENT AND OTHER ITEMS

11 **HR INFORMATION**

Report to follow

12 **WORK PROGRAMME** (Pages 83 - 88)

PART 2 AGENDA

13 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
14 PRE-DECISION SCRUTINY OF EXEMPT RESOURCES PORTFOLIO HOLDER REPORTS	
a FRAMEWORK AGREEMENT: CROWN COMMERCIAL SERVICES (CCS) AND ROYAL MAIL SCHEDULE 4 - AS AGREED BY ROYAL MAIL AND LONDON BOROUGHS POSTAL BOARD (Pages 89 - 94)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
15 PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS	

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EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Minutes of the meeting held at 7.00 pm on 4 January 2017

Present

Councillor Simon Fawthrop (Chairman)
Councillors Ian Dunn, William Huntington-Thresher, David Livett, Russell Mellor, Keith Onslow (Vice-Chairman), Tony Owen, Sarah Phillips, Michael Rutherford, Stephen Wells and Angela Wilkins

Also Present

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

388 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Cllr Nicholas Bennett J.P., Cllr Judi Ellis, Cllr Ellie Harmer and Cllr Alexa Michael.

389 DECLARATIONS OF INTEREST

Declarations of interest were made as follows:

- Cllr Simon Fawthrop (as an employee of B.T with whom the Council was contracted for IT support);

- Cllr William Huntington-Thresher (in relation to the Orpington 1st Business Improvement District referred to in the list of waivers appended to the report at item 17); and

- Cllr Keith Onslow (employed on insurance related work by the Royal Borough of Greenwich).

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

There were no questions to the Committee.

391 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 23RD NOVEMBER 2016 (EXCLUDING EXEMPT ITEMS)

The minutes were agreed.

392 MATTERS ARISING FROM PREVIOUS MEETINGS

Members noted matters arising.

393 FORWARD PLAN OF KEY DECISIONS

Members noted the Forward Plan.

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

There were no questions (with prior notice) to the Portfolio Holder.

395 SCRUTINY OF THE RESOURCES PORTFOLIO HOLDER

The Portfolio Holder for Resources, Cllr Graham Arthur, addressed the Committee highlighting progress against a number of Portfolio areas.

On property, the Portfolio Holder referred to the proposed disposal of Banbury House, Chislehurst and the Small Halls Site, Orpington (to be considered at the Executive meeting, 11th January 2016). Other properties would be taken forward by Cushman and Wakefield. The Portfolio Holder also referred to Chislehurst Library and West Wickham Leisure Centre. Melvin Hall (and a short term lease) was further highlighted. A slim client model now supported property matters at officer level.

There was now a comprehensive property register which included small land parcels; should a small piece of land not be needed it would be made available for sale - the cost of the process now being more affordable with Cushman and Wakefield. The proposed Banbury House and Small Halls disposals would set a pattern for the future.

Concerning Human Resources, the Council's staff complement currently stood at some 1,360 fte, about 50% of the Council's complement five years previously. Should there be a number of older staff on complement, a Member suggested this would affect the Pension Fund and a number of experienced staff could be lost (through retirement). The Portfolio Holder confirmed that early retirement packages are offered. The Council also recruited and 23 interns had been recruited - interns having the potential to attain to second and third tier positions in their 20s and 30s. The Portfolio Holder also referred to the Departmental Representatives Forum which *inter-alia* had been influential in highlighting a need for IT improvements for social workers.

Demand for legal support was increasing as was the number of homeless in the borough. In this context the Mears scheme was moving ahead at pace; properties had been purchased with further purchases also proposed.

For the L B Bromley Pension Fund the Portfolio Holder had met the actuary who would be reporting soon on the fund's triennial valuation. The fund remained one of the best performing in the country. Treasury management returns were also one of the best performing.

A balanced budget had been agreed at the start of the year and a projected overspend was concerning. Soaring costs of social services was a national issue and there was no desire to impose an extra percentage rise on Council Tax; however, it was necessary to consider such an option. Further income generation and tight spending controls would help fill the budget gap and the Portfolio Holder suggested a Member Working Group to consider options. The Group could perhaps evolve into a Sub-Committee but initially enable some "blue sky thinking" to look at income/ revenue generation. A Member suggested looking at successful approaches by other local authorities and the Portfolio Holder highlighted a need to be business minded. The Chairman suggested it was too late in the current year to establish a working group but it might be possible for 2017/18. The Leader also referred to Cabinet and Chief Officers meeting to consider income generation.

For the Amey contract, it was hoped to see gradual and progressive improvements to services going forward.

396 RESOURCES PORTFOLIO - PRE-DECISION SCRUTINY

a CAPITAL PROGRAMME MONITORING - 2ND QUARTER 2016/17

Report FSD17007

Report FSD17007 highlighted changes to the Capital Programme 2016/17 to 2019/20 (agreed by Executive 30th November 2016) affecting the Resources Portfolio. The report included comments on scheme progress at the end of the 2nd quarter of 2016/17.

RESOLVED that the Portfolio Holder be recommended to note and confirm the changes agreed by Executive on 30th November 2016.

b DOCUMENT MANAGEMENT - REQUEST FOR THE RELEASE OF FUNDING

Report DRR17/002

As part of the Civic Centre Development Strategy, a sum of £200k had been carried forward to meet the cost of document management and to reduce storage space for paper files. Electronic storage was instead encouraged, interfacing with work being undertaken by I S Services.

To lead departments on reducing paper files and to develop/introduce document management guidance and protocols, Amey Community Ltd (in delivering the Civic Centre Programme) recommended the appointment at approximately £105k (including agency fees) of a dedicated and experienced Project Manager in the field for a period of one year. This was necessary as the Civic Centre Programme is not within the scope of the Council's contract with Amey.

Employment of temporary staff was also anticipated for a short period to assist in boxing and indexing documents for disposal, off-site transportation to a storage supplier, and essential scanning work - the Portfolio Holder being asked to delegate authority to the Executive Director of Environment and Community Services for the work costing approximately £95k.

In discussion, Members were concerned at the level of expenditure being requested. The process had been undertaken previously by other organisations and it was suggested that L B Bexley be consulted on the process; protocols developed by another organisation could be helpful.

However, timing for the process was linked to the Civic Centre Programme and without available skills it was necessary to commission expertise. Amey intended to appoint a Project Manager who had successfully undertaken such a process previously. A Project Manager would drive the process forward; without an appointment difficulties might be caused for the Civic Centre Programme.

A central in-house team had been employed by the Council to work on document management but the role had been taken some years previously as a saving. Nevertheless, retention schedules continued to be available for Council Departments and an initiative was currently progressing to clarify document assets held; with less space in new accommodation it would be more expensive to store papers.

Safeguards were suggested to ensure that papers exist for local history purposes. However, it was necessary to be clear on papers to be retained and each Department would need a retention schedule, disposing of documents not necessary to retain. Data protection interests would also need to be considered. A Project Manager would co-ordinate all relevant considerations in readiness for moving to the new accommodation.

Concluding debate the Chairman highlighted that it would be helpful to see:

- a scoping plan for the project and what is expected from a Project Manager, including a defined timescale for the Manager's work;
- whether a Project Manager could be appointed on secondment terms from elsewhere; and
- employment from within the borough (e.g. students) for additional work on tasks such as boxing and indexing documents, preparing for transportation to a storage supplier and scanning etc.

It was agreed to note the recommendations to the Portfolio Holder. The Portfolio Holder was also asked to note the Committee's comments when taking decisions on Report DRR17/002.

RESOLVED that the Portfolio Holder be recommended to consider the Committee's comments before deciding whether to:

(1) approve funding in the sum of £105k for Amey Community Ltd (the Council's Total Facilities Management provider) to appoint a Document Management Project Manager for a period of one year as outlined at paragraph 3.6 of Report DRR17/002; and

(2) delegate authority to the Executive Director of Environment and Community Services to authorise expenditure in the sum of £95k for the additional work outlined at paragraph 3.9 of Report DRR17/002.

397 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS

The Committee looked at the following reports on the Part 1 agenda for the Executive's meeting on 11th January 2017.

(5) Draft 2017/18 Budget and Update on the Council's Financial Strategy 2018/19 to 2020/21
Report FSD17005

Members considered the initial draft Budget for 2017/18 with Report FSD17005 also including details of the second year of the four year local government financial settlement (2016/17 to 2019/20), an update on the new social care precept, other changes reflected in the Autumn Statement 2016, and the Provisional Local Government Financial Settlement 2017/18.

There continued to be outstanding issues and areas of uncertainty and any further updates would be included in the 2017/18 Council Tax report to the Executive meeting on 8th February 2017. The report would also include comments on the draft budget from PDS Committees.

In considering risks it was noted that in addition to using savings and investment, New Homes Bonus funds and the Council's Contingency had been used for the first time to support revenue. Containing costs also meant that the Council started from a low cost base. Increased inflation would present a significant risk in future as would any new Government burdens. However, there continued to be a significant level of contingency (albeit reduced) to deal with risks.

Reference was made to the Adult Social Care precept when setting the level of Council tax 2017/18 and savings of £1.5m per annum which can be expected from the forthcoming triennial valuation of the Council's Pension Fund. The actuary had also confirmed the benefits of gifting the Mears scheme to the Pension Fund. On behalf of Members, the Chairman thanked the Director of Finance for hard work behind the scenes.

Concerning inflation and contract price increases, it was suggested that a number of contracts included inflation at unrealistic levels. Concern was also expressed that the Council's Pension Fund was not fully funded and as such remained an outstanding debt for the Council.

RESOLVED that the report and recommendations to the Executive be noted.

(6) Children's Services Improvement Plan Update and Phase Three Spending Plan
Report CS17089

An update was provided on progress with the Children's Services Improvement Areas. This included advice that the new Deputy Chief Executive had reviewed the initial Phase 3 spending Plan and had re-profiled the resource requirements to be funded from the Phase 3 allocation. Accordingly, Report CS17089 sought Executive approval for £141k (part year 2016/17) and £795k (full year 2017/18) to be released based on the re-profiled requirements.

Providing laptops for children's social care staff would also enable staff to remain in the field and reduce downtime returning to the office to access I.T. It was proposed to use one-off funding of £150k from the Council's Technology Fund to purchase the laptops and other associated hardware.

After discussion, it was reported that the proposals in the report excludes the additional funding of £300k per annum requested as part of the original Phase 3 proposal. The original funding identified has been utilised towards other priority areas of the service. However, no additional monies have been set aside at this stage and any additional funding for recruitment and retention required will be subject to a further report to Members.

RESOLVED that the report be noted.

(14) Update: Biggin Hill Memorial Museum
Report DRR17/001

In providing a project update following earlier submission of funding applications, Executive approval was sought to further develop the project prior to final grant decisions.

The value of S106 monies towards overall costs would be either £914k or £968k dependent upon whether Taylor Wimpey implement a scheme detailed in planning application 15/00508 or application 16/02685 and Executive was asked to underwrite the £54k difference, the cost to be met from Central Contingency.

RESOLVED that the recommendations to the Executive be noted.

(15) Disposal of Banbury House, Chislehurst
Report DRR16/094

It was proposed to dispose of the site with an optimal development scheme achieving planning consent and best consideration in a timely manner.

Applicants would be encouraged to follow the pre-application process and seek planning consent for a scheme. Cushman and Wakefield could review available studies (appointing sub-consultants as necessary) to support an application and identify any further work to be undertaken.

A planning report from Cushman and Wakefield would provide a detailed overview of the project and its context; identify planning issues to be addressed; and set out a series of recommendations on how the development will need to be presented to the planning authority. A more detailed feasibility scheme would then be developed (Stage 2) and formal pre-application discussions would then be held with the Planning Department (Stage 3). Finalisation of the design would then follow (Stage 4) and public consultation/stakeholder engagement considered (Stage 5). Continuing their work, Cushman and Wakefield would then prepare and submit a planning application and enter negotiations on the planning application with the planning case officer (Stage 7). Following planning consent, they would market the site (Stage 8) and officers and Cushman and Wakefield would evaluate bids received and recommend disposal to a recommended purchaser (Stage 9).

The capital receipt from disposal was estimated to be in the range of £3.5m and Executive was asked to approve expenditure at £46k from the Investment Fund for costs related to the feasibility study, works to obtain planning consent, and marketing of the site. By gaining planning consents prior to marketing there was potential to generate a larger capital receipt.

The proposed process for disposing of Banbury House and the Small Halls Site represented a different approach intended to deliver the disposals more quickly and provide receipts sooner. In removing the planning risk for developers the approach could generate more interest and potentially lead to a higher receipt and more income for the Council. Cushman and Wakefield were reviewing the Council's entire property portfolio. In going through the planning process and obtaining planning permission joint ventures were anticipated and high density developments could be avoided. Reference was also made to the benefits of an overage clause and whether the Banbury House and Small Halls disposals should be considered as part of a joint venture.

A question was asked on whether the Banbury House site could be used for temporary accommodation purposes in a similar way to the Manorfields site, Orpington. It was thought the present design of the site might be prohibitive but the Chairman asked the Executive to consider the suggestion further.

Cushman and Wakefield were not involved in selecting the Banbury House and Small Halls sites to trial the new approach but would work with the Council strategically and provide a reasonable price for their work. Noting the hourly charges budget estimate for the planning approach and marketing stages, a Member enquired of the hours involved and Cushman and Wakefield's hourly charge.

In concluding, the Committee agreed to support the recommendations but with the benefits of ensuring an overage clause and looking at whether the disposal should be considered as part of a joint venture; also that investigations be undertaken prior to the Executive meeting on whether the site can be viably used to provide temporary accommodation. Information would also be helpful on the extent to which £46k represented value for money for planning consent on the Banbury House and York Rise sites.

RESOLVED that the recommendations be supported subject to:

(1) the benefits of ensuring an overage clause and looking at whether the disposal should be considered as part of a joint venture;

(2) investigations being undertaken prior to the Executive meeting on whether the site can be viably used to provide temporary accommodation; and

(3) information on the extent to which £46k represents value for money for planning consent on the Banbury House and York Rise sites.

(16) Disposal of Small Halls site, York Rise, Orpington
Report DRR16/093

A staged approach to planning consent of a scheme to dispose of the Banbury House site was also recommended for disposing of the Small Halls site, Orpington. Again, this would provide clarity to the market.

The capital receipt from disposing of the Small Halls site was estimated to be in the range of £3.5m to £4m. The Executive was also asked to approve expenditure at £46k from the Investment Fund for costs related to the feasibility study, works to obtain planning consent, and marketing of the site. As with Banbury House, there was potential to generate a larger capital receipt by gaining planning consents prior to marketing.

A Member highlighted that a sum of £46k related to costs for Banbury House was again being requested for costs associated with the Small Halls site. Overall, Members supported the disposal but in so doing asked that relevant recommendations applying to the Banbury House disposal also apply to the Small Halls site disposal.

RESOLVED that the recommendations be supported subject to:

(1) the benefits of ensuring an overage clause and looking at whether the disposal should be considered as part of a joint venture; and

(2) information on the extent to which £46k represents value for money for planning consent on both the Banbury House and York Rise sites.

398 PRESENTATION: LIBERATA - FUTURE DEVELOPMENTS 2017

The Managing Director, Service Delivery Director, Senior Operations Manager and L B Bromley Contract Director were in attendance.

In their presentation Liberata listed new initiatives in Corporate Services – Self Service for Revenues and Benefits, Corporate Visiting Team, Direct Scanning of Benefits Documents and a Single Financial Assessment Unit. A handout of the presentation was passed to Members. A separate handout covered positive outcomes from Liberata's work and performance.

Points covered in questions and replies during the presentation included the following:

- Liberata would offer straightforward guidance for self-service customers –particularly vulnerable customers could be expected to have a representative to act on their behalf with Liberata and representatives from Liberata's Corporate Vising team could be available to visit customers as necessary;
- Liberata will be utilising existing software technology for self-service as used by a small number of other local authorities - Liberata was confident in its performance;
- The technology would work on mobile phones;
- For the Single Financial Assessment Unit, information would be stored centrally and systems would be checked first before writing out for information – information would only need to be obtained once and transaction times would reduce accordingly.

399 BENEFITS SERVICE MONITORING REPORT

Report FSD1702

Members considered the performance of the benefit services provided by Liberata from 1st April 2016 to 30th September 2016.

For future presentation and to help correlate information against presented graphs, a Member asked that the table on Claim Processing, indicating Liberata's performance against a target of 13 days, be split to show performance against the time taken to assess new claims and the time taken to assess a change of circumstances.

Although the monthly error rate appeared to increase in the year to 30th September 2016, the level had reduced in October and November and the Chairman suggested it was necessary to see more recent figures.

Although the level of caseload had declined since October 2014, it was noted that total outstanding work sat at 5,575 items including 2,582 pending items awaiting information from the claimant and/or third party. It was indicated that Liberata's "post bag" was now different with reference made to RTI files. Within a file it was now possible to receive 150 separate files which was not the case some two years previously. More documents were now being received in each file and it had been necessary to revise figures on outstanding work. Given the increased documentation, a review of outstanding work and pending figures had been completed and revised service standards were now in place.

The level of new Housing Benefit claims appearing to be processed outside of the 13 day target was also highlighted. However, it was explained that the target covered both new claims and change of circumstances. Nevertheless, it was felt necessary to know whether the delays were on the part of the service provider or on the part of the claimant.

RESOLVED that the information contained within Report FSD1702 be noted along with the Liberata letter at Appendix 1 to the report.

400 REVENUES SERVICE MONITORING REPORT

Report FSD1701

Members considered Liberata's performance for Revenues Services in the six months to 30th September 2016.

Although the in-year Council Tax collection rate at 30th September 2016 was 58.0%, 0.3% less than the same time last year, there had been a 1.67% increase in Council Tax and an increase in the minimum contribution by working-age Council Tax Support claimants to 25% of household liability. The number of households registered for Council Tax also increased by 527 in the first six months of the financial year. The collection rate on current year and arrears was 58.2%, 0.1% down on the previous year.

For Business Rates, in-year collection at 30th September 2016 was 56.3%, 1.4% lower than the same time last year. Removal of Retail Relief from April 2016 and an increase in businesses opting to pay by 12 monthly instalments rather than 10 were highlighted as mitigating factors. The collection rate for the current year and arrears was 55.3% at 30th September 2016, 1.2% down on the same time last year.

Use of the Civic Centre's payment kiosk had reduced in terms of transactions and value collected; in the first six months of the current financial year payments to the value of £1,109,243 (9761 transactions) were taken compared to £1,141,676 (10,308 transactions) in the same period last year.

The average number of payroll payments made each month (including pension payments) was also highlighted along with Pension Fund Membership numbers.

In her six month performance letter, Liberata's Contract Director highlighted that collection of out of year debt had been affected by an increase in the amount of static debt now held, relating to the level of debt below which a summons is issued. There were nearly 600 cases where Liberata was unable to take further recovery action even though a liability order was in place. This was due to the account holder lacking any realisable assets or the value of the debt being below the necessary threshold to apply for Bankruptcy or a Charging Order. In looking to obtain payment (and distinguish between those unwilling rather than unable to pay) Liberata would try to engage and work with the account holder to meet a recovery plan. Advice would also be provided on agencies such as Citizens Advice. Writing off the debt was an option but each individual case would be looked at should it be possible to eventually clear the debt.

The Contract Director's letter also highlighted that the collection rate from Orpington Business Improvement District (BID) at 30th September 2016 was 73.62%, a decrease of 3.38% against the previous year. It was explained that two payment dates are provided for the Orpington BID with the reduced collection rate applying to the earlier payment date. Liberata were confident that a satisfactory collection level could be achieved from Orpington BID at year end.

RESOLVED that information within Report FSD1701 be noted along with the Liberata letter detailed at Appendix 1 to the report.

401 EXCHEQUER SERVICE MONITORING REPORT

Report FSD17003

Members considered Liberata's performance for Exchequer Services from 1st April 2016 to 30th September 2016.

For sundry debts there were 3,835 invoices outstanding at 30th September 2016 totalling £7.55m. Of the total amount outstanding, 801 invoices valued at £3.5m (46.35%) had been outstanding for less than 60 days including £3.27m (43.31%) less than 30 days old.

Against a full year target collection rate of 91%, the collection rate for in-year debt at 30th September 2016 was 81.09% with income of £20.78m collected. Based upon current performance Liberata was expected to meet the 91% target. Taking account of debts on hold, the adjusted collection rate was 84.27%.

For Aged Debt, the combined out-of-year collection was 55.48% at 30th September 2016, 0.5% lower than at 30th September 2015, with recovery impacted by a number of factors e.g. £447k remaining in dispute at 30th September 2016, £340k secured by way of Charging Orders, and £493k recommended for write off. Taking account of debts with recovery action on hold, the collection rate increases to 79.59%, 13.36% higher than at 30th September 2015.

For utilities, the total debt was £327k at 30th September 2016 with the largest debt held by British Telecom (98% of the debt being disputed).

For sundry invoices, 6,780 sundry invoices to a value of £27m were raised from 1st April 2016 to 30th September 2016 and 794 invoices valued at £1.7m were subsequently cancelled during the same period. Compared to 2015, invoices raised decreased by 18% due to a change in billing for Carelink clients, moving from quarterly invoicing to annual billing each April.

On Trade Waste, the outstanding debt at 30th September 2016 stood at £674k, £80k (10.6%) less than for the previous year.

For Nightly Paid Accommodation charges, the outstanding debt at 30th September 2016 stood at £3.13m for current and former occupiers.

A sum of £3.19m was collected from Housing Benefit awards from 1st April 2016 to 30th September 2016, an increase of £245k (8.3%) on the previous year. Between 1st April 2016 and 30th September 2016, £514k was collected in payments from debtors, an increase of £266k (93%) on the previous year.

On accounts payable the percentage of undisputed invoices paid within 30 days between 1st April 2016 and 30th September 2016 remained at 99% and the percentage of invoices paid within 20 days increased from 97% in September 2015 to 98% in September 2016.

For Financial Assessments and Charging, 89% of Financial Assessments were completed within 10 working days to 30thSeptember 2016 with a 100% target being met for producing a charging file from CareFirst weekly.

On Appointee and Deputyship work, a 100% target was met to 30th September 2016 for the referral of applications to a Panel within 14 working days as was a 100% target for raising invoices for charges within two months of the anniversary of a court order.

Details were also provided on the number of complaints received since April 2013 split between those justified and those unjustified - the numbers of complaints being relatively low for the range of services provided.

In discussion, reference was made to the amount of debt owed by British Telecom (BT) with significant levels of debt continuing to exist from 2013/14. When next considering the matter, it was hoped to see a marked improvement in payment. There was concern that the Council was paying BT for services when BT was in debt to the Council. The debt would also be more difficult to recover as time passed and it was suggested the matter be escalated to the highest possible level within BT; it was felt that BT should at least be re-paying its debt on account.

It was explained that Liberata liaised with the Council service department on utility debts; the Council's Exchequer Services team also worked with the service department to help recover payment. Officers would examine the Council's contract with BT to assess whether payment to BT can be restricted to assist debt recovery. A similar debt problem previously experienced with Thames Water had been solved. It was necessary to invoice BT should a poor standard of highway repair follow any utility works. Utility companies can often dispute claims of poor repair to required standards and debts would not be written-off until it can be proven that repairs had been made good. It was suggested the matter be considered further by the Environment PDS Committee. It was suggested that disputing an incident of poor repair would be much more difficult after four years.

Concerning Aged Debt and a sum of £493k which had been recommended for write off, it was necessary for Liberata to evidence that the recovery process had been pursued before write-off action can be considered. Should there be any large amounts within the sum, the Chairman suggested it might be desirable to wait a little longer before writing-off those amounts.

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RESOLVED that the information contained within Report FSD17003 be noted along with the Liberata letter detailed at Appendix 1 to the report.

402 CUSTOMER SERVICES - CONTRACT PERFORMANCE REPORT

Report CDS16164

Members considered Liberata's performance between 1st June and 30th November 2016 for the Customer Services contract.

The Contact Centre performed well from July after peak volumes in June due to the referendum, the contractor delivering a service level of just over 63% for the period against a target of 50%. Although the Out of Hours Contact Centre performed adequately overall, call volumes reduced in October and November and service level also fell. Concerning e-mails, performance was generally within target but was again affected by increased volumes during the referendum. For the Civic Centre Reception, at least 80% of visitors were seen within five minutes, achieving the necessary target, with nearly 100% of visitors seen within 15 minutes, almost achieving the further target. For the Council's Website/ Bromley Knowledge, all key targets were met - the web continuing to be the Council's primary channel for customer interactions with an increasing number of customers completing web transactions via a MyBromley account (the number of active account holders currently stood at more than 28,000). MyBromley also had a key role in channel shift savings for Revenues and Benefits; on upgrading to a new web platform, officers were also working to maximise customer functionality through MyBromley.

Overall, the Customer Services contract had performed well for the period. Minor deviations were being addressed with the out of hours call centre provider and the triage reception desk continued to enhance face to face performance, with the acceptance of small batches of evidence having been developed to further reduce reception wait times.

Following a new customer satisfaction survey from September 2016, 84 surveys were submitted to 30th November, of which 91% expressed satisfaction with Liberata's service. The full survey of questions was appended to the report. Five complaints and three compliments were also received during the period by customer facing staff.

In discussion, it was suggested that the number of MyBromley Account holders was low; it was further suggested that an incentive is necessary for Council Tax Payers to set up a MyBromley Account. Nevertheless, it was expected to have 80,000 to 90,000 MyBromley Account holders by the end of 2017/18 and more time saving provided an incentive to set up an account.

A Member enquired how residents had responded to the survey questions. Many comments were thought to be service specific and accordingly fed back to the services. Liberata offered to circulate details of the responses.

RESOLVED that the information in Report CDS16164 be noted including the Liberata letter appended to the report.

403 SECTION 106 AGREEMENTS: UPDATE

Report FSD16074

Members noted an update on Section 106 Agreements.

Appendices to Report FSD16074 recorded details of changes (since July 2016) to S106 agreements requiring:

- a restrictive or 'negative' obligation;
- a 'positive' non-financial obligation; and
- a 'positive' financial obligation.

Further appended information provided details of revenue items i.e. details compiled from, and updated, using information from the Oracle accounting system and the Council's Public Register and Contribution record (the latter being held with the Public Register and copies of all S106 legal agreements dating back to 1998).

A further appendix, presented under Part 2 proceedings, provided an update on the progress of financial contributions received to date.

RESOLVED that Report FSD16074 and the contents of Appendices 1-4 of the report be noted.

404 UPDATE ON WAIVERS

Report CSD17010

The Chairman had requested that the Committee receives a list of Waivers (dispensation from complying with a requirement of the Contract Procedure Rules) over the last four years so that trends can be examined for the period.

The information is presented twice each year to the Audit Sub-Committee and the most recent schedules since 2013 were appended to Report CSD17010.

RESOLVED that the schedules of waivers be noted.

405 WORK PROGRAMME 2016/17

Report CSD17001

Members noted the Committee's 2016/17 work programme including scheduled meetings and PDS working groups.

RESOLVED that the Committee's work programme be noted.

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

407 EXEMPT MINUTES OF THE MEETING HELD ON 23RD NOVEMBER 2016

The exempt minutes were agreed.

408 PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS

There were no exempt reports for the Executive's meeting on 11th January 2017.

409 SECTION 106 AGREEMENTS: UPDATE - APPENDIX 5

Report FSD16074

Concerning the update on Section 106 Agreements (minute 403 refers), Members noted an additional appendix, presented under Part 2 proceedings, providing an update on progress with financial contributions received to date.

RESOLVED that Appendix 5 to Report FSD16074 be noted.

The Meeting ended at 10.09 pm

Chairman

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LONDON BOROUGH OF BROMLEY

FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS PUBLISHED ON: 23rd January 2017

PERIOD COVERED: February 2017 - May 2017

DATE FOR PUBLISHING NEXT FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS: 21st February 2017

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
COUNCIL						
LENDING PROPOSAL	Council	20 February 2017 Executive & Resources PDS Committee and Executive	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential
COUNCIL TAX LEVEL 2017/18	Council	20 February 2017 Executive, PDS Committees, Business Community, and Local Residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
REVENUE BUDGET 2017/18	Council	20 February 2017 Executive, PDS Committees, Business Community, and Local Residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Public meeting	Report and relevant background documents
CAPITAL PROGRAMME 2017/18 ONWARDS	Council	20 February 2017 Executive and Key Stakeholders	Meetings	Contact Officer: James Mullender Tel: 020 8313 James.Mullender@bromley.gov.uk	Public meeting	Report and relevant background documents
ANNUAL INVESTMENT STRATEGY 2017/18	Council	20 February 2017 Executive & Executive and Resources PDS Committee	Meetings	Contact Officer: James Mullender Tel: 020 8313 James.Mullender@bromley.gov.uk	Public Meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
DRAFT LOCAL PLAN	Council	10 April 2017 Development Control Committee and Executive	Meetings	Contact Officer: Mary Manuel Tel: 020 8313 4303 mary.manuel@bromley.gov.uk	Public Meeting	Report and relevant background documents
EXECUTIVE						
PROGRESS IN IMPLEMENTING CHILDREN'S SERVICE IMPROVEMENTS 'PHASE 3 SPENDING PLAN'	Executive	Not before 08 February 2017 Care Services PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Angela Buchanan Tel: 0208 313 4199 angela.buchanan@bromley.gov.uk	Public Meeting	Report and relevant background documents
DISPOSAL OF SITE B BROMLEY	Executive	08 February 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Michael Watkins Tel: 020 8313 4178 Michael.Watkins@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
PRIMARY AND SECONDARY INTERVENTION SERVICES	Executive	08 February 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Josepha Reynolds, Tel: 020 8461 7395 Josepha.Reynolds@bromley.gov.uk	Private meeting - exempt information - Financial/business affairs of a person or body.	Part 2 Report - Confidential
AWARD OF CONTRACT FOR HEALTH SUPPORT TO SCHOOLS	Executive	08 February 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Dr Jenny Selway Tel: 0208 313 4769 jenny.selway@bromley.gov.uk	Private meeting - exempt information - Financial/business affairs of a person or body.	Part 2 Report - confidential
GATEWAY REVIEW 1, 2 APPROVAL OF 2017/18 OPERATIONAL BUILDING MAINTENANCE BUDGETS, PLANNED MAINTENANCE PROGRAMME AND PREFERRED PROCUREMENT OPTION	Executive	08 February 2017 Executive & Resources PDS Committee	Meetings	Contact Officer: Catherine Pimm Tel: 020 8461 7834 Catherine.Pimm@bromley.gov.uk	Public meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
GATEWAY REPORT - ENVIRONMENTAL SERVICES CONTRACT	Executive	08 February 2017 Environment PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Dan Jones Tel: 0208 313 4211 Dan.Jones@bromley.gov.uk	Public meeting	Report and relevant background documents
OPPORTUNITY SITE G - PREFERRED DEVELOPMENT PARTNER	Executive	Not before 08 February 2017 Renewal & Recreation PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Kevin Munnelly, Martin Pinnell Tel: 020 8313 4582, Tel: 020 8313 4457 kevin.munnelly@bromley.gov.uk, martin.pinnell@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
AWARD OF CONTRACT FOR CAPITAL WORKS AT CASTLECOMBE PRIMARY SCHOOL	Executive	08 February 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential
EXTRA CARE HOUSING CONTRACT UPDATE	Executive	08 February 2017 Executive & Resources PDS Committee and Care Services PDS Committee	Meetings	Contact Officer: Alicia Munday Alicia.Munday@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body.	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
PROPOSED PUBLIC REALM PROJECT AND MARKET REORGANISATION FOR BROMLEY HIGH STREET	Executive	22 March 2017 Renewal & Recreation PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Kevin Munnelly, Martin Pinnell Tel: 020 8313 4582, Tel: 020 8313 4457 kevin.munnelly@bromley.gov.uk, martin.pinnell@bromley.gov.uk	Public Meeting	Report and relevant background documents
SEN TRANSPORT INVEST TO SAVE PROPOSAL AND GATEWAY REPORT	Executive	22 March 2017 Executive and Resources PDS Committee	Meeting	Contact Officer: Maya Vadgama Tel: 0208 313 4740 Maya.Vadgama@bromley.gov.uk	Public meeting	Report and relevant background documents
BASIC NEED CAPITAL PROGRAMME REPORT (INCLUDING SECTION 106 UPDATE)	Executive	Not before 22 March 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Public Meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
GATEWAY REPORT 1, 2 APPROVAL OF 2017/18 EDUCATION BUILDING MAINTENANCE BUDGETS, EDUCATION PLANNED MAINTENANCE PROGRAMME AND PREFERRED PROCUREMENT OPTIONS	Executive	22 March 2017 Executive & Resources PDS Committee	meetings	Contact Officer: Catherine Pimm Tel: 020 8461 7834 Catherine.Pimm@bromley.gov.uk	Public Meeting	Report and relevant background documents
GATEWAY REPORT - MENTAL HEALTH FLEXIBLE SUPPORT SERVICES CONTRACT	Executive	22 March 2017 Care Services PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Adeyinka Adetunji Tel: 020 8461 7463 Adeyinka.Adetunji@bromley.gov.uk	Public Meeting	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
CONTRACT AWARD OF LEARNING DISABILITY SUPPORTED LIVING SCHEMES	Executive	22 March 2017 Care Services PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Colin Lusted Tel: 0208 461 7650 Colin.Lusted@bromley.gov.uk	Item to be considered during the public part of the Executive and Care Services PDS meetings with confidential material to be considered during exempt proceedings.	Report and relevant background documents
AWARD OF COMMUNITY SEXUAL HEALTH EARLY INTERVENTION SERVICES	Executive	22 March 2017 Care Services PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Mimi Morris-Cotterill mimi.morris-cotterill@bromley.gov.uk	Item to be considered during the public part of the Executive meeting with confidential material to be considered during exempt proceedings.	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
DOMESTIC VIOLENCE AGAINST WOMEN AND GIRLS SERVICES - CONTRACT AWARD	Executive	Not before 22 March 2017 Public Protection & Safety PDS Committee and Executive & Resources PDS Committee	Meetings	Contact Officer: Victoria Roberts Tel: 020 8313 4290 Victoria.Roberts@bromley.gov.uk	Item is expected to be considered during the public part of the Executive meeting with confidential material to be considered during exempt proceedings.	Report and relevant background documents
PROCUREMENT STRATEGY FOR PHASE 2 CONSTRUCTION SCHEME AT STEWART FLEMING PRIMARY SCHOOL	Executive	Not before 22 March 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential
AWARD OF CAPITAL WORKS AT LEESONS PRIMARY SCHOOL	Executive	Not before 22 March 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
AWARD OF CONTRACT FOR CONSTRUCTION WORKS AT POVEREST PRIMARY SCHOOL	Executive	Not before 22 March 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Private meeting - Exempt information - Financial/business affairs of a person or body	Part 2 report - confidential
BANBURY HOUSE, CHISLEHURST	Executive	22 March 2017 Executive & Resources PDS Committee	Meeting	Contact Officer: Michael Watkins Tel: 020 8313 4178 Michael.Watkins@bromley.gov.uk	Public Meeting	Report and relevant background documents
CARE SERVICES PORTFOLIO						
EDUCATION & CHILDREN'S SERVICES PORTFOLIO						
ENVIRONMENT PORTFOLIO						
PUBLIC PROTECTION AND SAFETY PORTFOLIO						
RENEWAL AND RECREATION PORTFOLIO						
RESOURCES PORTFOLIO						

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

Contact Officer: Graham Walton, Chief Executive's Department: 020 8461 7743, graham.walton@bromley.gov.uk

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Report No.
FSD17018

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder**
Date:	**For Pre-Decision Scrutiny by the Executive and Resources PDS Committee on 1st February 2017**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**TREASURY MANAGEMENT - QUARTER 3 PERFORMANCE 2016/17**
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

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1. Reason for report

1.1. This report summarises treasury management activity during the third quarter of 2016/17. The report ensures that the Council is implementing best practice in accordance with the CIPFA Code of Practice for Treasury Management. Investments as at 31st December 2016 totalled £304.5m (excluding the balance of the Heritable investment) and there is no outstanding external borrowing. For information and comparison, the balance of investments stood at £290.3m as at 30th September 2016 and £301.9m as at 31st December 2015, and, at the time of writing this report (23rd January 2017) it stood at £331.8m.

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2. RECOMMENDATION(S)

2.1. The Executive and Resources PDS Committee and the Resources Portfolio Holder are requested to note the Treasury Management performance for the third quarter of 2016/17.

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: £3.491m (net) in 2016/17; £450k surplus currently projected

5. Source of funding: Net investment income

Staff

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

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

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Legal

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

2. Call-in: Call-in is applicable

Customer Impact

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

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Ward Councillor Views

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

2. Summary of Ward Councillors comments:

3. COMMENTARY

3.1. General

3.1.1. 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.

3.1.2. This report includes details of investment performance in the third quarter of 2016/17. The 2016/17 annual treasury strategy, including the MRP (Minimum Revenue Provision) Policy Statement and prudential indicators, was originally approved by Council in February 2016. The annual report for financial year 2015/16 was submitted to the Executive and Resources PDS Committee on 7th July 2016 and Council on 26th September 2016.

3.1.3. Recent changes in the regulatory environment place a much greater onus on Members to undertake 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.

3.1.4. The Council has monies available for Treasury Management investment as a result of the following:

(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 to fund capital expenditure;
(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.

3.1.5. Some of the monies identified above are short term and investment of these needs to be highly "liquid", particularly if it relates to a positive cash flow position, which can change in the future. Future monies available for Treasury Management investment will depend on the budget position of the Council and whether the Council will need to substantially run down 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 likelihood that such actions may be required in the medium term, which will reduce the monies available for investment.

3.1.6. The Council has also identified an alternative investment strategy relating to property investment. To date, this has resulted in actual and planned acquisitions which generated £3m income in 2015/16, and is projected to achieve £4.4m in 2016/17 with full-year income of £4.6m. This is based on a longer term investment timeframe of at least 3 to 5 years and ensures that the monies available can attract higher yields over the longer term. A further property has been approved for purchase by which will generate a further £540k full-year income.

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

3.2. Treasury Performance in the quarter ended 31st December 2016

3.2.1. **Borrowing:** The Council's healthy cashflow position continues and, other than some short-term borrowing at the end of 2015/16, no borrowing has been required for a number of years.

3.2.2. **Investments:** The following table sets out details of investment activity during the third quarter of 2016/17 and 2016/17 year to date:-

	Qtr ended 31/12/16		2016/17 year to date	
	Deposits £m	**Ave Rate %**	**Deposits £m**	**Ave Rate %**
Balance of "core" investments b/f	200.50	1.47	240.50	1.42
New investments made in period	45.00	1.27	85.00	1.21
Investments redeemed in period	-35.00	1.23	-115.00	1.23
"Core" investments at end of period	210.50	1.52	210.50	1.52
Money Market Funds	24.00	para 3.13	24.00	para 3.13
Santander 180 day notice account	30.00	para 3.14	30.00	para 3.14
CCLA Property Fund	30.00	para 3.15	30.00	para 3.15
Diversified Growth Funds	10.00	para 3.15	10.00	para 3.15
Total investments at end of period	**304.50**	**n/a**	**304.50**	**n/a**

3.2.3. Details of the outstanding investments at 31st December 2016 are shown in maturity date order in Appendix 2 and by individual counterparty in Appendix 3. An average return of 1% was assumed for new investments in the 2016/17 budget in line with the estimates provided by the Council's external treasury advisers, Capita, and with officers' views. The return on the three new "core" investment placed during the third quarter of 2016/17 was 1.27%, compared to the average LIBID rates of 0.12% for 7 days, 0.26% for 3 months, 0.43% for 6 months and 0.67% for 1 year. The improved rate (compared to 1 year LIBID) earned on the new investments is due to the longer (3 year) period on the £25m invested with Lloyds Bank at a rate of 1.37%, and rates of 0.87% and 0.88% for the two £10m investments with Standard Chartered.

3.2.4. Reports to previous meetings have highlighted the fact that options with regard to the reinvestment of maturing deposits have become seriously limited in recent years following bank credit rating downgrades. Changes to lending limits and eligibility criteria agreed in October 2014 (an increase in the lending limits of both Lloyds and RBS from £40m to £80m and an increase in the maximum period from 2 years to 3 years) have alleviated this to some extent, but there are still not many investment options available other than placing money with instant access accounts at relatively low interest rates.

3.2.5. At its meeting on 26th September 2016, Council approved the following changes to the treasury management strategy:

- A reduction to the sovereign rating criteria to AA-;
- A reduction to the individual counterparty rating criteria to BBB+;
- An increase to the maximum investment period with Banks 1C category from 6 months to 1 year;
- The inclusion of investments with Housing Associations; and
- The inclusion of Variable Net Asset (VNAV) Money Market Funds.

No investments have been made to date in these categories (other than continued investments with UK banks following the UK's sovereign rating downgrade to AA), and officers are continuing to explore investment opportunities in these areas.

3.2.6. As a result of these changes to the criteria, and the addition of the pooled funds described in section 3.4.3, the Council's treasury management performance compares very well with that of other authorities; the Council was in the top decile nationally for both 2014/15 and 2015/16 (the most recent CIPFA treasury management statistics available).

3.2.7. Active UK banks and building societies on the Council's list now comprise Lloyds, RBS, HSBC, Barclays, Santander UK, Goldman Sachs International Bank, Standard Chartered and Nationwide and Skipton Building Societies, and all of these have reduced their interest rates significantly in recent years. The Director of Finance will continue to monitor rates and counterparty quality and take account of external advice prior to any investment decisions.

3.2.8. The chart in Appendix 1 shows total investments at quarter-end dates back to 1st April 2004 and shows how available funds have increased steadily over the years. This has been a significant contributor to the over-achievement of investment income against budgeted income in recent years.

3.3. Interest Rate Forecast

3.3.1. On 4th August 2016, the Monetary Policy Committee of the Bank of England voted unanimously to reduce the Base Rate to 0.25% from 0.5% (the rate it has been since March 2009). Previous indications from markets were that a further cut wasn't ruled out, however, with the further inflation increases now being forecast, expectations are that rates will remain at this level until mid-2019 and then begin to slowly increase.

Date	LATEST FORECAST (Nov16)				PREVIOUS FORECAST (Aug 16)			
	Base Rate	3 month Libid	6 month Libid	1 year Libid	Base Rate	3 month Libid	6 month Libid	1 year Libid
Dec-16	0.25%	0.30%	0.40%	0.70%	0.10%	0.20%	0.30%	0.50%
Jun-17	0.25%	0.30%	0.40%	0.70%	0.10%	0.20%	0.30%	0.60%
Dec-17	0.25%	0.30%	0.40%	0.70%	0.10%	0.20%	0.40%	0.70%
Jun-18	0.25%	0.30%	0.40%	0.80%	0.25%	0.30%	0.50%	0.70%
Dec-18	0.25%	0.40%	0.50%	0.90%	0.25%	0.40%	0.60%	0.80%
Jun-19	0.50%	0.60%	0.70%	1.10%	0.50%	0.60%	0.70%	0.90%
Dec-19	0.75%	0.80%	0.90%	1.30%	-	-	-	-

3.4. Other accounts

3.4.1. Money Market Funds

3.4.1.1. The Council currently has 6 AAA-rated Money Market Fund accounts, with Prime Rate, Ignis, Insight, 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, and, as their longer dated investments mature and are reinvested, are continuing to drop following the Bank of England Base rate cut in August 2016. The Ignis, Prime Rate and Legal & General funds currently offer the best rate at 0.30%, compared to 0.43% in September, and 0.53% in June. The total balance held in Money Market Funds has varied during the year, moving from zero as at 1st April 2016 to £24.0m as at 31st December 2016, and currently stands at £51.3m (as at 23rd January 2017). The Money Market Funds currently offer the lowest interest of all eligible investment vehicles with the exception of the Government Debt Management Account Deposit Facility (currently 0.10%), however they are the most liquid, with funds able to be redeemed up until midday for same day settlement.

Money Market Funds	Date Account Opened	Actual balance 31/03/16 £m	Actual balance 31/12/16 £m	Ave. Rate 01/04/16-31/12/16 %	Latest Balance 23/01/17 £m	Ave. Daily balance to 23/01/17 £m	Latest Rate 23/01/17 %
Prime Rate	15/06/2009	0.0	13.3	0.43	15.0	8.3	0.30
Ignis	25/01/2010	0.0	0.0	0.43	15.0	7.2	0.30
Insight	03/07/2009	0.0	0.0	0.41	6.3	3.6	0.25
Legal & General	23/08/2012	0.0	10.7	0.42	15.0	5.6	0.30
Blackrock	16/09/2009	0.0	0.0	0.37	0.0	-	0.19
Fidelity	20/11/2002	0.0	0.0	0.39	0.0	-	0.19
TOTAL		0.0	24.0		51.3	24.7	

3.4.2. Santander 180 Day Notice Account

3.4.2.1. In November 2015, £10m was placed with Santander UK in their 180 day notice account at a rate of 1.15%. This is a very good rate for (potentially) 6 month money, but notice was given in May 2016 to ensure that this did not breach the one year maximum permitted with Santander. Although Santander had notified the Council that the rate would reduce to 0.90% from September 2016 (a reduction of 0.25% matching the Bank of England base rate reduction), the rate was still very good comparatively, so the Council deposited a further £20m in the notice account during August 2016.

3.4.3. Pooled Investment Schemes

3.4.3.1. In September 2013, the Portfolio Holder and subsequently 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. The limit was subsequently increased to £40m by Council in October 2015. Such investments would require the approval of the Director of Finance in consultation with the Resources Portfolio Holder.

CCLA Property Fund

3.4.3.2. Following consultation between the Director of Finance and the Resources Portfolio Holder, an account was opened in January 2014 with the CCLA Local Authorities' Property Fund and an initial deposit of £5m was made, followed by further deposits of £5m in July 2014, £5m in March 2015, £10m in October 2015 and £5m in October 2016. The investment in the CCLA Fund is viewed as a medium to long-term investment and dividends are paid quarterly. The investment returned 5.25% net of fees in 2014/15, 5.02% in 2015/16, and 4.88%, 4.59% and 4.26% in the first three quarters of 2016/17 (4.55% for 2016/17 to date).

Diversified Growth Funds

3.4.3.3. In October 2014, the Council approved the inclusion of investment in diversified growth funds in the investment strategy and, in December 2014, £5m was invested with both Newton and Standard Life. The Funds both performed very well in just over three months to 31st March 2015, however performance was not so impressive in 2015/16. The excellent performance in the first half of 2016/17 by the Newton Fund has now been largely reversed in the third quarter, but despite this it has a cumulative annualised return of 3.39%. Standard Life had a better third quarter and now has a cumulative annualised return of 0.78%, as shown in the table below.

Annualised return	Newton %	Standard Life %
22/12/14 - 31/03/15	21.46	21.85
01/04/15 - 31/03/16	0.85	-5.04
01/04/16 - 30/06/16	17.81	-5.24
01/07/16 - 30/09/16	5.91	2.07
01/10/16 - 31/12/16	-22.89	5.68
Cumulative return	3.39	0.78

3.4.3.4. The downturn in performance during 2015/16 echoes that seen in the Pension Fund's Diversified Growth Funds (and Global Equities Funds). It should be noted that these types of investments should be considered as longer term investments over a three to five year period.

3.4.3.5. Officers are awaiting a detailed breakdown from the Fund Managers of the performance of the funds by asset class and counterparty ratings, and this will be provided in a future report when received.

3.4.3.6. In accordance with the Council decision, interest equivalent to 27% of the total dividend is transferred to the Parallel Fund, set up in 2014/15 with an opening balance of £2.7m to mitigate the potential revenue impact of future actuarial Pension Fund valuations.

3.4.4. Investment with Heritable Bank

3.4.4.1. 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. In October 2008, the bank was placed in administration and the investment was frozen. To date, a total of £4,985k has been received (98% of the total claim of £5,087k), leaving a balance of £102k (2%). Officers and the Council's external advisers remain hopeful of a full recovery.

3.4.5. External Cash Management

3.4.5.1. As reported to the Executive and Resources PDS Committee on 3rd February 2016, the contract with Tradition UK Ltd was terminated in December 2015, and the two remaining investments are due to mature in March 2017.

3.5. Mid-Year Review of Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17

3.5.1. The CIPFA Code of Practice on Treasury Management requires the Council to receive a mid-year review report on performance against the approved strategy. The Annual Investment Strategy was originally approved by Council in February 2016 and was updated in September 2016, and the mid-year review was reported in December 2016.

3.6. Regulatory Framework, Risk and Performance

3.6.1. 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 that may be undertaken (although no restrictions have been made to date);

- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;

- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;

- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;

- Under the Act, the CLG has issued Investment Guidance to structure and regulate the Council's investment activities;

- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

3.6.2. 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 that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

4. POLICY IMPLICATIONS

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

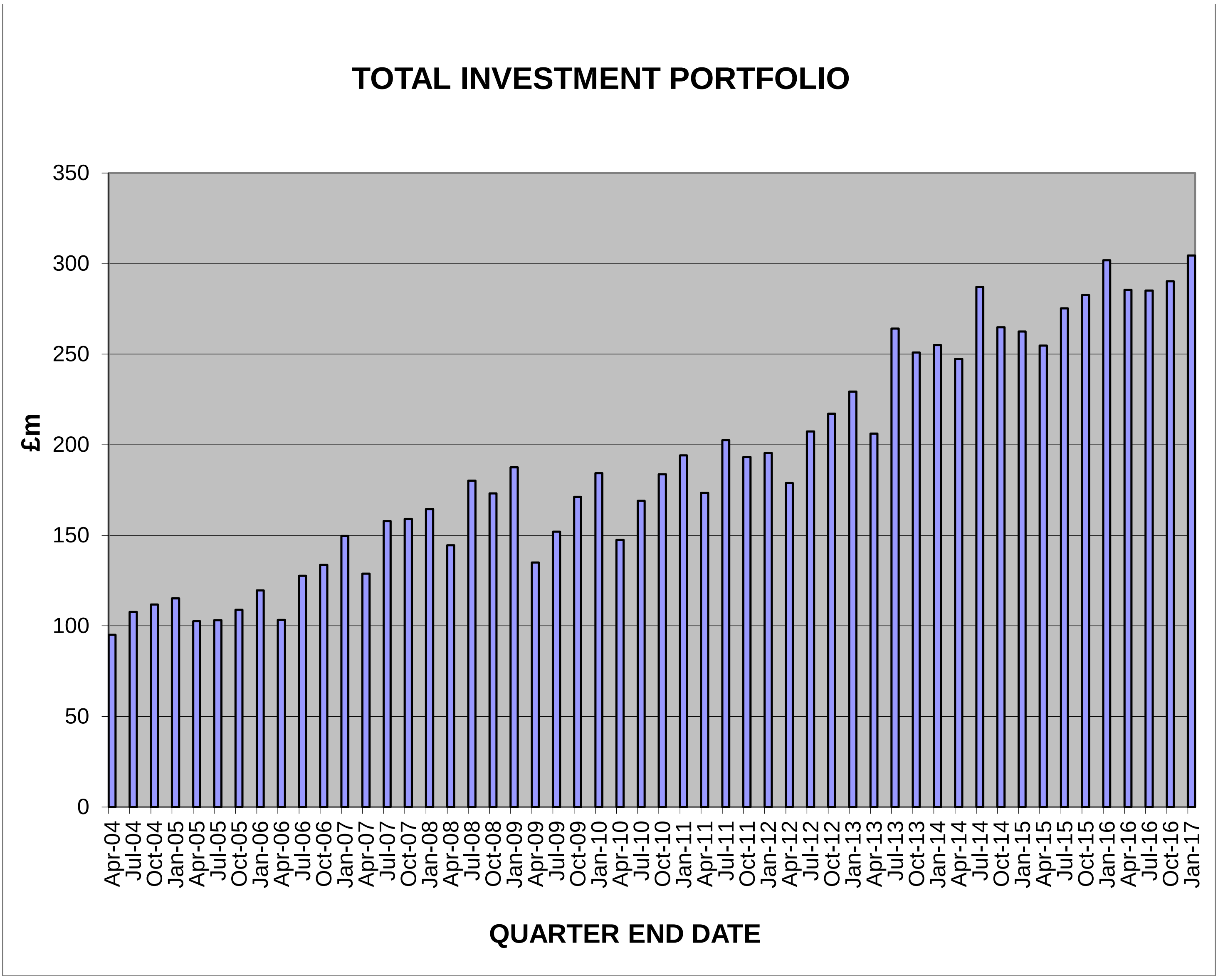
5. FINANCIAL IMPLICATIONS

5.1 At the time of setting the 2016/17 budget, there was still no sign of interest rates improving, so an average rate of 1% was again been prudently assumed for interest on new fixed term deposits, in line with the estimates provided by the Council's external treasury advisers, Capita, earlier in the year and with officers' views. There have been no improvements to counterparty credit ratings, as a result of which the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October 2014, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund enabled the 2016/17 budget to be increased to £3.49m, after allowing for foregone interest earnings as a result of further property acquisitions.

5.2 Following the Bank of England base rate cut in August 2016, the Council has seen a significant reduction in the rates offered for new fixed-term deposits as well as overnight money market funds. Despite this, a surplus of £450k is currently projected for the year, mainly due to the increased balances available for investment.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	CIPFA Code of Practice on Treasury Management CIPFA Prudential Code for Capital Finance in Local Authorities CLG Guidance on Investments External advice from Capita Treasury Solutions

APPENDIX 1



TOTAL INVESTMENT PORTFOLIO
£m
350
300
250
200
150
100
50
0
Apr-04
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Apr-05
Jul-05
Oct-05
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Jan-17
QUARTER END DATE

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INVESTMENTS HELD AS AT 31ST DECEMBER 2016

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
FIXED DEPOSITS				
RBS (Certificate of Deposit)	13/02/2015	13/02/2017	1.34000	10.0
WEST DUMBARTONSHIRE COUNCIL	26/03/2014	24/03/2017	1.60000	2.5
PERTH & KINROSS COUNCIL	26/03/2014	24/03/2017	1.45000	5.0
GOLDMAN SACHS	03/08/2015	02/08/2017	0.75000	10.0
NORTHUMBERLAND COUNTY COUNCIL	15/08/2014	15/08/2017	1.50000	5.0
DONCASTER MBC	15/08/2014	15/08/2017	1.88000	5.0
GOLDMAN SACHS	18/08/2016	18/08/2017	0.74000	10.0
LB CROYDON	22/08/2014	22/08/2017	1.50000	10.0
RBS (Certificate of Deposit)	30/10/2014	30/10/2017	1.85000	40.0
STANDARD CHARTERED	02/11/2016	02/11/2017	0.88000	10.0
STANDARD CHARTERED	07/11/2016	07/11/2017	0.87000	10.0
BLAENAU GWENT CBC	04/12/2014	04/12/2017	1.90000	3.0
LLOYDS BANK	16/04/2015	16/04/2018	1.49000	30.0
LLOYDS BANK	26/05/2016	25/05/2018	1.48000	10.0
LLOYDS BANK	19/11/2015	19/11/2018	1.82000	5.0
LANCASHIRE COUNTY COUNCIL	18/12/2015	18/12/2018	1.50000	10.0
LLOYDS BANK	29/07/2016	31/07/2019	1.34000	2.5
LLOYDS BANK	18/08/2016	19/08/2019	1.14000	7.5
LLOYDS BANK	05/12/2016	05/12/2019	1.37000	25.0
TOTAL FIXED INVESTMENTS				**210.5**
OTHER FUNDS				
STANDARD LIFE (IGNIS) LIQUIDITY FUND				0.0
LGIM STERLING LIQUIDITY FUND				10.7
FEDERATED (PRIME RATE) STERLING LIQUIDITY FUND				13.3
SANTANDER 180 DAYS CALL ACCOUNT	23/11/2015			10.0
SANTANDER 180 DAYS CALL ACCOUNT	03/08/2016			10.0
SANTANDER 180 DAYS CALL ACCOUNT	09/08/2016			10.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			30.0
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
TOTAL INVESTMENTS				**304.5**
ICELANDIC BANK DEPOSIT				
HERITABLE BANK	28/06/2007	29/06/2009	6.42000	5.0

INVESTMENTS HELD AS AT 31ST DECEMBER 2016

	FROM	TO	RATE	£m	TOTAL £m	LIMIT	REMAINING
UK BANKS							
LLOYDS BANK	16/04/2015	16/04/2018	1.49000	30.0			
LLOYDS BANK	26/05/2016	25/05/2018	1.48000	10.0			
LLOYDS BANK	19/11/2015	19/11/2018	1.82000	5.0			
LLOYDS BANK	29/07/2016	31/07/2019	1.34000	2.5			
LLOYDS BANK	18/08/2016	19/08/2019	1.18000	7.5			
LLOYDS BANK	05/12/2016	05/12/2019	1.37000	25.0	80.0	80.0	0.0
ROYAL BANK OF SCOTLAND - CD	13/02/2015	13/02/2017	1.34000	10.0			
ROYAL BANK OF SCOTLAND - CD	30/10/2014	30/10/2017	1.85000	40.0	50.0	80.0	30.0
GOLDMAN SACHS INTERNATIONAL BANK	03/08/2016	02/08/2017	0.75000	10.0			
GOLDMAN SACHS INTERNATIONAL BANK	18/08/2016	18/08/2017	0.74000	10.0	20.0	20.0	0.0
STANDARD CHARTERED	02/11/2016	02/11/2017	0.88000	10.0			
STANDARD CHARTERED	07/11/2016	07/11/2017	0.87000	10.0	20.0	20.0	0.0
LOCAL AUTHORITIES							
NORTHUMBERLAND COUNTY COUNCIL	15/08/2014	15/08/2017	1.50000	5.0	5.0	15.0	10.0
WEST DUMBARTONSHIRE COUNCIL	26/03/2014	24/03/2017	1.60000	2.5	2.5	15.0	12.5
PERTH & KINROSS COUNCIL	26/03/2014	24/03/2017	1.45000	5.0	5.0	15.0	10.0
LB CROYDON	22/08/2014	22/08/2017	1.50000	10.0	10.0	15.0	5.0
BLAENAU GWENT CBC	04/12/2014	04/12/2017	1.90000	3.0	3.0	15.0	12.0
DONCASTER MBC	15/08/2014	15/08/2017	1.88000	5.0	5.0	15.0	10.0
LANCASHIRE COUNTY COUNCIL	18/12/2015	18/12/2018	1.50000	10.0	10.0	15.0	5.0
OTHER INVESTMENTS							
LGIM STERLING LIQUIDITY FUND	23/08/2012			10.7	10.7	15.0	4.3
FEDERATED (PRIME RATE) STERLING LIQUIDITY FUND	15/06/2009			13.3	13.3	15.0	1.7
SANTANDER (180 DAYS CALL ACCOUNT)	23/11/2015		0.90000	10.0			
SANTANDER (180 DAYS CALL ACCOUNT)	03/08/2016		0.90000	10.0			
SANTANDER (180 DAYS CALL ACCOUNT)	09/08/2016		0.90000	10.0	30.0	30.0	0.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			30.0			
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0			
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0	40.0	40.0	0.0
TOTAL INVESTMENTS				**304.5**	**304.5**		
HERITABLE BANK	28/06/2007	29/06/2009	6.42000	5.0	5.0	0.0	-5.0

Report No.
FSD17019

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder** **Council**
Date:	**For Pre-Decision Scrutiny by the Executive and Resources PDS Committee on 1st February 2017** **Council 20th February 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2017/18**
Contact Officer:	James Mullender, Principal Accountant Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

1. Reason for report

1.1. This report presents the Treasury Management Strategy and the Annual Investment Strategy for 2017/18, which are required by the CIPFA Code of Practice for Treasury Management in the Public Services (revised in 2009 and updated in 2011) to be approved by the Council. The report also includes prudential indicators and the MRP (Minimum Revenue Provision) Policy Statement, both of which require the approval of the Council. For clarification, we are required by statute to agree and publish prudential indicators, primarily to confirm that the Council's capital expenditure plans are affordable and sustainable. As Members will be aware, Bromley does not borrow to finance its capital expenditure and, as a result, many of the indicators do not have any real relevance for the Council. The 2016/17 strategy, agreed by Council in February 2016, was updated in September 2016 as detailed in para 3.2.5, and no further changes are proposed at this time.

2. RECOMMENDATION(S)

2.1. The Executive and Resources PDS Committee, the Resources Portfolio Holder and Council are asked to:

a) Note the report, and

b) Agree to adopt the Treasury Management Statement and the Annual Investment Strategy for 2017/18 (Appendix 1 on pages 7-34 of this report), including the prudential indicators (summarised on page 34) and the Minimum Revenue Provision (MRP) policy statement (page 11).

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: £3,491k (net) in 2016/17; £450k surplus currently projected, draft budget for 2017/18 £2,891k

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: Not applicable

Customer Impact

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

Ward Councillor Views

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

2. Summary of Ward Councillors comments:

3. COMMENTARY

3.1. General

3.1.1. 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.

3.1.2. The part-year review for 2016/17 was reported to this PDS Committee in November and was approved by Council in December. This report presents the annual strategy (Appendix 1), including the MRP Policy Statement (page 11) and prudential indicators (summarised on page 34) for 2017/18 to 2019/20. Details of treasury management activity during the quarter ended 31st December 2016 are included in a report elsewhere on the agenda.

3.2. Treasury Management Strategy Statement and Annual Investment Strategy 2017/18

3.2.1. Appendix 1 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2017/18. This combines the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services (revised in 2009 and updated in 2011) and the Prudential Code. The Strategy includes throughout details of proposed prudential indicators, which are summarised in Annex 3 (page 34) and will be submitted for approval to the February Council meeting. Many of the indicators are academic as far as the Council is concerned, as they seek to control debt and borrowing (generally not applicable for Bromley), but they are a statutory requirement.

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

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

3.2.4. As is highlighted in the Treasury Performance report elsewhere on the agenda, a number of UK banks have been the subject of credit ratings downgrades in recent years, which has resulted in reductions to the number of eligible counterparties and to monetary and duration limits on the Council's lending list. It should be emphasised that the downgrades were, in most cases, relatively minor and were not an indication of a likely bank default, but, nevertheless, they were enough to impact on the Council's lending list. As a result, the total of investments placed with money market funds has increased significantly in recent years, although this has reduced following Council approval to investment in pooled vehicles and increased limits for the part-nationalised banks, Lloyds and RBS.

3.2.5. The treasury management strategy is kept under constant review and, at its meeting on 26th September 2016, Council approved the following changes:

- A reduction to the sovereign rating criteria to AA-;
- A reduction to the individual counterparty rating criteria to BBB+;
- An increase to the maximum investment period with Banks 1C category from 6 months to 1 year;
- The inclusion of investments with Housing Associations; and
- The inclusion of Variable Net Asset (VNAV) Money Market Funds.

No investments have been made to date in these categories (other than continued investments with UK banks following the UK's sovereign rating downgrade to AA), and officers are continuing to explore investment opportunities in these areas. No further changes are proposed in this report.

3.2.6. Details of eligible types of investment and counterparties are set out in the Annual Investment Strategy (Annex 2 of Appendix 1, pages 30 to 33).

3.3. Regulatory Framework, Risk and Performance

3.3.1. 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 that may be undertaken (although no restrictions have been made to date);

- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;

- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;

- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;

- Under the Act, the CLG has issued Investment Guidance to structure and regulate the Council's investment activities;

- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

3.3.2. 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 that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.

4. POLICY IMPLICATIONS

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

5. FINANCIAL IMPLICATIONS

5.1 At the time of setting the 2016/17 budget, there was still no sign of interest rates improving, so an average rate of 1% was again been prudently assumed for interest on new fixed term deposits, in line with the estimates provided by the Council's external treasury advisers, Capita, earlier in the year and with officers' views. There have been no improvements to counterparty credit ratings, as a result of which the restrictions to investment opportunities that followed ratings downgrades in recent years have still been in place. However, the increases in the limits for the two part-nationalised banks (Lloyds and RBS) approved by the Council in October 2014, together with higher rates from longer-term deals placed with other local authorities, higher average balances than anticipated and the strong performance of the CCLA Property Fund enabled the 2016/17 budget to be increased to £3,491k, after allowing for foregone interest earnings as a result of further property acquisitions.

5.2 Following the Bank of England base rate cut in August 2016, the Council has seen a significant reduction in the rates offered for new fixed-term deposits as well as overnight money market funds. Despite this, a surplus of £450k is currently projected for the year, mainly due to the increased balances available for investment.

5.3 With regard to 2017/18, the draft budget has been reduced to £2,891k, a reduction of £600k to reflect reduced interest earnings as maturing investments are re-invested (an average rate of 0.9% for new investments has been assumed), as well as an expected reduction in balances available for investment as a result of further investment property acquisitions and other capital expenditure.

Non-Applicable Sections:	Legal, Personnel & Procurement Implications, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	CIPFA Code of Practice on Treasury Management CIPFA Prudential Code for Capital Finance in Local Authorities CLG Guidance on Investments External advice from Capita Treasury Solutions

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APPENDIX 1: Treasury Management Strategy Statement Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2017/18

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1. Introduction

1.1 Background

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

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

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

1.2 Statutory and reporting requirements

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

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

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

A Part-Year Treasury Management Report (approved by Council in December 2016) – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

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

The Code also requires the Council to:

- Create and maintain a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
- Create and maintain Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.

- Delegate responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.3 Treasury Management Strategy for 2017/18

The proposed strategy for 2017/18 in respect of the following aspects of the treasury management function is based on officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Capita Treasury Solutions.

The strategy covers two main areas:

Capital Issues

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

Treasury management Issues

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

2. The Capital Prudential Indicators 2016/17 to 2019/20

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

2.1 Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts (as per the capital monitoring and review report to Executive on 8th February 2017):

Capital Expenditure	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
Education	29.7	16.0	32.9	7.1	0.2
Care Services	3.1	4.4	11.2	0.0	0.0
Environment	6.5	9.1	15.0	9.4	4.0
Renewal & Recreation	1.5	2.1	4.6	0.0	0.0
Resources	35.2	22.0	23.3	9.2	1.0
Public Protection & Safety	0.2	0.1	0.0	0.0	0.0
Sub-Total	**76.2**	**53.7**	**87.0**	**25.7**	**5.2**
Add: Future new schemes	0.0	0.0	0.0	0.0	2.5
Less: Estimated slippage	0.0	-3.5	-10.0	5.0	5.0
Grand Total	**76.2**	**50.2**	**77.0**	**30.7**	**12.7**

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

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

Capital Expenditure	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
Total Expenditure	**76.2**	**50.2**	**77.0**	**30.7**	**12.7**
Financed by:					
Capital receipts	3.4	16.3	7.4	19.5	8.4
Capital grants/contributions	34.2	23.9	49.7	11.1	4.2
General Fund	-	-	-	-	-
Revenue contributions *	38.6	10.0	19.9	0.1	0.1
Net financing need	**76.2**	**50.2**	**77.0**	**30.7**	**12.7**

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

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

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

The Council is asked to approve the CFR projections below:

CFR	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
Total CFR	**3.8**	**2.8**	**2.2**	**1.6**	**1.0**
Movement in CFR	**-0.5**	**-1.0**	**-0.6**	**-0.6**	**-0.6**

Movement in CFR represented by					
Net financing need for the year (above)	0.0	0.0	0.0	0.0	0.0
Less MRP/VRP and other financing movements	-0.5	-1.0	-0.6	-0.6	-0.6
Movement in CFR	**-0.5**	**-1.0**	**-0.6**	**-0.6**	**-0.6**

2.3 MRP Policy Statement

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

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

The Council is recommended to approve the following MRP Statement:

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

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

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

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

Year End Resources	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
General Fund balance	20.0	14.6	14.6	14.6	14.6
Capital receipts	29.6	21.5	25.6	7.2	17.4
Capital grants	18.7	43.1	35.3	25.2	15.1
Provisions	12.9	12.9	12.9	12.9	12.9
Other (earmarked reserves)	101.7	85.7	74.9	63.9	64.8
Total core funds	**182.9**	**177.8**	**163.3**	**123.8**	**124.8**
Working capital*	78.2	80.0	80.0	80.0	80.0
Under/over borrowing**	24.4	0.0	0.0	0.0	0.0
Investments	**285.5**	**257.8**	**243.3**	**203.8**	**204.8**

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

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. In practice, these indicators are virtually irrelevant for Bromley, as we have no external borrowing other than residual finance leases. The Council is asked to approve the following indicators:

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

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	%	%	%	%	%
Non-HRA	-	-	-	-	-

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

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£	£	£	£	£
Council tax - band D	-	-	-	-	-

3. Treasury Management Strategy

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

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2016 is summarised below, together with forward projections. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m	£m
External borrowing					
Borrowing at 1 April	-	24.4	-	-	-
Expected change in borrowing	24.4	-24.4	-	-	-
Other long-term liabilities (OLTL)	3.8	2.8	2.2	1.6	1.0
Expected change in OLTL	-0.5	-1.0	-0.6	-0.6	-0.6
Actual borrowing at 31 March	**24.4**	**-**	**-**	**-**	**-**
CFR – the borrowing need	**3.8**	**2.8**	**2.2**	**1.6**	**1.0**
Under / (over) borrowing	**28.2**	**2.8**	**2.2**	**1.6**	**1.0**
Investments	**285.5**	**257.8**	**243.3**	**203.8**	**204.8**
Net investments	**257.3**	**255.0**	**241.1**	**202.2**	**203.8**
Change in Net investments	+8.9	-2.3	-13.9	-38.9	+1.6

Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its total borrowing, net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

3.2 Treasury Indicators: Limits to Borrowing Activity

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

Operational boundary £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Borrowing	10.0	10.0	10.0	10.0
Other long term liabilities	20.0	20.0	20.0	20.0
Total Operational Boundary	30.0	30.0	30.0	30.0

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

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

Authorised limit £m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Borrowing	30.0	30.0	30.0	30.0
Other long term liabilities	30.0	30.0	30.0	30.0
Total Authorised Limit	60.0	60.0	60.0	60.0

3.3 Prospects for Interest Rates

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

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
Now (23/01/17)	0.25	0.23	0.65	1.57	2.85	2.65
Mar 2017	0.25	0.30	0.70	1.60	2.90	2.70
Jun 2017	0.25	0.30	0.70	1.60	2.90	2.70
Sep 2017	0.25	0.30	0.70	1.60	2.90	2.70
Dec 2017	0.25	0.30	0.70	1.60	3.00	2.80
Mar 2018	0.25	0.30	0.70	1.70	3.00	2.80
Jun 2018	0.25	0.30	0.80	1.70	3.00	2.80
Sep 2018	0.25	0.30	0.80	1.70	3.10	2.90
Dec 2018	0.25	0.40	0.90	1.80	3.10	2.90
Mar 2019	0.25	0.50	1.00	1.80	3.20	3.00
Jun 2019	0.50	0.60	1.10	1.90	3.20	3.00
Sep 2019	0.50	0.70	1.20	1.90	3.30	3.10
Dec 2019	0.75	0.80	1.30	2.00	3.30	3.10

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g.

from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
    - Italian constitutional referendum 4.12.16 resulted in a ‘No’ vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
    - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
    - Dutch general election 15.3.17;
    - French presidential election April/May 2017;

- French National Assembly election June 2017;
- German Federal election August – October 2017.

- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.4 Borrowing Strategy

The Council currently does not borrow to finance capital expenditure and finances all expenditure from external grants and contributions, capital receipts or internal balances. The Council does, however, have a Capital Financing Requirement (CFR) of £3.8m (as at 31st March 2016), which is the outstanding liability on finance leases taken out in respect of plant, equipment and vehicles.

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

Treasury Management Limits on Activity

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

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

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

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

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

£m	2016/17	2017/18	2018/19
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	20%	20%	20%
Maturity Structure of fixed interest rate borrowing 2016/17			
		Lower	**Upper**
Under 12 months (temporary borrowing only)		100%	100%
12 months to 2 years		N/A	N/A
2 years to 5 years		N/A	N/A
5 years to 10 years		N/A	N/A
10 years and above		N/A	N/A

3.5 Policy on Borrowing in Advance of Need

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

4 Annual Investment Strategy

4.1 Investment Policy

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

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

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

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

Investment instruments identified for use in the financial year are listed in appendix 5.3 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

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

4.2 Creditworthiness policy

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

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

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

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

The rating criteria require at least one of the ratings provided by the three ratings agencies (Fitch, Moody's and Standard & Poors) to meet the Council's minimum credit ratings criteria. This approach is supported by Capita and is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

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

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

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

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

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

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

    - Short term – Fitch F3; Moody's P-3; S&P A-3
    - Long term – Fitch BBB+; Moody's Baa3; S&P BBB+

- **Banks 2** – Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. These banks can be included provided they continue to be part nationalised.

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

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

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

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

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

- **Collective (pooled) investment schemes**

- **Supranational institutions**
- **Corporate Bonds**
- **Certificates of Deposit, Commercial Paper and Floating Rate Notes**

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

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

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

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

4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using these credit criteria as at the date of this report is shown in Annex 2. This list will be amended by officers should ratings change in accordance with this policy.

4.4 Investment Strategy

In-house funds: The Council's core portfolio is around £275m although cashflow variations during the course of the year have the effect from time to time of increasing the total investment portfolio to a maximum of around £335m. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Interest returns outlook: Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

Capita's suggested budgeted investment earnings rates for returns on investments placed for periods up to 3 months during each financial year for the next eight years are as follows:

2016/17 0.25%
2017/18 0.25%
2018/19 0.25%
2019/20 0.50%
2020/21 0.75%
2021/22 1.00%

2022/23 1.50%
2023/24 1.75%
Later years 2.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

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

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

As at year end	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Principal sums invested > 364 days	170.0	170.0	170.0	170.0

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

4.5 End of year investment report

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

4.6 External fund managers

Up to £20m of the Council's funds has been externally managed since 2003, initially £10m by both Sterling and Tradition UK, but, since 2008, solely by Tradition. Their performance has always been closely monitored by the Director of Finance and reported quarterly to the Resources Portfolio Holder and the Executive & Resources PDS Committee. In December 2015, 3 months' written notice was given that the Council was terminating the agreement, and the last of their investments mature in March 2017.

4.7 Policy on the use of external service providers

From 2017/18, the Council will only use one external provider, Capita, who will provide an external treasury management advice service.

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

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

4.8 Scheme of delegation

(i) Full board/council

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

(ii) Boards/committees/council/responsible body

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

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

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

4.9 Role of the section 151 officer

The S151 (responsible) officer is responsible for:

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

ANNEXES

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

ANNEX 1. Economic Background

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October.The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**

- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.

- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

ANNEX 2. Specified and Non-Specified Investments

Eligibility Criteria for investment counterparties

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

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

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

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

SPECIFIED INVESTMENTS

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

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

Minimum credit ratings (as rated by Fitch, Moody's and Standard & Poors) and monetary and time period limits for all of the above categories are set out below. The rating criteria require at least one of the ratings provided by the three ratings agencies (Fitch, Moody's and Standard & Poors) to meet the Council's minimum credit ratings criteria. The Council will take into account other factors in determining whether an investment should be placed with a particular counterparty, but all investment decisions will be based initially on these credit ratings criteria. The Council will also apply a minimum sovereign rating of AA- (or equivalent) to investment counterparties.

NON-SPECIFIED INVESTMENTS

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

	Non Specified Investment Category	**Limit (£ or %)**
a.	***Bank Deposits*** with a maturity of more than one year and up to a maximum of 3 years. These can be placed in accordance with the limits of the Council's counterparty list criteria (i.e. subject to satisfaction of Fitch, Moody's and Standard & Poors credit ratings criteria shown below).	£80m and 3 years limits with Lloyds Bank and RBS.
b.	***Building Society Deposits*** with a maturity of more than one year. These can be placed in accordance with the limits of the Council's counterparty list criteria (i.e. subject to satisfaction of Fitch, Moody's and Standard & Poors credit ratings criteria shown below).	None permitted at present.

c.	***Deposits with other local authorities*** with a maturity of greater than 1 year and up to a maximum of 3 years. Maximum total investment of £15m with each local authority.	£15m limit with each local authority; maximum duration 3 years.
d.	***Gilt edged securities*** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The use of UK Government gilts is restricted to fixed date, fixed rate stock with a maximum maturity of five years. The total investment in gilts is limited to £25m and will normally be held to maturity, but the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. The Director of Finance must personally approve gilt investments. The Council currently has no exposure to gilt investments.	£25m in total; maximum duration 5 years.
e.	***Non-rated subsidiary*** of a credit-rated institution that satisfies the Council's counterparty list criteria. Investments with non-rated subsidiaries are permitted, but the credit-rated parent company and its subsidiaries will be set an overall group limit for the total of funds to be invested at any time.	Subject to group limit dependent on parent company's ratings.
f.	***Corporate Bonds*** with a duration of greater than 1 year and up to a maximum of 5 years, subject to satisfaction of credit ratings criteria as set out below.	£25m in total; maximum duration 5 years.
g.	***Collective (pooled) investment schemes*** with a duration of greater than 1 year. The total investment in collective (pooled) investment schemes is limited to £40m and can include property funds, diversified growth funds and other eligible funds.	£40m in total.
h.	***Certificates of Deposit, Commercial Paper and Floating Rate Notes*** with a duration of greater than 1 year, subject to satisfaction of credit ratings criteria as set out below.	Subject to group banking limits dependent on bank / building society credit ratings.
i.	***Housing Associations*** with a duration of between 1 and 2 years, subject to satisfaction of credit ratings criteria as set out below.	£25m in total; maximum duration 2 years.

CRITERIA FOR FUNDS MANAGED INTERNALLY AND EXTERNALLY

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

    - Short term – Fitch F3; Moody's P-3; S&P A-3
    - Long term – Fitch BBB+; Moody's Baa3; S&P BBB+

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

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

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

	Short-Term	Long-Term
Fitch	F1	A
Moody’s	P-1	A2
S & P	A-1	A

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

	Short-Term	Long-Term
Fitch	F3	BBB+
Moodys	P-3	Baa3
S & P	A-3	BBB+

- **Banks 2 - Part nationalised UK banks (Lloyds TSB and Royal Bank of Scotland)** - the Council may place investments up to a total of £80m for up to 3 years with both of the part-nationalised UK banks Lloyds Bank and the Royal Bank of Scotland provided they remain part-nationalised.

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

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

- **Money Market Funds** – The Council may invest in AAA rated Money Market Funds, including Variable Net Asset Value (VNAV) funds. The total invested in each of these Funds must not exceed £15m at any time (£10m for VNAV funds). This includes the Payden Sterling Reserve Fund for which a limit of £15m is also applied. No more than £25m in total may be invested in VNAV funds at any time.

- **UK Government (including gilts and the DMADF)** – The Council may invest in the government’s DMO facility for a maximum of 1 year, but with no limit on total investment. The use of UK Government gilts is restricted to a total of £25m and to fixed date, fixed rate stock with a maximum maturity of 5 years. The Director of Finance must personally approve gilt investments.

- **Local Authorities, Parish Councils etc –** The Council may invest with any number of local authorities, subject to a maximum exposure of £15m for up to 3 years with each local authority.

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

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

- **Collective (pooled) investment schemes** – these may comprise property funds, diversified growth funds and other eligible funds and are permitted up to a maximum (total) of £40m.

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

- **Housing Associations** – The Council may invest with Housing Associations with a minimum credit rating of AA-, for a maximum duration of 2 years, and with a maximum deposit of £10m with any one Housing Association and £25m in total.

- **Sovereign Ratings –** The Council may only use counterparties in countries with sovereign ratings (all 3 agencies) of AA- or higher.

  These currently include:

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

  AA+
  - Finland
  - Hong Kong
  - U.S.A.

  AA
  - Abu Dhabi (UAE)
  - France
  - Qatar
  - U.K.

  AA-
  - Belgium

ANNEX 3 Prudential and Treasury Indicators

Prudential and Treasury Indicators are relevant for the purposes of setting an integrated treasury management strategy and require the approval of the Council. They are included separately in Appendix 1 together with relevant narrative and are summarised here for submission to the Council meeting for approval.

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

PRUDENTIAL INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
	actual	estimate	estimate	estimate	estimate
Total Capital Expenditure	£76.2m	£50.2m	£77.0m	£30.7m	£12.7m
Ratio of financing costs to net revenue stream	0.0%	0.0%	0.0%	0.0%	0.0%
Net borrowing requirement (net investments for Bromley)					
brought forward 1 April	£253.4m	£257.3m	£255.0m	£244.3m	£203.8m
carried forward 31 March	£257.3m	£255.0m	£241.1m	£202.2m	£203.8m
in year borrowing requirement (movement in net investments for Bromley)	+£8.9m	-£2.3m	-£13.9m	-£38.9m	+£1.6m
Capital Financing Requirement as at 31 March	£3.8m	£2.8m	£2.2m	£1.6m	£1.0m
Annual change in Cap. Financing Requirement	-£0.5m	-£1.0m	-£0.6m	-£0.6m	-£0.6m
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	-	-	-	-	-

TREASURY MANAGEMENT INDICATORS	2015/16	2016/17	2017/18	2018/19	2019/20
	actual	estimate	estimate	estimate	estimate
Authorised Limit for external debt -					
borrowing	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
other long term liabilities	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
TOTAL	£60.0m	£60.0m	£60.0m	£60.0m	£60.0m
Operational Boundary for external debt -					
borrowing	£10.0m	£10.0m	£10.0m	£10.0m	£10.0m
other long term liabilities	£20.0m	£20.0m	£20.0m	£20.0m	£20.0m
TOTAL	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
Upper limit for fixed interest rate exposure	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	20%	20%	20%	20%	20%
Upper limit for total principal sums invested for more than 364 days beyond year-end dates	£170.0m	£170.0m	£170.0m	£170.0m	£170.0m

Report No. CSD17003

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**Wednesday 1st February 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS**
Contact Officer:	Keith Pringle, Democratic Services Officer Tel: 020 8313 4508 E-mail: keith.pringle@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	(All Wards);

1. Reason for report

1.1 This report draws the Committee's attention to reports on the draft agenda for the next Executive meeting on 8th February 2017. Members are requested to bring a copy of their Executive agenda to the PDS Committee meeting on 1st February 2017.

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2. RECOMMENDATION

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

Impact on Vulnerable Adults and Children

1. Summary of Impact: None

Corporate Policy

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

Financial

1. Cost of proposal: No Cost:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Democratic services
4. Total current budget for this head: £335,590
5. Source of funding: 2016/17 revenue budget

Personnel

1. Number of staff (current and additional): 8 (7.27fte)
2. If from existing staff resources, number of staff hours: Not applicable

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Legal

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

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Procurement

1. Summary of Procurement Implications: None

Customer Impact

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

Ward Councillor Views

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

3. COMMENTARY

3.1 At each meeting, Members of this Committee have the opportunity to carry out pre-decision scrutiny of items for decision at forthcoming Executive meetings. This report identifies items expected for the Executive's next meeting on 8th February 2017 enabling the Committee to prioritise reports for scrutiny. At the time of writing, this is the draft list of expected reports but it is likely the list may change before the agenda is published on Thursday 26th January 2017.

Part 1
2017/18 Council Tax *1 2*
Capital Programme Monitoring Q3 2016/17 & Annual Capital Review 2017 to 2021
Children's Services Update *2*
Care Home and Extra Care Quality Monitoring Report 2016 *1*
Gateway Review 1, 2 Approval of 2017/18 Operational Building Maintenance Budgets, Planned Maintenance Programme and Preferred Procurement Option *1 2*
Environmental Services Procurement Strategy *2 3*
Norman Park Athletics Track - Future Proposals *1 3*
Second Report of the Education Select Committee

Part 2
Lending Proposal *1 2*
Opportunity Site G Preferred Development Partner *1 3*
Disposal of Site B, Tweedy Road, Bromley *1 2*
Primary and Secondary Intervention Services Contract Update *1 2*
Extra Care Housing Contract Update *1 2*
Award of Contract for Health Support to Schools *1 2*
Award of Contract for Capital Works at Castlecombe Primary School *1 2*

Key –
1 Reports recommended for pre-decision scrutiny by this PDS Cttee;
2 Reports which are key or private decisions;
3 Reports being considered at either the Environment PDS Committee on 24th January 2017 or the Renewal and Recreation PDS Committee on 26th January 2017

Please note that the reports *Primary and Secondary Intervention Services Contract Update, Extra Care Housing Contract Update* and *Award of Contract for Health Support to Schools* have not previously been considered by the Care Services PDS Committee (the Care Services PDS Committee is scheduled to next meet on 21st March 2017) and these items are particularly highlighted for scrutiny (Members of the Care Services PDS Committee are invited to attend the meeting to provide any comment on the items).

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

Non-Applicable Sections:	Impact on Vulnerable Adults and Children/Policy/Financial/Legal/Personnel/Commissioning
Background Documents: (Access via Contact Officer)	Forward Plan published on 13th December 2016

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Report No.
CSD17001

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**Wednesday 1st February 2017**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**WORK PROGRAMME 2016/17**
Contact Officer:	Keith Pringle Democratic Services Officer Tel: 020 8313 4508 E-mail: keith.pringle@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	(All Wards);

1. Reason for report

1.1 This report offers the Committee an opportunity to consider its remaining work programme for 2016/17, including scheduled meetings and PDS working groups. The Committee has nine meetings scheduled during 2016/17 – the dates are set out in Appendix 1, with a draft list of the items to be considered.

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2. RECOMMENDATIONS

The Committee is requested to consider its work programme and indicate any changes or any particular issues that it wishes to scrutinise.

Impact on Vulnerable Adults and Children

1. Summary of Impact: None

Corporate Policy

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

Financial

1. Cost of proposal: No Cost:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Democratic Services
4. Total current budget for this head: £335,590
5. Source of funding: 2016/17 revenue budget

Personnel

1. Number of staff (current and additional): 8 posts (7.27 fte)
2. If from existing staff resources, number of staff hours: Not applicable

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Legal

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

Procurement

1. Summary of Procurement Implications: None

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for the benefit of committee members in setting their future work programme.

Ward Councillor Views

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

3. COMMENTARY

Meeting Schedule

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

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

3.3 A schedule of the Committee's meetings in 2016/17 is attached at Appendix 1, along with draft lists of reports. The timing of meetings is tied to the need to pre-scrutinise Executive agendas. As in previous years, question sessions with the Leader, Resources Portfolio Holder and Chief Executive are included.

Sub-Committees and Working Groups

3.4 The Policy Development and Scrutiny Toolkit suggests that each Committee should aim to carry out no more than two or three full scale reviews each year, and it offers guidance and techniques for prioritising reviews. At a time of pressure on Member and officer resources it is important that any additional work is carefully targeted at priority issues where improvements can be achieved. In recent years, this Committee has examined a number of issues through its Working Groups - part of the Committee's workload may include follow-up work on some of these reviews.

3.5 A schedule of Sub-Committees and Working Groups across all PDS Committees is attached as Appendix 2 to this report. This will be updated for future meetings as other PDS Committees appoint any further working groups.

Non-Applicable Sections:	Impact on Vulnerable Adults and Children/Policy/Financial/Legal/Personnel/Commissioning
Background Documents: (Access via Contact Officer)	Previous work programme reports

Appendix 1

COMMITTEE MEETING SCHEDULE 2016/17

Meeting 1: Thursday 12th May 2016
Standard items (Matters Arising/Forward Plan/Executive Agenda/PDS Updates/Work Programme)
Corporate Contracts Register
Bromley Youth Employment Project - Monitoring

Meeting 2: Wednesday 8th June 2016
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)

Meeting 3: Thursday 7th July 2016
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Scrutiny of the Resources Portfolio Holder
Monitoring Report: Customer Services
Monitoring Report: Revenues Service
Monitoring Report: Benefits Service
Monitoring Report: Exchequer Services
Section 106 Monitoring
Mobile Phone Contract and Annual IT Support Contracts

Meeting 4: Wednesday 7th September 2016
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Corporate Contracts Register
Scrutiny of the Chief Executive
Local Government Ombudsman Annual Report

Meeting 5: Wednesday 12th October 2016
Standard items (Matters Arising/Forward Plan/ Executive Agenda/Work Programme)
Monitoring Report: BT ICT Support Contract

Meeting 6: Wednesday 23rd November 2016
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Scrutiny of the Leader

Meeting 7: Wednesday 4th January 2017
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Scrutiny of the Resources Portfolio Holder
Presentation: Liberata – Future Developments 2017
Monitoring Report: Customer Services
Monitoring Report: Revenues Service
Monitoring Report: Benefits Service
Monitoring Report: Exchequer Services
Monitoring Report: Section 106
Update on Waivers

Meeting 8: Wednesday 1st February 2017
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Corporate Contracts Register
Scrutiny of the Chief Executive

Meeting 9: Wednesday 15th March 2017
Standard items (Matters Arising/Forward Plan/Executive Agenda/Work Programme)
Scrutiny of the Leader
Annual PDS Report for 2016/17

To be allocated: Monitoring Report: TFM Contract (Amey) and Monitoring Report: Agency Staff Contract (Adecco)

Appendix 2

PDS SUB-COMMITTEES AND WORKING GROUPS 2016/17

SUBJECT	DURATION	MEMBERSHIP
EXECUTIVE AND RESOURCES PDS		
Contracts Sub-Committee	Met on 22nd June, 24th August, 2nd November and 8th December 2016. Next meetings are early February (tbc) and 11th April 2017.	Cllrs Stephen Wells (Ch), Simon Fawthrop, William Huntington-Thresher, Russell Mellor, Keith Onslow, Chris Pierce & Angela Wilkins
CARE SERVICES PDS		
Health Scrutiny Sub-Committee	Met on 8th June and 2nd November 2016; next due to meet on 16th March 2017.	Cllrs Judi Ellis (Ch), Ruth Bennett, Kevin Brooks, Mary Cooke, Hannah Gray, David Jefferys, Terence Nathan, Catherine Rideout, Charles Rideout & Pauline Tunnicliffe
Our Healthier South East London Joint Health Overview and Scrutiny Committee (with Bexley, Greenwich, Lambeth, Lewisham & Southwark)	Met on 1st February 2016, 26th April 2016, 17th May and 11th October 2016. Last meeting on 28th November 2016.	Cllr Judi Ellis
EDUCATION SELECT COMMITTEE		
Education Budget Sub-Committee	Met on 1st November 2016. Next due to meet on 31st January 2017	Cllrs Neil Reddin (Ch), Kathy Bance, Julian Benington, Nicholas Bennett, Alan Collins & Judi Ellis
ENVIRONMENT PDS		
Streetscene Working Group	First meeting held on 11th October 2016.	Cllrs Ian Dunn, William Huntington-Thresher, Chris Pierce, Sarah Phillips & Catherine Rideout
Highways and Footways Working Group	Meetings held on 7th December 2016 and 16th January 2017.	Cllrs David Cartwright, Ian Dunn, Samaris Huntington-Thresher, William Huntington-Thresher, Angela Page & Melanie Stevens.
Congestion Working Group	To start after Highways and Footways WG	To be confirmed
PUBLIC PROTECTION AND SAFETY PDS		
RENEWAL AND RECREATION PDS		
Beckenham Working Group	Meetings held on 27th October 2016 and 12th January 2017. Next meeting on 9th March 2017	Cllr Michael Tickner (Ch) and ward councillors.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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