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DATE: 22 January 2018

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., Mary Cooke, Ian Dunn, Robert Evans, Samaris Huntington-Thresher, David Livett, Russell Mellor, Alexa Michael, Tony Owen, Ian F. Payne, 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 **THURSDAY 1 FEBRUARY 2018 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 Chairman of this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Friday 26th January 2018.

4 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 4 JANUARY 2018 (EXCLUDING EXEMPT ITEMS) (Pages 5 - 18)

5 MATTERS ARISING AND WORK PROGRAMME (Pages 19 - 28)

6 FORWARD PLAN OF KEY DECISIONS (Pages 29 - 34)

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 Resources Portfolio Holder must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Friday 26th January 2018.

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 4 PERFORMANCE 2017/18 (Pages 35 - 46)

b TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2018/19 (Pages 47 - 78)

HOLDING THE EXECUTIVE TO ACCOUNT

9 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS

Members of the Committee are requested to bring their copy of the agenda for the Executive meeting on 7th February 2018.

POLICY DEVELOPMENT AND OTHER ITEMS

10 SCRUTINY OF THE CHIEF EXECUTIVE

11 SECTION 106 AGREEMENTS : UPDATE (Pages 79 - 96)

PART 2 AGENDA

12 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
13	**PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS**	
14	**SECTION 106 AGREEMENTS : PART 2 UPDATE** (Pages 97 - 106)	Information which is likely to reveal the identity of an individual.

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EXECUTIVE AND RESOURCES POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Minutes of the meeting held at 7.00 pm on 4 January 2018

Present:

Councillor Simon Fawthrop (Chairman)
Councillors Nicholas Bennett J.P., Mary Cooke, Ian Dunn, Robert Evans, Samaris Huntington-Thresher, David Livett, Russell Mellor, Alexa Michael, Keith Onslow (Vice-Chairman), Tony Owen, Michael Rutherford, Stephen Wells and Angela Wilkins

Also Present:

Councillor Graham Arthur, Portfolio Holder for Resources
Councillor Colin Smith, Leader of the Council

109 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

No apologies for absence were received.

110 DECLARATIONS OF INTEREST

Councillor Fawthrop declared a pecuniary interest as an employee of British Telecom. Councillor Fawthrop left the room during consideration of Item 7 on the Executive Agenda (Gateway Report 1 – Members Report: Review of Corporate Customer Services IT Systems).

There were no further declarations of interest.

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

No questions were received.

112 MINUTES OF THE EXECUTIVE AND RESOURCES PDS COMMITTEE MEETING HELD ON 29 NOVEMBER 2017 (EXCLUDING EXEMPT ITEMS)

The minutes of the meeting held on 29 November 2017,(excluding exempt information) were agreed, and signed as a correct record.

113 MATTERS ARISING AND WORK PROGRAMME

The Committee considered a report setting out matters arising from previous meetings and the Committee's work programme for 2017/18.

The Chairman noted that the report was now in the new format combining both Matters Arising and the Work Programme, a format that had previously been adopted by the Environment PDS Committee. The Chairman suggested that the Committee should recommend that other PDS Committees adopt a similar format if they were not already doing so.

Members expressed concern that the majority of actions arising from the previous meeting had not yet been completed. It was noted that failure to complete actions in a timely manner had become a regular occurrence and Members suggested that action needed to be taken to address any failure in the current processes. The Chairman requested that an email be sent to all Officers and Councillors who owned actions arising from the previous meeting stating that all the information that had been requested by Members at the last meeting be sent to the Committee by close of play on Monday 8th January 2018.

The Committee requested that the Democratic Services Officer forward a copy of the minutes from the previous meeting to the Chief Executive noting the expectation of the Committee that responses were circulated by close of play on Monday 8th January 2018.

Action Point 16: That Officers be asked to provide the information requested by the Committee at its meeting on 29th November 2017, by close of play on Monday 8th January 2018, and that the Democratic Services Officer forward a copy of the minutes from the previous meeting to the Chief Executive noting the expectation of the Committee that responses are circulated by close of play on Monday 8th January 2018.

RESOLVED: That:

1. **Progress on Matters Arising from Previous meetings be noted and that the concerns raised by the Committee concerning lack of progress on outstanding actions be referred to the Chief Executive;**

2. **The Work Programme be noted; and**

3. **Policy Development and Scrutiny Committee be recommended to adopt the revised format for a combined Matters Arising/Work Programme report if they are not already doing so.**

114 FORWARD PLAN OF KEY DECISIONS

The Committee noted the Forward Plan of Key Decisions covering the period January 2018 to April 2018.

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

No questions were received.

116 SCRUTINY OF THE RESOURCES PORTFOLIO HOLDER

The Portfolio Holder for Resources, Cllr Graham Arthur, addressed the Committee highlighting achievements within the Portfolio in 2017, and looking at the challenges facing the Portfolio in 2018.

Achievements in 2017

- Substantial savings had been achieved through a combination of efficiency and innovation.
- The Council had remained debt free.
- Officers were working with Cushman and Wakefield to investigate opportunities to shrink the Council's estate and better manage the remaining estate. A list of potential properties and pockets of land had been identified for disposal. Items would be coming forward at future meetings. Local Ward Members would be fully involved and the views of local Ward Members, who had knowledge and expertise of the local area, would be sought. The Portfolio Holder noted that any issues that arose with smaller properties would need to be handled with sensitivity.
- The Mears scheme had proven to be successful and Phase 1 would complete and come to fruition in 2018.
- The contracts with both BT and Amey were well embedded.
- The Departmental Representatives (Dep Rep) Forum appeared to be working well and staff representatives on the Forum were positive and dynamic about the operation of the Forum..
- The Council's Pensions Team had gained the highest Award in their class and their achievement was nationally recognised.
- Since the implementation of local terms and conditions, just over £1m in Special Merit Payments had been distributed to staff.

Challenges in 2018:

- In terms of the budget, the financial challenges facing the Council in three years' time needed to be recognised and clearly understood. The focus had to be on sustainability.
- Partnerships were key to managing financial pressures and the Council had to continue its practice of lobbying to ensure that it received the funding that it was due.
- Work had to continue to ensure that the best was made out of new opportunities such as Business Rate Retention.
- The introduction of the Community infrastructure Levy (CIL) would bring with it a potential income of approximately £3.5m in 2019. CIL could be used to determine the shape of the Borough going forward.
- The impact of Universal Credit would have to be monitored. Issues were arising from the pilots that had been undertaken and the Portfolio Holder and Officers were closely watching outcomes.
- The cost of special educational needs would continue to pose a challenge and work was ongoing to address this and investigate opportunities for provision within the Borough.

- Work would need to continue to identify alternative investment opportunities and there would continue to be a need to be creative and innovative with treasury management.
- Members and Officers would need to continue to work to ensure that contracts represented value for money.

The Portfolio Holder concluded his presentation to the Committee by highlighting that across the Council there was an excellent team of hardworking, dedicated professionals who were performing at the highest level and it was important that the contribution made by staff was recognised.

In response to questions from Members, the Portfolio Holder made the following points:

- By the end of Quarter 1 discussions, debate and evaluation of the business case for phase 2 of the Mears scheme could begin. The Portfolio Holder reminded Members that there was likely to be increased competition for schemes in the future.
- Selling of smaller bits and parcels of land across the Borough would also reduce some of the maintenance costs for which the Council was liable.
- Some land could be sold with planning permission to enable the Local Authority to influence types of development in certain areas and ensure that development was in keeping with the local area.
- Initiatives from staff interested in running service would be welcomed.

The Committee further noted the update from the Leader of the Council that the letter received from the GLA concerning a tracker for rogue landlords would be referred to the relevant PDS Committee for review.

The Chairman of the Environment PDS Committee confirmed that, in light of recent national headlines concerning potential future challenges in relation to the recycling of waste resulting from some global trade decisions, the Committee would be reviewing the issue of recycling in the Borough and the contingency plans that the Council had in place in relation to the future recycling of waste.

117 RESOURCES PORTFOLIO - PRE-DECISION SCRUTINY

The Committee considered the following report where the Resources Portfolio Holder was recommended to take a decision.

a CAPITAL PROGRAMME MONITORING - 2ND QUARTER 2017/18
Report FSD18002

The report set out changes agreed by the Executive in respect of the Capital Programme for the Resources Portfolio. The revised programme for the

Portfolio was set out in Appendix A to the report, and detailed comments on scheme progress as at the end of the 2nd quarter of 2017/18 were shown in Appendix B.

RESOLVED: That the Portfolio Holder be recommended to confirm the changes agreed by the Executive on 6th December 2017.

119 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS

The Committee considered the following reports on the Part 1 agenda for the meeting of Executive on 10th January 2018.

(6) DRAFT 2018/19 BUDGET AND UPDATE ON THE COUNCIL'S FINANCIAL STRATEGY 2019/20 TO 2021/22 Report FSD18001

The report sought the approval of the Executive of the initial draft 2018/19 Budget including the full year effect of changes agreed as part of the 2017/18 Council Tax report including savings approved during the year with the resultant impact on the Council's medium term "budget gap". The report also provided details of the third year of the four year local government financial settlement (2018/19 to 2019/20), the impact of the Chancellor's Autumn Budget 2017 and the provisional Local Government Financial Settlement 2018/19.

In response to a question, the Director of Finance reported that there were opportunities to challenge the policies of Government in relation to Local Government finance. The Government was listening to some of the concerns that were being raised. The Leader, Resources Portfolio Holder and Senior Officers were lobbying hard to highlight the position in which Bromley found itself and to ensure that Bromley received a fairer funding settlement. On the day after the provisional Local Government Settlement had been announced the Leader, Portfolio Holder for Resources, Chief Executive and Director of Finance had met with the Secretary of State for Communities and Local Government to discuss the various financial challenges. Generally, Local Government Finance was becoming more complex however it appeared that the Government was now listening more than in previous years. The Local Authority was taking steps to ensure that Ministers were fully appraised of all the issues.

The Chairman noted that Council had powers to raise empty homes premium from the current 50% of council tax to 100% of council tax. It was agreed that the Executive should be asked to consider this option as it provided an opportunity to raise additional revenue. In response to questions from Members the Director of Finance explained that as a general rule any liveable property that remained vacant was deemed to be an empty property although there were exceptions to this such as where the property formed part of an estate for the purposes of probate. It was agreed that the Director of Finance would forward the definition of 'empty property' to the Committee

Action Point 17: That the Director of Finance forward the definition of "Empty Property" to the Committee.

The Chairman also highlighted that action would need to be taken by Chief Officers to fund increasing costs through alternative savings in the event that inflation exceeded budget assumptions. It was agreed that there should be a specific recommendation for the Executive to note this.

Members noted the perverse situation highlighted in Appendix 2 of the report whereby in 2019/20 Bromley was due to face negative Revenue Support Grant and could be required to pay the Government £2.3m. Members encourage senior politicians and officers to continue to lobby on this matter to achieve a fair outcome for Bromley.

Members noted that the Local Government Finance Settlement 2018/19 had confirmed that Council would be in a position to increase Council Tax by up to 2.99% without a referendum in addition to the Social Care precept.

The Committee also noted that, in the face of mounting financial challenges, there would be a need to manage the rising expectations of residents across the Borough. The Director of Finance further noted that it would not be possible to reduce local government funding by the amount that was being proposed whilst continuing to expect local government to meet the same number of statutory responsibilities. Whilst the financial outlook was very challenging it appeared that the view of the Government was simple, there was a clear expectation that council's across the Country have a legal obligation to balance their budgets.

RESOLVED: That the Executive be recommended to:

1. **Agree the initial draft 2018/19 Budget detailed in Appendix 7 to the report;**

2. **Refer the initial draft 2018/19 Budget for each portfolio to the relevant PDS Committees for consideration;**

3. **Note the financial projections for 2019/20 to 2021/22;**

4. **Note that there are still areas of financial uncertainty which will impact on the final 2018/19 Budget and future year forecasts;**

5. **Delegate the setting of the schools budget, mainly met through Dedicated Schools Grant, to the Education, Children and Families Portfolio Holder, allowing for consultation with head teachers, governors and the Schools Forum;**

6. **Note that the outcome of consultation with PDS Committees will be reported to the next meeting of the Executive;**

7. **Consider the outcome of the public consultation meetings detailed in Appendix 10 of the report;**

8. **Agree the proposed contribution of £248,033 in 2018/19 to the London Boroughs Grant Committee;**

9. **Note the outcome of the Provisional Local Government Financial Settlement 2018/19 as detailed in the report;**

10. **Note the significant budget gap remaining of an estimated £38.7m per annum by 2021/22 and that any decisions made for the 2018/19 Budget will have an impact on the future year projections;**

11. **Note that any final decision by Executive on recommended council tax and social care precept levels to Council will normally be undertaken at the next meeting of Executive;**

12. **Consider the option of raising the empty homes premium to 100% of council tax.**

13. **Agree to delegate authority to the Director of Finance in consultation with the Director of Corporate Services, Leader of the Council and the Resources Portfolio Holder, in relation to the operational details of the London Business Rate Pilot pooling arrangements with the participating authorities;**

14. **Agree to enter into a Memorandum of Understanding with the participating authorities as may be necessary to implement and/or regulate the pool and to delegate authority to the Director of Finance in consultation with the Director of Corporate Services, Leader of the Council and the Resources Portfolio Holder, to finalise the arrangements on behalf of the Council.**

15. **Note that action will need to be taken by Chief Officers to fund increasing costs through alternative savings in the event that inflation exceeds the budget assumptions.**

(7) GATEWAY REPORT 1 – MEMBERS REPORT: REVIEW OF CORPORATE CUSTOMER SERVICES IT SYSTEMS Report CSD17165

Councillor Simon Fawthrop left the room during consideration of this item and the Vice-Chairman (Councillor Keith Onslow) assumed the Chair.

The Committee considered an update on the progress of the review of alternative options for the Customer Relationship Management (CRM) system.

The review by BT had included a review of alternative systems available in the market place; including the Microsoft Dynamics products taking into account Customer Service requirements and the Business requirements.

It was noted that the CRM system was a critical system that was used by the waste management service and was required until 2019 when the new contract would be in place and the responsibility of a Waste IT system would pass to the contracted service providers.

Due to the unique and complex customisations that had been deployed to the system for the waste management service it was not possible to deploy a replacement system before 2019, when the new Environment contract would be placed. Obtaining costs for upgrading had also proved to be extremely difficult and had taken a considerable period of time from the Council's system support provider (IBM).

The following three options had been reviewed:

Option 1 – Do Nothing - this would mean the system would be unsupported by Microsoft. If the system was hacked and personal data exposed the Council would be in breach of GDPR rules, an uninsurable risk with fines in the region of £18million.

Option 2 – Upgrade Dynamics CRM to 2011 – an upgrade to the existing platform with far less work and cost when compared with the latest version. Would provide a supported system until mid-2021. This would provide a secure and supported system to 2019 to coincide with the new Environment contract commencement date. The cost for moving to version 2011 was estimated to be £382,000, with a continuation of the annual revenue costs of £34,000 payable for as long as the system was used.

Option 3 – Upgrade Dynamic CRM to 2016 – this would require a complete system rebuild before implementation with costs estimated to be in excess of £1m to implement and £62,000 per annum revenue costs to support and host the system. In addition to this, continuing with a Dynamic system would incur costs for future upgrades every 2-3 years of approximately £50,000

It was therefore recommended that the Council commissioned BT, by variation to the existing contract, with a Change Control Notice, to upgrade Dynamics to Version 2011. This represented a lower cost and was essential to avoid critical service interruption.

In opening the debate the Vice-Chairman, in the Chair, sought clarification surrounding the risks of pursuing Option 1 – to do nothing. In response the Head of Customer Services confirmed that the Council would not be compliant with the public service network code of compliance, and therefore could risk breaching GDPR. If the system were to be hacked and personal data exposed the Council would be deemed to be in breach of GDPR and risk a fine in the region of £18m. A Member noted that if the system were to be hacked and personal data exposed every Member of the Council would be

held individually responsible for the release of personal data. It was generally agreed that pursuing Option 1 was not an option. As a Local Authority Bromley had thousands of customers and the system under consideration was central to operations. The consequences of a failure in a customer facing system would be unimaginable and the reputational damage immeasurable. It was noted that significant staffing costs had been saved by going digital and there had not been a great deal of investment in the system in recent years.

Members expressed concerns surrounding the delay in the report coming before the Committee as there had been knowledge of the requirement to upgrade the system for at least 12 months. Members were keen to ensure that a council-wide approach to IT systems was pursued, and the report before the Committee appeared to be taking a relatively short-term approach. Any investment needed to be made with a view to looking forward and identifying future requirements in order to optimise the benefit of the investment.

The Director of Finance highlighted that work was underway on the Council's IT Strategy which would also inform future decisions. It was suggested that it would be helpful to supply additional information about the IT Strategy in order to inform the discussion at the meeting of the Executive when the decision was due to be considered.

The Committee noted that the costs of £1.002m for the upgrade to Dynamic 2016 outlined in the report also included costs of £382k for the upgrade to Dynamic 2011. Members considered recommending Option 3 to the Executive, however during discussions it was noted that pursuing Option 2 would allow time to commission BT to undertake a review and would ensure that any future decisions could be taken in line with the IT Strategy which would be presented to Members later in the year and should make it clear that there should be no customisation of 'off-the-shelf' products. If customisation was required options for bespoke products should be considered.

RESOLVED: That Executive be recommended to:

1. **Note the need to upgrade the current CRM system as outlined in this report.**

2. **Commission BT, by variation to their existing contract, to upgrade to Dynamics Version 2011 to avoid critical service interruption for the reasons set out in the report.**

3. **Commission BT, by variation to their existing contract, to provide a fully costed options appraisal for the longer term provision of IT services currently delivered by the current CRM system, as set out in the report, in conjunction with the developing IT Strategy.**

4. **Agree the addition of £480k to the capital programme, funded from a £37k reduction to the existing capital scheme for the website upgrade, and £443k from capital receipts.**

(9) FEASIBILITY SYUDY FOR BANBURY HOUSE, CHISLEHURST

The Committee considered a report which provided an update on the feasibility assessment undertaken in respect of Banbury House for refurbishment and use as temporary accommodation to meet statutory housing need.

Members noted that the feasibility study had confirmed that that the building could be converted to achieve a maximum of 29 shared units. Unit sizes would be relatively small and thus only able to accommodate single households, couples or small families comprising one adult and one young child. Schemes of this nature required more intensive management and on-site presence than self-contained accommodation and also had higher costs in relation to turnover, security and communal areas. Whilst the scheme would provide additional local provision, it would be somewhat restrictive given the unit size. The net annual saving would be relatively small and payback for capital investment would take in excess of 7 years. It was therefore recommended that this option was not pursued.

The Committee noted that any future use of the site would require demolition of the existing building and basic clearance of the site for redevelopment. Members noted that demolition and basic preparation of the site would cost approximately £166k. This would increase the attractiveness of the site for future development to maximise future proceeds and that costs could be offset against the proceeds from future use. Members further noted that should a decision be made to dispose of the site, it was estimated that the capital receipt could be around £3.5m.

It was agreed that the Executive should be recommended to ask Officers to investigate whether modular homes could be a possibility once the site was prepared.

RESOLVED: That Executive be recommended to:

1. **Note the outcome of the feasibility assessment for use of Banbury House as temporary accommodation and decision not to proceed with refurbishment as this does not offer an economically viable scheme and demonstrate best use of the site.**

2. **Approve demolition of the existing building to ensure the site is secured and prepared for future use to maximise future development opportunities.**

3. **Authorise officers to complete a final feasibility options appraisal to be reported back in May for decision on future use of the site to meet housing need or for methods for marketing and disposal of the site to secure best value.**

4. **Agree the estimated cost of £166k be added to the Council's Capital Programme for demolition and site preparation. This sum will be funded from any future sale proceeds, or added to any future capital scheme for alternative use of the site.**

5. **Ask Officers to investigate whether modular homes might be a possibility once the site is prepared.**

120 PRESENTATION FROM CUSHMAN AND WAKEFIELD

As Cushman and Wakefield had been unable to attend the meeting the Director of Regeneration attended the meeting to respond to some of the concerns that had been raised at previous meetings and to answer Members questions.

The key components of the TFM contract were outlined to Members, in particular how these related to Cushman and Wakefield. There were four distinct elements to the contract that needed to be considered:

1. There was a Core Contract in place whereby Cushman and Wakefield operated as a sub consultant to Amey with whom the Council was in contract with for the delivery of operational property, facility management and strategic property services. Both Amey and Cushman and Wakefield operated to a 'core contract'.

2. The contract allowed, through an incentivised process, for the achievement of Additional Income – £1m

3. Project Delivery

4. Investment Acquisition

<u>The Core Contract.</u>

The Core Contract that related to Cushman and Wakefield effectively reflected, through a specification, the work that the former in house Strategic Property Team undertook on behalf of the Council. This contract was in place for a period of eight years and the Cushman and Wakefield element had been running for just over one year.

The 'core contract' costs paid to Cushman and Wakefield showed a £50k annual saving on previous costs incurred when the service was delivered in house. This was against the delivery of the day to day activity of the Strategic Property Team and had been consistently delivered over the last year with no issues to report. The sum of £50k was slightly less than that originally reported because of adjustments to the contract sum for the costs revised employer superannuation contribution rates following a 2016 valuation. The budget head for this area was not showing as being over spent demonstrating that the £50k saving had been achieved.

There was an additional element that fell within the core contract and this was the development of a comprehensive estate strategy whereby all of the Council's land holdings were being reviewed, the first phase of this work was complete and the intention was to share this with Members on a ward basis and seek views on particular property assets.

Additional Income 'The £1m'

As part of the Amey bid (Cushman and Wakefield was effectively a domestic sub-consultant to Amey) Cushman and Wakefield had to identify an additional £1m of efficiencies to be achieved over the next three years. They had now presented to the Strategic Asset Management Group their draft proposals and would be seeking to work the detail over the coming weeks. This additional income would be achieved from better management of the Council's existing estate and did not include any income for new assets. As an example, Cushman and Wakefield had identified that a significant number of existing tenants should have been contributing to the cost of insurance, but this had not been happening going back some considerable years. A strategy to rectify this position was being developed. However, there needed to be a sensitive approach to this given the size and status of some of the organisations and businesses.

In summary, a year on year revenue saving of £50k had been achieved and Officers were now beginning to firm up the additional £1m of efficiencies that featured as part of the contract proposal. The asset strategy was developing and, subject to Member approval, was likely to generate additional capital and reduce revenue commitments for landlord liabilities. There was also a further associated benefit in that it was clear that there was a much more joined up approach between Operational Property, Amey and Strategic Property (Cushman and Wakefield) than had been the case when both services were delivered in house.

Project Delivery

Cushman and Wakefield had begun to move forward on developing a number of key projects that the Council was keen to bring forward. Council had agreed to the allocation of a 'feasibility fund' to effectively kick start projects and pick up some momentum. The Core Contract allowed for project work through a schedule of rates approach. One benefit to this contracting approach was the ability to place feasibility/project work through this contract thus reducing the up-front time and costs involved in procuring costs and services. This process was managed within the contract through a "Property Related Works Instruction Form Tracker" whereas changes to the contract where works were either removed or added were managed through the Change Control process. Section 11 of Schedule 4 to the Contract set out in some detail the process to be followed, it also stated that there was no obligation on the customer, i.e. Bromley, to instruct the Service Provider, Amey, to deal with any additional works or projects.

Prior to the concerns raised by Members, Officers had raised concerns concerning project delivery with senior managers at Cushman and Wakefield. This resulted in some organisational changes with additional resources being placed into the Bromley contract in November 2017. However, there was little evidence that this had addressed the key concerns and as such the Director of Regeneration had met with Amey, the primary contractor, prior to Christmas and asked them to bring in four companies for benchmark costs and delivery against the delivery of projects going forward. This was due to happen over the coming weeks. No new works had been placed with Cushman and Wakefield outside of those that Members are aware of and it was anticipated that new schemes being brought forward would not be placed with Cushman and Wakefield, unless they were competitive in their pricing and clear on delivery. This approach would allow for the benchmarking of costs, but will also add time to the process as Officers will be in effect be undertaking mini competitive processes.

To date not all strategic property work had been placed with Cushman and Wakefield, for instance the work required to further develop Site G had recently been placed with Montague Evans.

Investment Acquisition

The Director of Regeneration confirmed that the Council did not pay Cushman and Wakefield for investment acquisition costs where a property was not purchased, so for example the Elmfield Road site which was ultimately not acquired did not attract any additional fees, despite the fact that Cushman and Wakefield had undertaken work to inform the decision making process.

An analysis of previous pricing schedules for the acquisition of investment properties indicated fees in the area of 0.59% for properties up to £10m (2014 figures) Cushman and Wakefield's fee for the acquisition of the Ashford property in 2017 was 0.79% . Whilst this was clearly marginally higher, a working assumption would be that costs over a three year period had risen. In addition the original 2014 framework that the Council utilised included additional hourly rate costs, whereas the Cushman and Wakefield fee was inclusive.

The Director of Regeneration confirmed that the disposal of the Old Town Hall/South Street Car Park, would be carried out as part of Cushman and Wakefield's core contract activity and aside from some minor costs would not attract any addition fees. Ultimately, depending on the information currently held on this site and the extent of the works, there was a possibility that the Council would not have to draw down against the £40k outlined in the previous report.

During the discussion the Vice-Chairman noted that the rates payable were a percentage of the sale price. As the value of property had increased over the past four years it was clear that the rates payable had therefore also significantly increased. The Vice-Chairman also emphasised the need to

ensure that as the landlord the Council maintained an element of control over insuring properties and that costs were then recharged to tenants.

In response to a question, the Director of Regeneration reported that there was a small client-side team of 4 that was responsible for monitoring and managing the contract. 3 members of staff were responsible for monitoring the contract and 1 member of staff was responsible for managing the contract.

Members noted that the Council's estate was changing and that there would be capacity within the current contract to realise further savings. As the estate was reduced as part of the Estate Strategy the costs of managing the estate were also likely to reduce.

The Chairman thanked the Director of Regeneration for attending the meeting and providing an update to the Committee.

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

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

The following summaries refer to matters involving exempt information

122 EXEMPT MINUTES OF THE MEETING HELD ON 29 NOVEMBER 2017

The exempt minutes of the meeting held on 29 November 2017 were agreed and signed as a correct record.

The Meeting ended at 9.37 pm Chairman

Report No.
CSD18013

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive & Resources PDS Committee**
Date:	**1 February 2018**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**MATTERS ARISING & FORWARD WORK PROGRAMME**
Contact Officer:	Philippa Gibbs, Democratic Services Officer Tel: 0208 313 4508 E-mail: Philippa.Gibbs@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Corporate Services
Ward:	(All Wards);

1. Reason for report

This report deals with the Committee's business management including:

- Monitoring progress against actions arising from previous meetings;
- Developing the 2017/18 Forward Work Programme; and
- A schedule of Sub-Committees and Working Groups across all PDS Committees

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2. RECOMMENDATION(S)

That PDS Committee reviews and comments on:

1. Progress on matters arising from previous meetings;

2. The 2017/18 work programme, indicating any changes or particular issues that it wishes to scrutinise for the year ahead.

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: £343,810
5. Source of funding: 2017/18 Revenue Budget

Personnel

1. Number of staff (current and additional): 8 posts (6.87fte)
2. If from existing staff resources, number of staff hours: N/A

Legal

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

Procurement

1. Summary of Procurement Implications: N/A

Customer Impact

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

Ward Councillor Views

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

Non-Applicable Sections:	Impact on Vulnerable People and Children/Policy/Financial/Legal/Personnel/Procurement
Background Documents: (Access via Contact Officer)	Minutes of previous meetings

3. COMMENTARY

Matters Arising from Previous Meetings

3.1. **Appendix 1** provides a progress update on requests made by the Committee at previous meetings. This list is checked after each meeting so that any outstanding issues can be addressed at an early stage and timely progress made.

Work Programme

3.2 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. E&R PDS Committee has the additional role of providing a lead on scrutiny issues and co-ordinating PDS work.

3.3 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.

3.4 **Appendix 2** sets out the E&R PDS Committee Work Programme for 2017/18 including: the provisional report title (or activity); the lead division; and Committee's role. Committee is invited to comment on the proposed schedule and suggest any changes it considers appropriate.

3.5 Other reports will be added to the 2017/18 Work Programme as items arise. In addition, there may also be references from other committees, the Resources Portfolio Holder, or the Executive.

Sub-Committees and Working Groups

3.6 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.

3.7 A schedule of Sub-Committees and Working Groups across all PDS Committees is attached as **Appendix 3** to this report. This will be updated for future meetings as other PDS Committees meet and confirm the appointment of Working Groups.

Appendix 1

Minute Number/Title/Date	Action/PDS Request	Update	Action by	Expected Completion Date
119 (4 January 2018) **Pre-Decision Scrutiny of Executive Reports (Draft 2018/19 Budget And Update on the Council's Financial Strategy 2019/20 To 2021/22)**	That the Director of Finance forward the definition of "Empty Property" to the Committee.	Definition sent to the Committee on 11.01.18	Director of Finance	Completed 11.01.18
113 (4 January 2018) **Matters Arising and Work Programme**	That Officers be asked to provide the information requested by the Committee at its meeting on 29th November 2017, by close of play on Monday 8th January 2018, and that the Democratic Services Officer forward a copy of the minutes from the previous meeting to the Chief Executive noting the expectation of the Committee that responses are circulated by close of play on Monday 8th January 2018.	Information circulated by email on 08.01.18	Democratic Services Officer	Completed 08.01.18
102 (29 November 2017) **Exchequer Service - Contract Performance Report**	That information surrounding the trigger in Quarter 3 2014/15 for the steady increase in temporary accommodation placements be provided following the meeting.	Information circulated by email on 09.01.18	Head of Exchequer Services	Completed 09.01.18

APPENDIX 2

EXECUTIVE AND RESOURCES PDS COMMITTEE

WORK PROGRAMME: 2017/18 MEETINGS

Meeting Date: 18 May 2017	Division	Committee Role
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Contract for Agency Staff	HR	PDS Committee – Monitoring Report
Meeting Date: 14 June 2017	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Treasury Management - Annual Report 2016/17	Finance	Pre-decision scrutiny (PH)
Meeting Date: 13 July 2017	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Scrutiny of the Resources Portfolio Holder	N/A	PDS Committee
Budget Monitoring 2017/18 - Draw-Down Of Carry Forwards from Central Contingency	Finance	Pre-decision scrutiny (PH)
Benefits Service Monitoring Report And Update On Council Tax Support\Reduction	Revenues & Benefits	Pre-decision scrutiny (PH)
Document Management - Amended Request for Release of Funding	E&CS	Pre-decision scrutiny (PH)
*Disposal of land at Tetty Way, Bromley	Property	Pre-decision scrutiny (PH)
Customer Services - Contract Performance Report	Customer Services	PDS Committee – Monitoring Report
Revenues Service Monitoring Report	Revenues & Benefits	PDS Committee – Monitoring Report
Exchequer Service - Contract Performance Report	Finance	PDS Committee – Monitoring Report

Section 106 Agreements: Update	E&CS	PDS Committee – Monitoring Report
Meeting Date: 7th September 2017	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Capital Programme Monitoring - 1st Quarter 2017/18	Finance	Pre-decision scrutiny (PH)
Treasury Management - Quarter 1 Performance 2017/18	Finance	Pre-decision scrutiny (PH)
*Extension Of A Short Term Lease To Langley Park Academies For Use Of Part Of The Hawes Down Centre West Wickham For Langley Park Primary Free School	Education	Pre-decision scrutiny (PH)
Expenditure on Consultants 2016/17 and 2017/18	Finance	PDS Committee
Meeting Date: 11 October 2017	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Insurance Fund - Annual Report 2016/17	Finance	Pre-decision scrutiny (PH)
BT/ICT Contract Monitoring Report	IT	PDS Committee – Monitoring Report
TFM Contract (Amey)	Property	PDS Committee – Monitoring Report
Scrutiny of the Chief Executive	Chief Execs	PDS Committee
Council Tax Recovery Process	Revenues & Benefits	PDS Committee
Housing Benefit Claims Taking a High Number of Days to Process	Revenues & Benefits	PDS Committee
Contract Change Controls	Commissioning	PDS Committee
Contracts Register and Contracts Database Update	Procurement	PDS Committee

Meeting Date: 31 October 2017	Division	Committee Role
Executive Agenda	Various	Pre-decision scrutiny
Meeting Date: 29 November 2017	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Treasury Management - Quarter 2 Performance 2017/18 & Mid-Year Review	Finance	Pre-decision scrutiny (PH)
Review Of Hosting Service For Corporate Website	Customer Services	Pre-decision scrutiny (PH)
Scrutiny of the Leader	N/A	PDS Committee
Benefits Service Monitoring Report	Revenues & Benefits	PDS Committee – Monitoring Report
Revenues Service Monitoring Report	Revenues & Benefits	PDS Committee – Monitoring Report
Customer Services - Contract Performance Report	Customer Services	PDS Committee – Monitoring Report
Exchequer Service - Contract Performance Report	Finance	PDS Committee – Monitoring Report
Risk Register	Audit	PDS Committee
Meeting Date: 4 January 2018	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Scrutiny of the Resources Portfolio Holder	N/A	PDS Committee
Capital Programme Monitoring - 2nd Quarter 2017/18	Finance	Pre-decision scrutiny (PH)
Presentation From Cushman and Wakefield	Property	PDS Committee

Meeting Date: 1 February 2018	Division	Committee Role
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Treasury Management - Quarter 3 Performance 2018/19	Finance	Pre-decision scrutiny
Treasury Management - Annual Investment Strategy 2018/19	Finance	Pre-decision scrutiny
Scrutiny of the Chief Executive	Chief Execs	PDS Committee
Contracts Register and Contracts Database Update	Procurement	PDS Committee
Section 106 Agreements: Update	E&CS	PDS Committee – Monitoring Report
Meeting Date: 21 March 2018	**Division**	**Committee Role**
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Scrutiny of the Leader	N/A	PDS Committee
Annual PDS Report 2017/18	Democratic Services	PDS Committee

*Part 2 (Exempt) Report

Appendix 3

PDS SUB-COMMITTEES AND WORKING GROUPS 2017/18

SUBJECT	DURATION	MEMBERSHIP
EXECUTIVE AND RESOURCES PDS		
Contracts Sub-Committee	Next meeting scheduled for 30th November 2017.	Cllr Simon Fawthrop Cllr William Huntington-Thresher Cllr Russell Mellor Cllr Keith Onslow Cllr Neil Reddin (Vice-Chairman) Cllr Stephen Wells (Chairman) Cllr Angela Wilkins
CARE SERVICES PDS		
Health Scrutiny Sub-Committee	Next meeting scheduled for 6th March 2018.	Cllr Ruth Bennett Cllr Mary Cooke (Chairman) Cllr Ian Dunn Cllr Judi Ellis Cllr Robert Evans Cllr Will Harmer Cllr David Jefferys Cllr Terence Nathan Cllr Charles Rideout Cllr Pauline Tunnicliffe (Vice-Chairman)
Any 2017/18 Working Groups of Care Services PDS or the Health Scrutiny Sub-Committee to be appointed by the parent bodies.		
Our Healthier South East London Joint Health Overview and Scrutiny Committee (with Bexley, Greenwich, Lambeth, Lewisham & Southwark)		Cllr Ian Dunn Cllr Judi Ellis
EDUCATION, CHILDREN AND FAMILIES SELECT COMMITTEE		
Education, Children and Families Budget and Performance Monitoring Sub-Committee	Next meeting scheduled for 17th January 2018.	Cllr Nicholas Bennett Cllr Alan Collins Cllr Mary Cooke Cllr Neil Reddin (Chairman) Cllr Nicky Dykes (Vice-Chairman) Cllr Angela Wilkins Plus Co-opted Members as appropriate including Mr Emmanuel Arbenser (Special Schools Parent Governor).

Any 2017/18 Working Groups of the Education Select Committee or Education Budget Sub-Committee to be appointed by the parent bodies.		
ENVIRONMENT PDS		
Efficiency Savings and Income Generation	TBA	TBA
PUBLIC PROTECTION AND SAFETY PDS		
Any 2017/18 Working Groups to be appointed by the Public Protection and Safety PDS Committee.		
RENEWAL AND RECREATION PDS		
Beckenham Working Group	Next meeting to be held on 18th January 2018.	Current appointments - Cllr Michael Tickner (Chairman) and Ward Councillors - to be confirmed at next meeting of the R&R PDS Committee on 5th July 2017.

LONDON BOROUGH OF BROMLEY

FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS PUBLISHED ON: 9TH JANUARY 2018

PERIOD COVERED: February 2018 - May 2018

DATE FOR PUBLISHING NEXT FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS: 27th February 2018

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
COUNCIL						
COUNCIL TAX LEVEL 2018/18	Council	26 February 2018 Executive, all 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 2018/19	Council	26 February 2018 Executive, all 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 2018/19 ONWARDS	Council	26 February 2018 Executive, Executive & Resources PDS Committee and key stakeholders	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?
ANNUAL INVESTMENT STRATEGY 2018/19	Council	26 February 2018 Executive & Resources PDS Committee	Meetings	Contact Officer: James Mullender Tel: 020 8313 James.Mullender@bromley.gov.uk	Public meeting	Report and relevant background documents
EXECUTIVE						
PROGRESS IN IMPLEMENTING CHILDREN'S SERVICE IMPROVEMENTS	Executive	7 February 2018 Executive & Resources PDS Committee	Meetings	Contact Officer: Janet Bailey Tel: 020 8313 4779 Janet.Bailey@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?
TRANSPORT COMMISSIONING	Executive	28 March 2018 Care Services PDS Committee, Environment PDS Committee, Education Children & Families Sub-Committee	Meetings	Contact Officer: Maya Vadgama Tel: 0208 313 4740 Maya.Vadgama@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?
WEST WICKHAM LEISURE CENTRE - REDEVELOPMENT	Executive	28 March 2018 Renewal & Recreation PDS Committee & Executive & Resources PDS Committee	Meetings	Contact Officer: Michael Watkins Tel: 020 8313 4178 Michael.Watkins@bromley.gov.uk	Public meeting	Report and relevant background documents
CHIPPERFIELD ROAD, ST PAUL'S CRAY - REGENERATION SCHEME	Executive	28 March 2018 Renewal & Recreation PDS Committee	Meetings	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
STEWART FLEMING PRIMARY SCHOOL - AWARD OF CONTRACT FOR PHASE 2 WORKS	Executive	28 March 2018 Executive & Resources PDS Committee	Meetings	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 PHASE 1-4 WORKS AT BISHOP JUSTUS SCHOOL	Executive	28 March 2018 Executive and Resources PDS Committee	meetings	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
CARE SERVICES PORTFOLIO						
EDUCATION, CHILDREN & FAMILIES 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

Report No.
FSD18012

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder**
Date:	**For pre-decision scrutiny by Executive and Resources PDS Committee on 1st February 2018**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**TREASURY MANAGEMENT - QUARTER 3 PERFORMANCE 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 summarises treasury management activity during the third quarter of 2017/18. 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 2017 totalled £310.6m and there was no outstanding external borrowing. For information and comparison, the balance of investments stood at £309.4m as at 30th September 2017 and £304.5m as at 31st December 2016, and, at the time of writing this report (19th January 2018) it stood at £329.2m.

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2. RECOMMENDATION(S)

2.1. The Resources Portfolio Holder is requested to note the Treasury Management performance for the third quarter of 2017/18.

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: £2.891m (net) in 2017/18; £800k 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

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 2017/18. The 2017/18 annual treasury strategy, including the MRP (Minimum Revenue Provision) Policy Statement and prudential indicators, was originally approved by Council in March 2017. The annual report for financial year 2016/17 was submitted to the Executive and Resources PDS Committee on 14th June 2017 and Council on 26th June 2017.

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:

- Positive cash flow;
- Monies owed to creditors exceed monies owed by debtors;
- Receipts (mainly from Government) received in advance of payments being made;
- Capital receipts not yet utilised to fund capital expenditure;
- Provisions made in the accounts for liabilities e.g. provision for outstanding legal cases which have not yet materialised;
- 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, £4.6m in 2016/17, and is projected to achieve £5.6m in 2017/18 and £5.7m in a full year. 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.

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 2017

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 2017/18 and 2017/18 year to date:-

	Qtr ended 31/12/17		2017/18 year to date		
	Deposits £m	Ave Rate %	Deposits £m	Ave Rate %	Ref para
Balance of "core" investments b/f	193.00	1.42	193.00	1.42	
New investments made in period	75.00	0.68	115.00	0.85	
Investments redeemed in period	-63.00	1.54	-103.00	1.40	
"Core" investments at end of period	205.00	1.11	205.00	1.11	
Money Market Funds	23.30	0.22	23.30	0.23	3.4.1.1
CCLA Property Fund*	40.00	2.49	40.00	6.53	3.4.4.3
Diversified Growth Funds*	10.00	4.04	10.00	1.98	3.4.4.5
Multi-Asset Income Funds*	30.00	3.26	30.00	2.13	3.4.4.9
Project Beckenham Loan	2.30	6.00	2.30	6.00	3.4.3.1
"Alternative" investments at end of period	105.60	2.43	105.60	3.45	
Total investments at end of period	**310.60**	**1.56**	**310.60**	**1.90**	

* The rates shown here are the total return i.e. dividend income received, plus change in capital value.
Only dividend income will be recognised during the year; the change in capital value is held in the Available for Sale Financial Assets reserve, and will be recognised on the sale of the investments.
A more detailed breakdown of the rates for these investments in shown in the relevant paragraphs.

3.2.3. Details of the outstanding investments at 31st December 2017 are shown in maturity date order in Appendix 2 and by individual counterparty in Appendix 3. An average return of 0.9% was assumed for new investments in the 2017/18 budget in line with the estimates provided by the Council's external treasury advisers, Link Asset Services (previously Capita), and with officers' views. The return on the four new "core" investment placed during the third quarter of 2017/18 was 0.68%, compared to the average LIBID rates of 0.28% for 7 days, 0.35% for 3 months, 0.44% for 6 months and 0.64% for 1 year. Despite having a weighted average duration of less than 9 months, the good rates on these new investments has exceeded the 1 year LIBID rate.

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, as well as the introduction of pooled funds and housing associations 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. Despite this, 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), and officers continue to look for alternative investment opportunities both within the current strategy and outside, for consideration as part of the ongoing review of the strategy. The draft 2016/17 CIPFA statistics are due to be released on the 26th January, so a verbal update will be provided at the meeting.

3.2.6. 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.

3.2.7. 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. As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast below includes increases in Bank Rate of 0.25% in November 2018, November 2019, November 2019 and August 2020.

Date	LATEST FORECAST (Nov17)				PREVIOUS FORECAST (Aug17)			
	Base Rate	3 month Libid	6 month Libid	1 year Libid	Base Rate	3 month Libid	6 month Libid	1 year Libid
Dec-17	0.50%	0.40%	0.50%	0.70%	0.25%	0.30%	0.40%	0.70%
Jun-18	0.50%	0.40%	0.50%	0.80%	0.25%	0.30%	0.40%	0.80%
Dec-18	0.75%	0.60%	0.80%	1.00%	0.25%	0.40%	0.50%	0.90%
Jun-19	0.75%	0.60%	0.80%	1.10%	0.50%	0.60%	0.70%	1.10%
Dec-19	1.00%	0.90%	1.00%	1.30%	0.75%	0.80%	0.90%	1.30%
Jun-20	1.00%	1.00%	1.10%	1.40%				
Dec-20	1.25%	1.20%	1.30%	1.50%				

3.4. Other accounts

3.4.1. <u>Money Market Funds</u>

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 had been continuing to drop following the Bank of England base rate cut in August 2016. The Ignis, Prime Rate, Insight and Legal & General funds currently offer the best rate at around 0.38%-0.41%, which compares to around 0.32-35% in September, reflecting the effect of the base rate rise in November as maturities are re-invested. The total balance held in Money Market Funds has varied during the quarter, moving from £29.3m as at 30th June 2017 to £14.1m as at 30th September 2017, £23.3m at 31st December and currently stands at £41.9m (as at 19th January 2018). 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 31/03/17 £m	Actual balance 31/12/17 £m	Ave. Rate 01/04/17-31/12/17 %	Latest Balance 19/01/18 £m	Ave. Daily balance to 19/01/18 £m	Latest Rate 19/01/18 %
Prime Rate	15/06/2009	0.0	15.0	0.25	15.0	11.1	0.41
Ignis	25/01/2010	6.9	8.3	0.25	14.4	13.3	0.39
Insight	03/07/2009	0.0	0.0	0.23	0.0	1.8	0.38
Legal & General	23/08/2012	0.0	0.0	0.24	12.5	5.3	0.40
Blackrock	16/09/2009	0.0	0.0	0.14	0.0	-	0.28
Fidelity	20/11/2002	0.0	0.0	0.17	0.0	-	0.34
TOTAL		6.9	23.3		41.9	31.5	

3.4.2. Housing Associations

3.4.2.1. Following the reduction of the counterparty rating criteria to A- for Housing Associations approved by Council in June 2017, deposits of £10m each were placed with Hyde Housing Association (A+) and Places for People Homes (A) for two years at rates of 1.30% and 1.60% respectively.

3.4.3. Loan to Project Beckenham

3.4.3.1. At the same meeting, Council also approved the inclusion in the strategy of the secured loan to Project Beckenham relating to the provision of temporary accommodation for the homeless that had previously been agreed to be advanced from the Investment Fund. This loan was made in June 2017, at a rate of 6%, although that may increase to 7.5% if the loan to value ratio exceeds a specified value.

3.4.4. Pooled Investment Schemes

3.4.4.1. 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, £80m in June 2017 and £100m in December 2017. Such investments would require the approval of the Director of Finance in consultation with the Resources Portfolio Holder.

3.4.4.2. Current accounting rules require that the change in capital value of these investments be held in the Available for Sale Financial Assets Reserve, and only recognised in revenue on the sale of the investment. In year projections for interest on balances therefore only reflect the dividends from these investments.

CCLA Property Fund

3.4.4.3. 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, £5m in October 2016 and £10m in October 2017. The investment in the CCLA Fund is viewed as a medium to long-term investment and dividends are paid quarterly. A breakdown of the dividend earned and capital growth is provided in the table below.

Annualised net return	Dividend %	Capital Growth %	Total return %
01/02/14 - 31/03/14	4.29	-29.64	-25.34
01/04/14 - 31/03/15	5.03	3.44	8.47
01/04/15 - 31/03/16	5.02	1.63	6.65
01/04/16 - 31/03/17	4.55	-2.50	2.05
01/04/17 - 31/12/17	4.66	1.87	6.53
Cumulative return	4.74	0.20	4.94

3.4.4.4. The negative "growth", particularly in the first two months, was mainly a result of the bid-offer spread that is inherent in property funds when the original and subsequent investments were made. This has less of an effect over the longer term that these investments are expected to be held, and overall there has been modest capital growth of 0.2%.

Diversified Growth Funds

3.4.4.5. In October 2014, 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. In accordance with the Council decision, 27% of the total return will be 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.

3.4.4.6. The Funds both performed very well in just over three months to 31st March 2015, with returns over 21%. Performance has not so impressive since, with net returns of -1.98% in 2015/16, 1.25% in 2016/17, 1.98% in the first three quarters of 2017/18, with overall net returns since inception of 2.21%, as shown in the table below.

Annualised return	Newton %	Standard Life %	Combined %
22/12/14 - 31/03/15	21.25	21.64	21.44
01/04/15 - 31/03/16	0.81	-4.77	-1.98
01/04/16 - 31/03/17	2.08	0.37	1.25
01/04/17 - 31/12/17	0.54	3.52	1.98
Cumulative return	3.10	1.32	2.21

3.4.4.7. The downturn in performance echoes that seen in the Pension Fund's DGFs (and Global Equities Funds to an extent) during 2015/16 and subsequent rebound during 2016/17 and 2017/18. However, it should be noted that these types of investments should be considered as longer term investments over a three to five year period.

3.4.4.8. As reported in the Treasury Management Annual Report 2016/17, to reflect the changes to the Pension Fund asset allocation strategy, and on the basis of Multi-Asset Income Funds being a better income related investment with low volatility, it is currently intended that the DGF investments will be sold and the funds invested in Multi-Asset Income Funds.

Multi-Asset Income Fund

3.4.4.9. Following the approval by Council in June 2017, the limit for pooled investment schemes was increased to £80m, and an investment of £30m was made on 12th July 2017 in the Fidelity Multi-Asset Income Fund following the agreement of the Resources Portfolio Holder. The fund return for the quarter to 31st December 2017 was capital growth of 0.37% and dividends paid of 2.89%, resulting in a total return of 3.26% (note the December dividend was not yet known at the time of writing, so actual returns will be higher). Since inception, dividends paid have totalled 4.08%, partly offset by a reduction of 1.96% to the capital value, resulting in a total return of 2.13%.

3.5. Mid-Year Review of Treasury Management Strategy Statement and Annual Investment Strategy for 2017/18

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 March 2017 and was updated in June 2017, and the mid-year review was reported in December 2017.

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

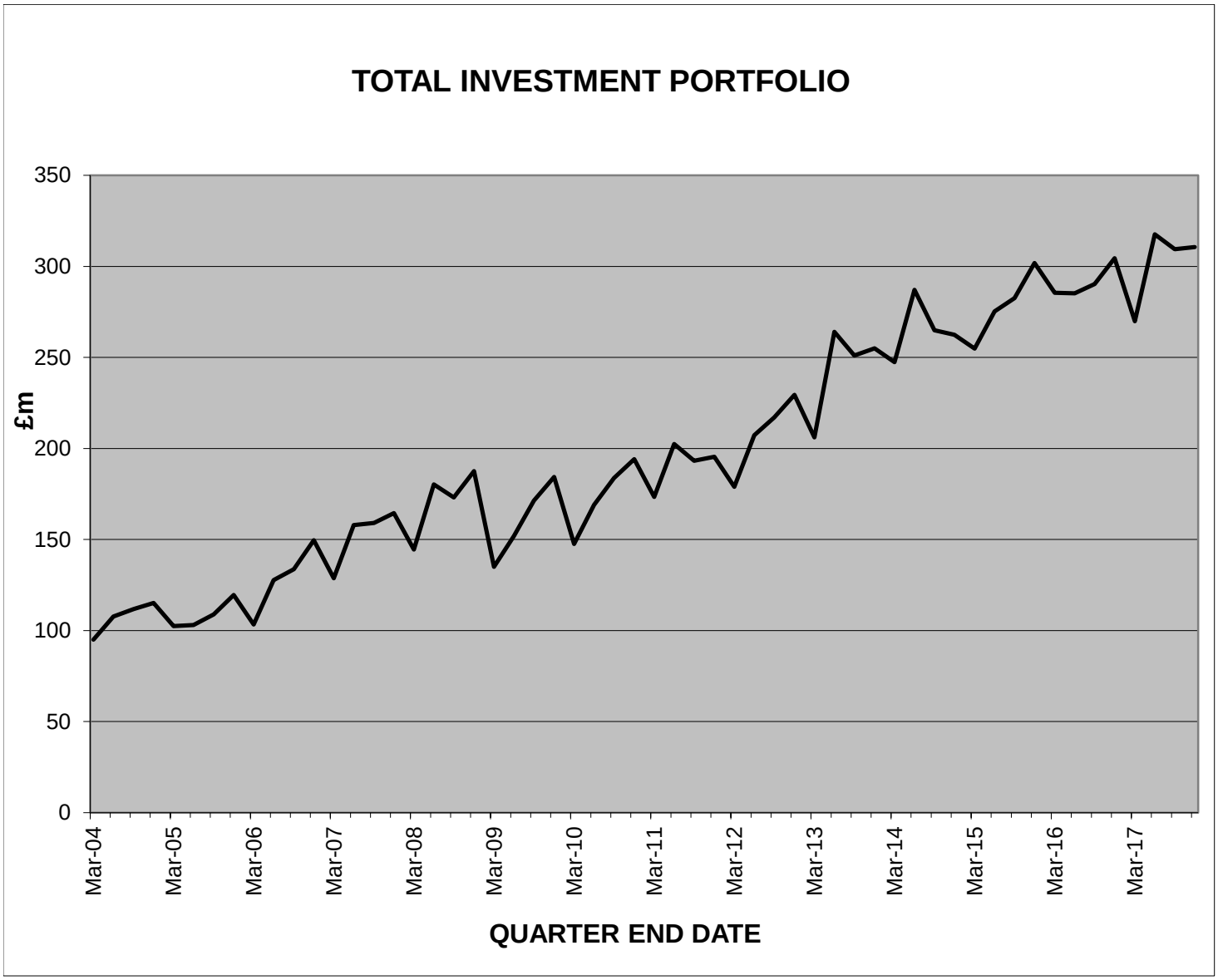
5.1 At the time of setting the 2017/18 budget, there was still no sign of interest rates improving following the reduction to the Bank of England base rate and coupled with the ability of banks to borrow from the Bank of England at very low rates through its Term Funding Scheme, so an average rate of 0.9% was prudently assumed for interest on new fixed term deposits. In

addition to this, further Investment Fund and Growth Fund expenditure, and the Highways Investment capital scheme were expected to reduce the funds available for investment, and a reduction of £600k was included in the 2017/18 budget.

5.2 Although the Council has seen a significant reduction in the rates offered for new fixed-term deposits as well as overnight money market funds, a surplus of £800k is currently projected for the year, mainly due to the continued high level of balances available for investment, as well as the further investment in pooled funds, and high level of interest earned on the pooled funds, housing association deposits and Project Beckenham loan.

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 Link Treasury Solutions

APPENDIX 1


TOTAL INVESTMENT PORTFOLIO
£m
350
300
250
200
150
100
50
0
Mar-04
Mar-05
Mar-06
Mar-07
Mar-08
Mar-09
Mar-10
Mar-11
Mar-12
Mar-13
Mar-14
Mar-15
Mar-16
Mar-17
QUARTER END DATE

INVESTMENTS HELD AS AT 31ST DECEMBER 2017

Counterparty	Start Date	Maturity Date	Rate of Interest %	Amount £m
FIXED DEPOSITS				
CLOSE BROTHERS	27/10/2017	27/02/2018	0.50000	15.0
ROYAL BANK OF SCOTLAND - CD	30/10/2017	28/02/2018	0.47000	30.0
LLOYDS BANK	16/04/2015	16/04/2018	1.49000	30.0
LLOYDS BANK	26/05/2016	25/05/2018	1.48000	10.0
GOLDMAN SACHS	02/08/2017	01/08/2018	0.93000	10.0
GOLDMAN SACHS	18/08/2017	17/08/2018	0.79000	5.0
GOLDMAN SACHS	19/09/2017	18/09/2018	0.95000	5.0
SKIPTON BUILDING SOCIETY	03/11/2017	02/11/2018	0.92000	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
RBS	09/10/2017	09/04/2019	1.00000	20.0
LLOYDS BANK	29/07/2016	31/07/2019	1.34000	2.5
PLACES FOR PEOPLE HOMES LTD	16/08/2017	16/08/2019	1.60000	10.0
HYDE HOUSING ASSOCIATION	22/08/2017	22/08/2019	1.30000	10.0
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				**205.0**
OTHER FUNDS				
STANDARD LIFE (IGNIS) LIQUIDITY FUND				8.3
FEDERATED (PRIME RATE) STERLING LIQUIDITY FUND				15.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0
FIDELITY MULTI-ASSET INCOME FUND	12/07/2017			30.0
PROJECT BECKENHAM LOAN	09/06/2017			2.3
TOTAL INVESTMENTS				**310.6**

INVESTMENTS HELD AS AT 31ST DECEMBER 2017

	Start Date	Maturity Date	Rate of Interest %	Amount £m	Total £m	Limit £m	Remaining £m
UK BANKS							
LLOYDS BANK	16/04/2015	16/04/2018	1.49	30.0			
LLOYDS BANK	26/05/2016	25/05/2018	1.48	10.0			
LLOYDS BANK	19/11/2015	19/11/2018	1.82	5.0			
LLOYDS BANK	29/07/2016	31/07/2019	1.34	2.5			
LLOYDS BANK	18/08/2016	19/08/2019	1.18	7.5			
LLOYDS BANK	05/12/2016	05/12/2019	1.37	25.0	80.0	80.0	0.0
ROYAL BANK OF SCOTLAND - CD	30/10/2014	30/10/2017	1.85	40.0	40.0	80.0	40.0
GOLDMAN SACHS INTERNATIONAL BANK	03/08/2016	01/08/2018	0.93	10.0			
GOLDMAN SACHS INTERNATIONAL BANK	18/08/2016	17/08/2018	0.79	5.0			
GOLDMAN SACHS INTERNATIONAL BANK		18/09/2018	0.95	5.0	20.0	20.0	0.0
STANDARD CHARTERED	02/11/2016	02/11/2017	0.88	10.0			
STANDARD CHARTERED	07/11/2016	07/11/2017	0.87	10.0	20.0	30.0	10.0
CLOSE BROTHERS	27/10/2017	27/02/2018	0.50	15.0	15.0	30.0	15.0
LOCAL AUTHORITIES							
LANCASHIRE COUNTY COUNCIL	18/12/2015	18/12/2018	1.50	10.0	10.0	15.0	5.0
HOUSING ASSOCIATIONS							
PLACES FOR PEOPLE HOMES LTD	04/12/2014	16/08/2019	1.60	10.0	10.0	10.0	0.0
HYDE HOUSING ASSOCIATION	18/12/2015	22/08/2019	1.30	10.0	10.0	10.0	0.0
OTHER INVESTMENTS							
STANDARD LIFE (IGNIS) LIQUIDITY FUND	25/01/2010			8.3	8.3	15.0	6.7
FEDERATED (PRIME RATE) STERLING LIQUIDITY F	15/06/2009			15.0	15.0	15.0	0.0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0			
STANDARD LIFE - DIVERSIFIED GROWTH FUND	22/12/2014			5.0			
NEWTON - DIVERSIFIED GROWTH FUND	22/12/2014			5.0			
FIDELITY MULTI-ASSET INCOME FUND	12/07/2017			30.0	80.0	100.0	20.0
PROJECT BECKENHAM LOAN	09/06/2017			2.3	2.3	2.3	0.0
TOTAL INVESTMENTS				**310.6**	**310.6**		

Report No.
FSD18013

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources Portfolio Holder** **Council**
Date:	**For pre-decision scrutiny by Executive and Resources PDS Committee on 1st February 2018** **Council 26th February 2018**
Decision Type:	Non-Urgent Executive Key
Title:	**TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2018/19**
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 2018/19, which are required by the CIPFA Code of Practice for Treasury Management in the Public Services (revised in 2009 and updated in 2011 and 2017) 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, the Council is 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 2017/18 strategy, agreed by Council in March 2017, was updated in June and December 2017 as detailed in para 3.2.5, and no further changes are proposed at this time.

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2. RECOMMENDATION(S)

2.1. The Resources Portfolio Holder is requested to:

a) note the report, and

b) recommend that Council agrees to adopt the Treasury Management Statement and the Annual Investment Strategy for 2018/19 (Appendix 1 on pages 7-31 of this report), including the prudential indicators (summarised on page 31) and the Minimum Revenue Provision (MRP) policy statement (page 11).

2.2. Council is requested to:

a) note the report, and

b) agree to adopt the Treasury Management Statement and the Annual Investment Strategy for 2018/19 (Appendix 1 on pages 7-31 of this report), including the prudential indicators (summarised on page 31) 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: £2,891k (net) in 2017/18, £800k surplus currently projected, draft budget for 2018/19 £3,491k

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

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 2017/18 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 31) for 2018/19 to 2020/21. Details of treasury management activity during the quarter ended 31st December 2017 are included in a report elsewhere on the agenda.

3.2. Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

3.2.1. Appendix 1 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2018/19. 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 2017) and the Prudential Code. The Strategy includes throughout details of proposed prudential indicators, which are summarised in Annex 3 (page 31) 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 Link Treasury Solutions (formerly Capita) as an advisor in investment matters. Link 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 Link'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 Link's advice and information and will not use any counterparty not considered by Link 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 invest in pooled vehicles and increased limits for the part-nationalised banks, Lloyds and RBS (following the government's sale of the last Lloyds shares in May 2017, Council approved a temporary increase in the limit with Lloyds in June 2017 until existing investments mature during 2018/19, and the limit reduces to £30m).

3.2.5. The treasury management strategy is kept under constant review and, at its meeting on 26th June 2017, Council approved the following changes:

- Inclusion of a secured loan that helps deliver the Council's housing objectives;
- An increase to the limit for pooled investment schemes to £80m;
- A reduction to the counterparty rating criteria for Housing Associations to A-;
- A temporary increase in the counterparty limit with Lloyds bank.

In addition, at its meeting on 11th December 2017, Council approved a further increase in the limit for pooled investment schemes to £100m. 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 27 to 30).

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 2017/18 budget, there was still no sign of interest rates improving following the reduction to the Bank of England base rate and coupled with the ability of banks to borrow from the Bank of England at very low rates through its Term Funding Scheme, so an average rate of 0.9% was prudently assumed for interest on new fixed term deposits. In addition to this, further Investment Fund and Growth Fund expenditure, and the Highways Investment capital scheme were expected to reduce the funds available for investment, and a reduction of £600k was included in the 2017/18 budget.

5.2 Although the Council has seen a significant reduction in the rates offered for new fixed-term deposits as well as overnight money market funds, a surplus of £800k is currently projected for the year, mainly due to the continued high level of balances available for investment, as well as the further investment in pooled funds, and high level of interest earned on the pooled funds, housing association deposits and Project Beckenham loan.

5.3 With regard to 2018/19, the draft budget has been increased to £3,491k, an increase of £600k to reflect the increased level of interest earnings from alternative investments as set out above, which is in part offset by an expected reduction in balances available for investment as a result of the utilisation of capital receipts and grants/contributions as well as earmarked revenue reserves.

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 Link Treasury Solutions

APPENDIX 1: Treasury Management Strategy Statement Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2018/19

Table of Contents

1. Introduction

1.1. Background

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.

CIPFA defines treasury management 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."

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 currently 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 2017) – 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.

Capital Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3. Treasury Management Strategy for 2018/19

The proposed strategy for 2018/19 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.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4. Treasury management consultants

The Council uses Link Asset Services, Treasury Solutions (previously Capita) as its external treasury management advisors.

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

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

1.5. Elective professional client status

From 3rd January 2018 the Financial Conduct Authority is obligated to treat all Local Authorities as “retail clients” under European Union legislation, the Markets in Financial Instruments Directive II (MiFID II). The client status of the Local Authority relates to its knowledge and experience with regards to the use of regulated investment products and the decision-making processes it has in place for making such investments. The directive is focused on products such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds, including Money Market Funds.

The Council will opt up to “elective professional” status in order to continue to have access to these funds as an investment option as they are not available to retail clients. The Council had opted up to elective professional status with all relevant counterparties, including its advisers and brokers, prior to the deadline. This will be kept under regular review and counterparties will be added or removed as necessary for the Council’s investment needs.

2. The Capital Prudential Indicators 2017/18 to 2020/21

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 7th February 2018):

Capital Expenditure	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
Education	12.6	19.6	25.3	1.0	0.9
Care Services	2.7	4.9	8.6	0.0	0.0
Environment	8.2	14.7	10.9	2.2	2.2
Renewal & Recreation	2.1	3.8	11.4	6.5	14.1
Resources	27.3	8.6	20.4	9.2	1.0
Public Protection & Safety	0.1	0.0	0.0	0.0	0.0
Sub-Total	**53.0**	**51.6**	**76.6**	**18.9**	**18.2**
Add: Future new schemes	0.0	0.0	0.0	9.0	3.5
Less: Estimated slippage	0.0	-3.5	-15.0	10.0	5.0
Grand Total	**53.0**	**48.1**	**61.6**	**37.9**	**26.7**

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	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	**£m**	**£m**	**£m**	**£m**
Total Expenditure	**53.0**	**48.1**	**61.6**	**37.9**	**26.7**
Financed by:					
Capital receipts	9.9	15.7	18.2	23.5	23.4
Capital grants/contributions	16.5	29.4	39.0	3.7	3.2
General Fund	-	-	-	9.3	-
Revenue contributions *	26.6	3.0	4.4	1.4	0.1
Net financing need	**53.0**	**48.1**	**61.6**	**37.9**	**26.7**

* 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 indebtedness and so its 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	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
Total CFR	**3.1**	**2.3**	**1.6**	**1.1**	**0.6**
Movement in CFR	**-0.7**	**-0.8**	**-0.7**	**-0.5**	**-0.5**

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	-0.7	-0.8	-0.7	-0.5	-0.5
Movement in CFR	**-0.7**	**-0.8**	**-0.7**	**-0.5**	**-0.5**

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. Core funds and expected investment balances

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	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
General Fund balance	20.0	19.7	19.7	10.4	10.4
Capital receipts	24.1	17.1	15.2	0.0	3.7
Capital grants	36.9	26.6	2.8	2.2	2.1
Provisions	12.7	12.7	12.7	12.7	12.7
Other (earmarked reserves)	102.5	102.2	89.4	86.4	83.4
Total core funds	**196.2**	**178.3**	**139.8**	**111.7**	**112.3**
Working capital*	73.7	80.0	80.0	80.0	80.0
Under/over borrowing	0.0	0.0	0.0	0.0	0.0
Investments	**269.9**	**258.3**	**219.8**	**191.7**	**192.3**

*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 it has no external borrowing other than residual finance leases. The Council is asked to approve the following indicators:

2.5.1. 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.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%	%
Non-HRA	-	-	-	-	-

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 2017 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.

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
External borrowing					
Borrowing at 1 April	-	-	-	-	-
Expected change in borrowing	-	-	-	-	-
Other long-term liabilities (OLTL)	3.1	2.3	1.6	1.1	0.6
Expected change in OLTL	-0.7	-0.8	-0.7	-0.5	-0.5
Actual borrowing at 31 March	**-**	**-**	**-**	**-**	**-**
CFR – the borrowing need	**3.1**	**2.3**	**1.6**	**1.1**	**0.6**
Under / (over) borrowing	**3.1**	**2.3**	**1.6**	**1.1**	**0.6**
Investments	**269.9**	**258.3**	**219.8**	**191.7**	**192.3**
Net investments	**266.8**	**256.0**	**218.2**	**190.6**	**191.7**
Change in Net investments	+9.5	-10.8	-37.8	-27.6	+1.1

Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt 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 2018/19 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 or speculative purposes.
The Director of Finance 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

3.2.1. 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	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 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

3.2.2. 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	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 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 Link Asset Services (formerly Capita) 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 Link view on short term (Bank Rate) and longer fixed interest rates.

	Bank Rate	PWLB Borrowing Rates		
		5 year	25 year	50 year
Mar 2018	0.50	1.60	2.20	2.90
Jun 2018	0.50	1.60	2.30	3.00
Sep 2018	0.50	1.70	2.40	3.00
Dec 2018	0.75	1.80	2.40	3.10
Mar 2019	0.75	1.80	2.50	3.10
Jun 2019	0.75	1.90	2.60	3.20
Sep 2019	0.75	1.90	2.60	3.20
Dec 2019	1.00	2.00	2.70	3.30
Mar 2020	1.00	2.10	2.70	3.40
Jun 2020	1.00	2.10	2.80	3.50
Sep 2020	1.25	2.20	2.90	3.50
Dec 2020	1.25	2.30	2.90	3.60
Mar 2021	1.25	2.30	3.00	3.60

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

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 more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to 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 in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

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 stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will 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 are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, 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 towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

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 balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates:

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. 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 the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of 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 £3.1m (as at 31st March 2017), 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.

3.4.1. Treasury indicators for debt

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	2017/18	2018/19	2019/20
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 2017/18		
	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 CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, portfolio 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 achieve this consideration 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 Link 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 Link, 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 Link. 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 A- 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 A- 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 2** – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised (Lloyds is also temporarily included until existing investments mature in 2018/19).

- **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, including VNAV funds.

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

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

- **Housing Associations**

- **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 Link 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 £290m 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 £330m. 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 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

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:

- 2017/18 0.40%
- 2018/19 0.60%
- 2019/20 0.90%
- 2020/21 1.25%
- 2021/22 1.50%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 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	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Principal sums invested > 365 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. 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.

4.7. 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.

5. ANNEXES

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

ANNEX 1. Economic Background (Provided by Link Asset Services)

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.2% (+2.0% y/y), quarter 2 was +0.3% (+1.7% y/y) and quarter 3 was +0.4% (+1.6% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting MPC. (Inflation actually came in at 3.0% in September and is expected to rise slightly in the coming months.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y), 0.6% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.2%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

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: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- 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 could also exit without any such agreements in the event of a breakdown of negotiations.
- 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 full 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.

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).

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 A- (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 %)
	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 RBS (Lloyds is also temporarily included until existing investments mature in 2018/19).
	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.
	Deposits with other local authorities with a maturity of	£15m limit with each local

	greater than 1 year and up to a maximum of 3 years. Maximum total investment of £15m with each local authority.	authority; maximum duration 3 years.
	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.
	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.
	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.
	Collective (pooled) investment schemes with a duration of greater than 1 year. The total investment in collective (pooled) investment schemes is limited to £100m and can include property funds, diversified growth funds and other eligible funds.	£100m in total.
	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.
	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 A- 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 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 (Royal Bank of Scotland)** - the Council may place investments up to a total of £80m for up to 3 years with the part-nationalised UK Royal Bank of Scotland provided it remain part-nationalised (Lloyds is also temporarily included until existing investments mature in 2018/19).

- **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 £100m.

- **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 A- or higher.
  These currently include:

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

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

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

  AA-
  - Belgium
  - Qatar

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 and 2017) was initially adopted by full Council on 15th February 2010 and has subsequently been re-adopted each year in February.

PRUDENTIAL INDICATORS	2016/17	2017/18	2018/19	2019/20	2020/21
	actual	estimate	estimate	estimate	estimate
Total Capital Expenditure	£53.0m	48.1m	£61.6m	£37.9m	£26.7m
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	£257.3m	£268.8m	£256.0m	£218.2m	£190.6m
carried forward 31 March	£268.8m	£256.0m	£218.2m	£190.6m	£191.7m
in year borrowing requirement (movement in net investments for Bromley)	+£9.5m	-£10.8m	-£37.8m	£27.6m	+£1.1m
Capital Financing Requirement as at 31 March	£3.1m	£2.3m	£1.6m	£1.1m	£0.6m
Annual change in Cap. Financing Requirement	-£0.7m	-£0.8m	-£0.7m	-£0.5m	-£0.5m

TREASURY MANAGEMENT INDICATORS	2016/17	2017/18	2018/19	2019/20	2020/21
	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 365 days beyond year-end dates	£170.0m	£170.0m	£170.0m	£170.0m	£170.0m

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Report No.
FSD18011

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**Executive and Resources PDS**
Date:	**1 February 2018**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**SECTION 106 AGREEMENTS: UPDATE**
Contact Officer:	Jim Kehoe, Chief Planner & Claire Martin, Head of Finance Tel: 020 8313 4554 020 8313 4286 E-mail: jim.kehoe@bromley.gov.uk claire.martin@bromley.gov.uk
Chief Officer:	Nigel Davies, Executive Director of Environment & Community Services
Ward:	Borough wide

1. Reason for report

This report provides an update on Section 106 Agreements.

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2. RECOMMENDATION(S)

2.1 The Executive and Resources PDS are asked to note the report and the contents of the attached Appendices 1-5.

Impact on Vulnerable Adults and Children

1. Summary of Impact: The impact on Vulnerable Adults and Children is not expected to be significant.

Corporate Policy

1. Policy Status: Existing Policy: IMP1 of the Unitary Development Plan
2. BBB Priority: Children and Young People Quality Environment Safer Bromley Vibrant, Thriving Town Centres

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Financial

1. Cost of proposal: Estimated Cost Not Applicable
2. Ongoing costs: Not Applicable
3. Budget head/performance centre: S106 Deposits
4. Total current budget for this head: £1,142,018
5. Source of funding: S106 Deposits

Personnel

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

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Legal

1. Legal Requirement: Statutory Requirement: S106 of the Town and Country Planning Act enables the Local Authority to make agreements with applicants to secure benefits relating to the granting of planning permission. This is reflected in Policy IMP1 of the Unitary Development Plan which relates to planning obligations.
2. Call-in: Not Applicable: This report does not involve an executive decision

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Procurement

1. Summary of Procurement Implications:

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Section 106 agreements are made with the applicant for the benefit of the future occupants of new developments and also for the benefit of existing residents in the vicinity of a new development

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Ward Councillor Views

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

3. COMMENTARY

3.1 This is an update following the last report that was submitted to Executive and Resources PDS Committee in January 2017.

Background information

3.2 The detail of every S106 agreement is stored in at least one of Appendices 1, 2 and 3.

3.3 Appendix 1 records the 'negative/restrictive obligations' and include developments that are restricted by the S106 either by use, limitations on development within the curtilage or an obligation not to implement a previous permission.

3.4 Appendix 2 records the 'positive non-financial' contributions. These agreements form the larger proportion of planning obligations gained through Section 106. Mostly they relate to the provision of affordable housing units.

3.5 Appendix 3 records 'positive financial' contributions. There are 7 main service areas where monies are received through the use of S106 obligations: Local Economy, Community or Town Centre use, Highways/Traffic (including Transport for London), Education, Healthcare, Land (which records payments for landscaping), Affordable (which records payments in lieu of affordable housing) and Other (which records payments for any other contributions which do not fall into one of the above categories). The full Appendix 3 also shows that since March 2003 a wide variety of contributions have been negotiated through S106 agreements including funds for the education provision, travel plans, traffic calming/crossings, town centre improvement funding, public footpath maintenance, CCTV schemes and woodland management schemes. The Council uses the NHS London Healthy Urban Development Unit (HUDU) model), which gauges the impact that residential developments have on the capacity of health services. This formula produces a health contribution per unit.

3.6 Appendix 4 has been compiled from and updated using information from the Oracle accounting system and the Council's Public Register and Contribution record, which is held with the Public Register along with copies of all S106 legal agreements dating back to 1998.

3.7 Appendix 5 in the Part 2 agenda provides an update on the progress of financial contributions received to date that are outstanding together with target spend dates. The relevant Lead Officers listed in para 4.12 below have provided the information for the table.

3.8 If a S106 includes obligations from more than one category the details are recorded in each of the relevant appendices.

3.9 The full Appendices cover the period from March 2003 to date with details of over 356 sealed legal agreements. Copies of these documents are available to view in the Members Room.

3.10 The Committee may note that there can be considerable time delay between the issuing of a Section 106 grant of permission and subsequent implementation of development (up to 5 years) when the obligation becomes due. There is always a possibility that a development will not go ahead at all where a developer feels the development is no longer viable.

3.11 All S106 legal agreements are registered as a Land Charge against the property and are registered at the Land Registry with the title deeds of a property or piece of land.

Section 106 Agreements: Update

3.12 Appendices 1 to 3 of this report provide details of 8 new agreements since the last update in July 2016.

3.13 Appendix 1 shows a table with 5 ‘negative’ S106 legal agreements.

3.14 Appendix 2 shows a table with 2 new ‘positive non-financial’ S106 legal agreements. The total net affordable housing gain since July 2017 amounts to 18 units.

3.15 The full Appendix 2 table shows that since March 2003 the Council sealed legal agreements that will potentially net 1,621 new affordable housing units. This figure reflects the reduction referred to above.

3.16 As can be seen from the tables LBB will not necessarily receive all of these housing units unless they are built and handed over but the agreements are in place. In terms of revenue as a non-stockholding authority the Council does not gain direct asset value through Section 106 of the 1990 Town and Country Planning Act. All housing assets acquired are held by our partners RPs.

3.17 Appendix 3 shows 4 new agreements of specific ‘positive financial gain to the Council.

3.18 Members should note that the detailed description of the agreement terms in Appendix 3 gives an indication of any time limitations on spend together with whether interest is accrued to the contributions.

3.19 Appendix 4 gives the details of the current balances the Council holds for S106 agreements, split by service area category mentioned in 3.5 above and by revenue/capital classification and the time limit for spending monies. The precise implications of the ‘time limit’ are set out in the individual planning agreements. The level of ‘Commitments’ in Appendix 4 has increased substantially in the last 24 months. This is mainly due to commitments to additional school and health projects, for example a grant agreement with the local NHS Clinical Commissioning Group. Members should note that Lead Officers who can provide further details have been identified for each of the service areas for which S106 contributions are received. They are:

- Highways, Road safety and Parking – Angus Culverwell
- Local Economy – Kevin Munnelly
- Landscaping – Dan Jones
- Housing – Sara Bowrey
- Education – Rob Bollen
- Healthcare/CCG – Jackie Goad
- Community Facilities – Colin Brand
- CCTV – Jim McGowan

3.20 A complete set of Appendices 1, 2 and 3 has been left in the Members Room.

3.21 'Significant' new agreements are listed in the table below, with full details included in the appendices:-

Ref 395	South Suburban Co Op Society Balmoral Avenue Beckenham BR3 3RD	Traffic Management Scheme Contribution - £20,000 to be used for the carrying out and completion of a scheme to regulate or assist in the reduction of congestion from motor vehicles within a distance of two miles from the site. Contribution due prior to first occupation. Contribution to be repaid if not expended or committed within 10 years of receipt of payment. Travel Plan and Travel Plan Co-ordinator – A Travel Plan to be submitted, approved and implemented by the owner to encourage staff and pupils to use alternative means of travel to and from the school prior to first occupation. Travel plan co-ordinator to be approval and appointed prior to occupation of the development.
Ref 396	4 Oaklands Road Bromley BR1 3SL	Education Contribution - £14,293.05 towards provision of new facilities and/or improvement of and/or support for existing facilities at St George's, Bickley. Health Contribution - £10,494.00 towards the provision of new facilities and/or improvement of and/or support for existing facilities at Dysart Surgery, 13 Ravensbourne Road. Contributions due on commencement. No time limit on spend.
Ref 399	56A Foxgrove Road Beckenham BR3 5DB	Carbon Off-Setting Contribution – Sum of £24,210.00 towards the provision of carbon off-setting projects at Stewart Fleming Primary School or for other projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Education Contribution – Sum of £42,964.60 towards the provision of education facilities and/or improvement of and/or support for existing education facilities at Stewart Fleming Primary School or for other education projects for residents of the Councils administrative area in receipt of no more than four other such contributions under the Act. Healthcare Contribution – Sum of £16,956.00 towards the provision of new healthcare and well-being facilities and/or the improvements of and/or support for existing healthcare and well-being facilities at the Beckenham Beacon Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Affordable Housing – 6 units (4 affordable rented including 2 wheelchair units and 2 intermediate). No more than 50% of the market units to be occupied until affordable housing are built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. Contributions due on or before date of first occupation. If contributions have not been spent in whole or part within five years of receipt the contribution can be applied to affordable housing. Contribution to be repaid if not spent or ring fenced by 10 years after receipt.
Ref 401	North Orpington Pumping Station East Drive	Education Contribution – Sum of £231,680.22 for the provision of education facilities and/or the improvement of and/or support for existing education facilities at Poverest Primary School or for other education projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act.

	Orpington	Health Contribution – Sum of £60,200 for the provision of new healthcare and well-being facilities and/or the improvement of and/or support for existing healthcare and well-being facilities at the Eldred Drive Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Highway Contribution – Sum of £2,000 for the purpose of consultation, advertisement and implementation of waiting restrictions along Lockesley Drive. Contributions due on or before date of first occupation. Affordable Housing – 12 units (5 intermediate and 7 affordable rented (one of which is wheelchair accessible)). No more than 50% of market units to be occupied until affordable housing units have been built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. If contributions have not been spent after 5 years the Council may apply the contributions towards affordable housing. If not spent or ring fenced within 10 years the remaining amount is to be returned.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 S106 contributions are intended to address the impact of new development. They involve contributions to the general provision of Education and Health infrastructure and as such the impact on Vulnerable Adults and Children is not expected to be significant.

5. POLICY IMPLICATIONS

5.1 Development Plan policies play a crucial role in securing appropriate planning obligations. Policy IMP1 of the Unitary Development Plan (saved policies 2009) sets out the Council's approach to Section 106 agreements, and supports the objectives of 'Building A Better Bromley' including, Safe Bromley, Quality Environment, Regeneration, and Ensuring that all children and young people have opportunities to achieve their potential.

5.2 The sustainability of Vibrant Thriving Town Centres, and Regeneration of our Borough, are two of the Council's key priorities and Section 106 funding, where appropriate, can make a significant contribution in achieving two of the Council's main aims.

5.3 The Government sets out criteria for when planning obligations are sought in the National Planning Policy Framework (NPPF) paras 203 to 206, and full operational use guidance details are now found in the National Planning Practice Guidance (NPPG) document paras 1-31.

5.4 The London Plan (Policy 8.2: Planning Obligations) requires boroughs to give priority to affordable housing, public transport improvements, tackling climate change, learning and skills, health facilities, childcare provision and the provision of small shops and have clear local policies to these ends.

5.5 A Supplementary Planning Document (SPD) on Planning Obligations was adopted by the Council in December 2010. The SPD provides non-statutory guidance on the Council's general approach to planning obligations, and where possible the requirements, and mechanisms for infrastructure contributions.

5.6 The SPD also incorporates the implication of CIL regulations which came into force on 6th April 2010. CIL Regulation 122 places into law three statutory tests, explained in the Legal Implications section below.

5.7 It is the Council's intention to develop a local CIL alongside the Local Plan and produce a charging schedule with a CIL Regulation list of infrastructure projects taken from the Infrastructure Delivery Plan (IDP) Schedule.

5.8 The Draft Local Plan is being prepared for submission to the Inspectorate for Examination. The Draft Plan includes as part of the Appendices, the IDP Schedule Table of projects. Background evidence on viability required for both the Local Plan and in order to develop a local CIL is being analysed and will be reported on before approval is sought for the first of two public consultations. The first is one is for a Preliminary Draft Charging Schedule (PDCS), followed (after responses are dealt with) by a Draft Charging Schedule (DCS), and each will last for six weeks. The PDCS consultation is expected to start in the autumn.

5.9 From 6th April 2015, Regulation 123 came into effect regarding scaling back of the 'pooling' mechanism for planning obligations; this will ensure that the use of s106 and CIL (regarding projects that will, when CIL is introduced in Bromley, appear on a published CIL 123 project list) do not overlap. In June 2015 an addendum to the SPD, to explain changes to unit threshold, and the pooling of s106's was approved by Executive.

5.10 As an interim arrangement, until a local CIL is adopted, when the Council will need to seek specific financial contributions from developers (e.g. '£x' for the provision of a new classroom at 'y' primary school or in the 'z' ward), rather than the historic/generic approach of seeking generic contributions (e.g. '£x for Education provision') and to comply with the regulations that only a maximum of five contributions are spent for such a specific item of infrastructure. The introduction of this part of Reg 123 does not affect s278 Highways obligations nor apply to affordable housing contributions. These interim arrangements are expected to last until a local CIL has been adopted.

5.11 In those cases where Affordable Housing Policy has not been met due to financial viability and subsequently there have been difficulties in the implementation of a specific project, the Council will consider whether the sum should be used instead for Affordable Housing.

5.12 Mayoral Community Infrastructure Levy (CIL) was introduced on 1st April 2012 (London Plan Policy 8.3). Bromley acts as a collecting authority on behalf of the Mayor. Mayoral CIL is collected on new development (as defined under regulations) at a rate of £35 per square metre in Bromley which is subject to periodic BCIS inflation increases which change annually. Therefore the current Mayoral CIL rate for 2017 is approximately £44 per square metre once the BCIS rate has been applied.

6. FINANCIAL IMPLICATIONS

6.1 The table below summarises the complete Appendix 3 (in the Member's room), giving a breakdown across the service areas of all S106 obligations agreed and details of whether the sums are confirmed (e.g. development has started) or provisional (S106 obligation agreed but development not started): -

Area	S106 Sums Confirmed	S106 Sums Provisional	Total
	£	£	£
Local Economy, Town Centre, Community Use	7,227,657	0	**7,227,657**
Highways/Traffic/Parking	1,519,293	37,000	**1,556,293**
Education	9,459,446	274,645	**9,734,091**
Healthcare/CCG	2,537,893	162,522	**2,700,415**
Landscape	288,077	0	**288,077**
Housing	13,385,699	145,000	**13,530,699**
Other	318,000	27,622	**345,622**
	34,736,065	**646,789**	**35,382,854**

6.2 Of the £34.736m confirmed sums, £21.537m has been received and £13.762m has been spent, leaving an unspent balance of £7.775m, excluding interest accrued of £13.3k.

6.3 The summarised financial position of the unspent balances across the service areas (detailed in Appendix 4) is as follows: -

Area	Unspent Balance as at 31.12.17	Current Outstanding Commitments / Allocations	Latest Unallocated Balance as at 31.12.17
		£	£
Revenue			
Local Economy, Town Centre, Community Use	45,000	0	45,000
Highways/Traffic/Parking	509,764	346,811	162,953
Health/Primary Care Trust	923,010	315,280	607,730
Landscape	577	577	0
Other	320,084	300,000	20,084
Total Revenue Balance	**1,798,435**	**962,668**	**835,767**
Capital			
Housing	3,098,201	2,806,243	291,958
Education	2,524,398	2,510,105	14,293
Highways/Traffic/Parking	82,252	82,252	0
Local Economy, Town Centre, Community Use	324,244	324,244	0
Total Capital Balance	**6,029,095**	**5,722,844**	**306,251**
Total Section 106 Balance	**7,827,530**	**6,685,512**	**1,142,018**

6.4 The balance above includes interest that has accrued to seven of the S106 agreements within the revenue balances, totalling £2,422 and seven agreements within the capital balances, totalling £12,465.

6.5 On 2 April 2014, Executive agreed to set aside £192,500 from S106 monies in an earmarked reserve for the future maintenance of Cheyne Woods and Cyphers Gate open space, in accordance with the criteria set out in the specific agreements. There is also a balance of £153,980 held in an earmarked reserve for the management and maintenance of Langley Waterside Nature Reserve from the Glaxo site development. The agreed annual management plans are now in place for each of the 3 sites and the 2017/18 plan will delivered by 31 March 2018.The table below provides Members with an update on the use of these monies: -

Earmarked Reserves	Current Balance £	Actual Spend £	Outstanding Commitments £	Latest Balance £
Management of Cyphers Gate Open Space	141,004	5,335	989	134,680
Management of Cheyne Woods	22,126	0	3,800	18,326
Management of Langley Waterside Nature Reserve	153,980	0	5,900	148,080
	317,110	**5,335**	**10,689**	**301,086**

6.6 As mentioned above, Appendix 5 provides an update on the progress of financial contributions received to date together with target spend dates.

7. LEGAL IMPLICATIONS

7.1 The power of a Local Planning Authority to enter into a Planning Obligation with anyone having an interest in land in their area is contained in section 106 of the Town and Country Planning Act 1990 (as amended by Section 12 of the Planning and Compensation Act 1991). Planning Obligations made under section 106 comprise both obligations and unilateral undertakings. Government advice on the use of section 106 is contained within NPPG paras 1-23.

7.2 A Planning Obligation may only be created by a person with an interest in the relevant land, and may be created either by means of an agreement with the Local Planning Authority or by means of a unilateral undertaking. An Obligation may restrict development or the use of land, need specific works to take place or need a financial contribution towards a work or service of public benefit.

7.3 The main features of a Planning Obligation are:

- It applies to the land, so enforcement of it would be against the person who agreed it (normally the applicant) or their successor in title.
- It can also be enforced by a legal injunction. Where a person has defaulted on a requirement to carry out works on the land, the Local Planning Authority may also enter onto the land to enforce the terms of the Obligation and to claim back its reasonable costs arising from this action.
- It can contain a restriction on use of the land or a requirement for works to be undertaken thereon, that can be for an indefinite period, a stated period, or a period defined by reference to some future event, e.g. the completion of specified works.
- Contribution(s) may be expressed as being due:
  (a) Singly, on a specified date, or one that can be derived from defined future event(s),
  (b) In instalments, the amounts of which can be stated or derived from a formula, that are payable on specified dates or on dates based on future events, e.g. stages of the development, and
  (c) Singly or in instalments, the amounts of which can be stated or derived from a formula, that are payable on specified date(s), or at defined times after, the completion of the development, e.g. to contribute to maintenance needs.

7.4 A section 106 Agreement can be varied with the agreement of the Local Planning Authority; there is also a formal application and appeals process in certain circumstances. Section 106 contributions may be time limited in the agreement or undertaking. Even where this is not the case then section 12(3) Planning and Compensation Act 1991 Section allows a person to apply for a planning obligation to be discharged after 5 years and if money has not been spent or there is not a clear intention to spend within a reasonable time a local authority may be made to refund in such cases.

7.5 The planning system works on the principle that planning permissions cannot be bought from or sold by a Local Planning Authority. Negotiations to gain benefits from development proposals

must take place in a way which is seen to be fair and reasonable. By working in this way, Planning Obligations can improve the quality of development proposals which might otherwise have to be refused.

7.6 Planning Obligations must be related to the scale and nature of the development being proposed. CIL regulation 122 came into force under the Community Infrastructure Levy (CIL) Regulations in April 2010 and places into law three statutory tests which are based upon the original five policy tests in Circular 05/05. The three tests are;

a) necessary to make development acceptable in planning terms;

b) directly related to the development; and

c) fairly and reasonably related in scale and kind to the development.

7.7 The Council acting as Local Planning Authority cannot allow unacceptable developments because of unnecessary or unrelated benefits that the applicant may be offering. Equally applicants cannot be expected to pay for facilities which are only needed to deal with existing shortfalls in the area.

Non-Applicable Sections:	Personnel, Procurement
Background Documents: (Access via Contact Officer)	2008/09 budget monitoring files within ES Impact of Large Developments – Progress Monitoring Report March 2006 Shared file listing all S106 agreements Executive & Resources PDS Committee 10th July 2014 Executive & Resources PDS Committee 19th Nov 2014 Executive & Resources PDS Committee 3rd June 2015 Executive & Resources PDS Committee 16th March 2016 Executive & Resources PDS Committee 7th July 2016 Supplementary Planning Document (SPD) on Planning Obligations: Addendum to Changes to Pooling S106 Contributions and S106 Threshold Changes. DC Committee 24th March 2015 and Executive 10th June 2015

APPENDIX 1

SECTION 106 AGREEMENTS REQUIRING A RESTRICTIVE OR 'NEGATIVE' OBLIGATION - CHANGES SINCE JULY 2017

Ref No	App No	Address	Nature of Application	Date	Legal Agreement	Gain
395	16/03145	South Suburban Co Op Society Balmoral Avenue Beckenham BR3 3RD	Outline application for the erection of 2 buildings of two to three storeys comprising 13,508 square metres (Gross External Area) of Class D1 floor space to provide an 8 form entry plus 6th form school (up to 1,680 pupils) and sports hall, 17.200 square metres for playing fields, 2,190 square metres Multi Use Games Area with community use and associated development including car parking spaces, cycle parking spaces, floodlighting, new pedestrian and vehicular accesses, servicing and storage.	14th June 2017	Traffic Management Scheme Contribution - £20,000 to be used for the carrying out and completion of a scheme to regulate or assist in the reduction of congestion from motor vehicles within a distance of two miles from the site. Contribution due prior to first occupation. Contribution to be repaid if not expended or committed within 10 years of receipt of payment. Travel Plan and Travel Plan Co-ordinator – A Travel Plan to be submitted, approved and implemented by the owner to encourage staff and pupils to use alternative means of travel to and from the school prior to first occupation. Travel plan co-ordinator to be approval and appointed prior to occupation of the development.	
397	16/01360	Home Farm Kemnal Road Chislehurst BR7 6LY	Detached five bedroom house with residential curtilage	25th July 2017	Owner covenants not to construct a detached house on Foxbury Manor Land pursuant to the 2004 Planning Permission.	No Gain
398	16/05353	Hasells Nursery Jackson Road Bromley BR2 8NS	Demolition of existing commercial buildings and removal of existing parking/hardstanding and construction of 6 x 4 bedroom and 3 x 5 bedroom two storey detached houses with associated widening of the access road, car parking, landscaping, tree and orchard planting.	18th July 2017	Owner covenants: To use reasonable endeavours to procure at least 10% of the jobs to the construction of the Development are offered to residents of the Ward or to companies based in the Ward. For the duration of the priority period each dwelling shall be reserved, set aside, marketed and made available for disposal solely to qualifying purchasers and their dependents and persons living with them. For the duration of the priority period relating to it no dwelling shall be disposed of for residential purposes other than to a person who at the date of disposal is a qualifying purchaser and persons living with a qualifying purchaser and any estate agents' particulars and marketing information shall make this clear. All of the garages within the development shall be equipped with active electric vehicle charging points. Prior to occupation of any dwelling the owners shall demolish the entirety of the brick latrines to the rear of plot 2 and shall landscape that part of the land on which the building previously stood which is outside the application site in accordance with landscaping details to be submitted to the Council for approval.	No Gain
4[illegible]	17/00302	The Haven Springfield Road Sydenham London SE26 6HG	Variation of Condition 2 of permission ref. 15/04319 (granted for 46 residential units and associated works) to allow addition of lift overruns to flat block and alterations to ground levels (Minor Material Amendment)	22nd September 2017	Deed of Variation to agreement dated 16th Aug 2016 attached to ref. 15/04319/RECON Amendment under clause 1.1 to definition of 'Education Contribution Purpose', 'Healthcare Contribution Purpose', 'Third Application', 'Third Development' and 'Third Permission'. Addition of new sub-clause at clause 10 of the principle agreement.	No Gain
402	17/00266	251 High Street Orpington BR6 0NZ	Change of use of 2nd and 3rd floors of Nos.251-259 High Street Orpington from offices (Class B1a) to residential use (Class C3) to form 34 flats (22 studios and 12 one bedroom) (56 day application for prior approval in respect of transport and highways, contamination, flood risks and impacts of noise from commercial premises under Class O, Part 3 of the GPDO)	16th February 2017	Residential Parking Bays – Each new occupier of a residential unit shall be informed, prior to occupation, that they are not entitled to be granted a resident's parking permit (unless they are holder of disabled persons badge).	No Gain

APPENDIX 2

SECTION 106 AGREEMENTS REQUIRING 'POSITIVE' NON-FINANCIAL OBLIGATION - CHANGES SINCE JULY 2017

Ref No	App No	Address	Nature of Application	Date	Legal Agreement	Gain (Units)
399	17/00624	56A Foxgrove Road Beckenham BR3 5DB	Demolition of existing block of 6 flats and garage block and construction of three/four storey block of 18 flats with car parking and landscaping (OUTLINE APPLICATION)	28th September 2917	Carbon Off-Setting Contribution – Sum of £24,210.00 towards the provision of carbon off-setting projects at Stewart Fleming Primary School or for other projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Education Contribution – Sum of £42,964.60 towards the provision of education facilities and/or improvement of and/or support for existing education facilities at Stewart Fleming Primary School or for other education projects for residents of the Councils administrative area in receipt of no more than four other such contributions under the Act. Healthcare Contribution – Sum of £16,956.00 towards the provision of new healthcare and well-being facilities and/or the improvements of and/or support for existing healthcare and well-being facilities at the Beckenham Beacon Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Affordable Housing – 6 units (4 affordable rented including 2 wheelchair units and 2 intermediate). No more than 50% of the market units to be occupied until affordable housing are built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. Contributions due on or before date of first occupation. If contributions have not been spent in whole or part within five years of receipt the contribution can be applied to affordable housing. Contribution to be repaid if not spent or ring fenced by 10 years after receipt.	6
401	15/04610	North Orpington Pumping Station East Drive Orpington	Erection of 35 dwellings incorporating 14x3 bed houses, 10x4 bed houses of 2-2.5 storey in height, an apartment block of 2.5 storeys in height comprising 8x2 bed and 3x1 bed flats with associated car parking, landscaping and vehicular access off Lockesley Drive.	31st August 2017	Education Contribution – Sum of £231,680.22 for the provision of education facilities and/or the improvement of and/or support for existing education facilities at Poverest Primary School or for other education projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Health Contribution – Sum of £60,200 for the provision of new healthcare and well-being facilities and/or the improvement of and/or support for existing healthcare and well-being facilities at the Eldred Drive Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Highway Contribution – Sum of £2,000 for the purpose of consultation, advertisement and implementation of waiting restrictions along Lockesley Drive. Contributions due on or before date of first occupation. Affordable Housing – 12 units (5 intermediate and 7 affordable rented (one of which is wheelchair accessible)). No more than 50% of market units to be occupied until affordable housing units have been built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. If contributions have not been spent after 5 years the Council may apply the contributions towards affordable housing. If not spent or ring fenced within 10 years the remaining amount is to be returned.	12
			TOTAL NUMBER OF UNITS SINCE JULY 2017			**18**

SECTION 106 AGREEMENTS REQUIRING A 'POSITIVE' FINANCIAL OBLIGATION - CHANGES SINCE JULY 2017

TAKEN FROM THE PUBLIC REGISTER OF CONTRIBUTIONS														
Ref No.	App No.	Address of application	Nature of Application	Date of S106	Legal agreement	Gain	Rec'd	Community Use/ Town centre / local economy	Highways/ Traffic / parking	Education	Healthcare / CCG	Landscaping	Other	Housing
395	16/03145	South Suburban Co Op Society Balmoral Avenue Beckenham BR3 3RD	Outline application for the erection of 2 buildings of two to three storeys comprising 13,508 square metres (Gross External Area) of Class D1 floor space to provide an 8 form entry plus 6th form school (up to 1,680 pupils) and sports hall, 17.200 square metres for playing fields, 2,190 square metres Multi Use Games Area with community use and associated development including car parking spaces, cycle parking spaces, floodlighting, new pedestrian and vehicular accesses, servicing and storage.	14th June 2017	Traffic Management Scheme Contribution - £20,000 to be used for the carrying out and completion of a scheme to regulate or assist in the reduction of congestion from motor vehicles within a distance of two miles from the site. Contribution due prior to first occupation. Contribution to be repaid if not expended or committed within 10 years of receipt of payment. Travel Plan and Travel Plan Co-ordinator – A Travel Plan to be submitted, approved and implemented by the owner to encourage staff and pupils to use alternative means of travel to and from the school prior to first occupation. Travel plan co-ordinator to be approval and appointed prior to occupation of the development.	Traffic Management Scheme - £20,000			20,000					
396	14/04810	4 Oaklands Road Bromley BR1 3SL	Demolition of existing buildings and erection of a 4 storey detached building comprising 11 flats (7x one bed and 4 x two bed) with landscaping and parking	12th February 2016	Education Contribution - £14,293.05 towards provision of new facilities and/or improvement of and/or support for existing facilities at St George's, Bickley. Health Contribution - £10,494.00 towards the provision of new facilities and/or improvement of and/or support for existing facilities at Dysart Surgery, 13 Ravensbourne Road. Contributions due on commencement. No time limit on spend.	Education Contribution - £14,293.05 Health Contribution - £10,494.00	YES			14,293	10,494			
399	17/00624	56A Foxgrove Road Beckenham BR3 5DB	Demolition of existing block of 6 flats and garage block and construction of three/four storey block of 18 flats with car parking and landscaping (OUTLINE APPLICATION)	28th September 2917	Carbon Off-Setting Contribution – Sum of £24,210.00 towards the provision of carbon off-setting projects at Stewart Fleming Primary School or for other projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Education Contribution – Sum of £42,964.60 towards the provision of education facilities and/or improvement of and/or support for existing education facilities at Stewart Fleming Primary School or for other education projects for residents of the Councils administrative area in receipt of no more than four other such contributions under the Act. Healthcare Contribution – Sum of £16,956.00 towards the provision of new healthcare and well-being facilities and/or the improvements of and/or support for existing healthcare and well-being facilities at the Beckenham Beacon Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Affordable Housing – 6 units (4 affordable rented including 2 wheelchair units and 2 intermediate). No more than 50% of the market units to be occupied until affordable housing are built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. Contributions due on or before date of first occupation. If contributions have not been spent in whole or part within five years of receipt the contribution can be applied to affordable housing. Contribution to be repaid if not spent or ring fenced by 10 years after receipt.	Carbon Off-Setting - £24,210.00 Education - £42,964.60 Healthcare - £16,956.00 Affordable Housing – 6 units				42,965	16,956		24,210	

APPENDIX 3

TAKEN FROM THE PUBLIC REGISTER OF CONTRIBUTIONS														
Ref No.	**App No.**	**Address of application**	**Nature of Application**	**Date of S106**	**Legal agreement**	**Gain**	**Rec'd**	**Community Use/ Town centre / local economy**	**Highways/ Traffic / parking**	**Education**	**Healthcare / CCG**	**Landscaping**	**Other**	**Housing**
401	15/04610	North Orpington Pumping Station East Drive Orpington	Erection of 35 dwellings incorporating 14x3 bed houses, 10x4 bed houses of 2-2.5 storey in height, an apartment block of 2.5 storeys in height comprising 8x2 bed and 3x1 bed flats with associated car parking, landscaping and vehicular access off Lockesley Drive.	31st August 2017	Education Contribution – Sum of £231,680.22 for the provision of education facilities and/or the improvement of and/or support for existing education facilities at Poverest Primary School or for other education projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Health Contribution – Sum of £60,200 for the provision of new healthcare and well-being facilities and/or the improvement of and/or support for existing healthcare and well-being facilities at the Eldred Drive Clinic or for other health and well-being projects for residents of the Council's administrative area in receipt of no more than four other such contributions under the Act. Highway Contribution – Sum of £2,000 for the purpose of consultation, advertisement and implementation of waiting restrictions along Lockesley Drive. Contributions due on or before date of first occupation. Affordable Housing – 12 units (5 intermediate and 7 affordable rented (one of which is wheelchair accessible)). No more than 50% of market units to be occupied until affordable housing units have been built. All affordable wheelchair units to be constructed and fully fitted in accordance with SELHP standards as fully accessible units. If contributions have not been spent after 5 years the Council may apply the contributions towards affordable housing. If not spent or ring fenced within 10 years the remaining amount is to be returned.	Education - £231,680.22 Healthcare - £60,200 Highways - £2,000 Affordable Housing – 12 units			2,000	231,680	60,200			
								0	**22,000**	**288,938**	**87,650**	**0**	**24,210**	**0**

REVENUE ITEMS

Public register ref	Address of application	Use of monies	Balance c/f as at 31.3.17	Expenditure	Commitments	Income received during 2017/18	Unallocated Balance as at 31.12.17	Time Limit for spend
			£	£	£	£	£	
	Highway improvement works & traffic schemes							
104	Bristol Street Motors, Masons Hill/Prospect Place	Highway improvement works	(30,000.00)	0.00	30,000.00	0.00	**0.00**	
173	Knotley Springfield Gardens West Wickham	£15k for highway works and £2.5k for traffic order	(15,000.00)	0.00	0.00	0.00	**(15,000.00)**	Oct 2011
206	J Sainsbury Pallant Way	£20k towards bus improvement	(20,000.00)	20,000.00	0.00	0.00	**0.00**	July 2013
231	117 Widmore Road Bromley	£2.5k highways contributions	(2,500.00)	2,500.00	0.00	0.00	**0.00**	June 2014
232	Garrard House, 2-6 Homesdale Road Bromley	£2k for loading restriction contribution	(2,000.00)	0.00	0.00	0.00	**(2,000.00)**	May 2015
178	178 Ravensbourne College	£20k Highways and £10k Footpath	(30,000.00)	22,000.00	8,000.00	0.00	**0.00**	Jan 2017
178	179 Ravensbourne College	£225k public transport contribution for additional bus to serve local bus route No. 314	(225,000.00)	0.00	225,000.00	0.00	**0.00**	Feb 2019
208 (176)	Land at South of Ringers Road	£50k traffic management contribution to implement 20mph restriction zone in Ringers Rd & Ravensbourne Rd + TMOs	(50,000.00)	0.00	0.00	0.00	**(50,000.00)**	Dec 2018
186 (319)	Blue Circle Sports Ground	£80k bus stop contributions (4 in total)	(80,000.00)	52,700.00	27,300.00	0.00	**0.00**	May 2021
186 (319)	Blue Circle Sports Ground	£25k towards Oakley Road junction	(25,000.00)	0.00	25,000.00	0.00	**0.00**	May 2021
344	The Rising Sun	HIghways contribution £22.232k	(22,231.50)	0.00	22,231.50	0.00	**0.00**	June 2021
360	Harris Academy, Beckenham (interest to be accrued)	Towards the cost of resurfacing Manor Way Beckenham £40.0k	(40,021.37)	40,021.37	0.00	0.00	**0.00**	June 2024
370	Bassetts Day Care Centre	Highways contribution £5k	0.00	0.00	0.00	(5,000.00)	**(5,000.00)**	
374/375	12 Elmfield Road, Bromley	Transport contribution £5k	0.00	0.00	0.00	(5,000.00)	**(5,000.00)**	
370	**Total for Highway improvement works**		**(541,752.87)**	**137,221.37**	**337,531.50**	**(10,000.00)**	**(77,000.00)**	
	Road Safety and cycle schemes							
108	Aquila, Golf Road Bickley	£60k traffic calming	(24,333.34)	24,333.34	0.00	0.00	**0.00**	Dec 2014
211	Land R/O 91-117 Copers Cope Road, Beckenham	£15k for travel studies	(7,500.00)	0.00	0.00	0.00	**(7,500.00)**	N/A
330	GlaxoSmithKline	Road Safety improvements £10k	(10,004.45)	0.00	0.00	0.00	**(10,004.45)**	Jan 2019
	Total Road Safety & cycle schemes		**(41,837.79)**	**24,333.34**	**0.00**	**0.00**	**(17,504.45)**	
	Local Economy and Town Centres							
284	Westmoreland car park, Simpson Road, Bromley	£20k Town Centre contribution	(20,000.00)	0.00	0.00	0.00	**(20,000.00)**	Oct 2018
208 (176)	Land at South of Ringers Road	£50k Town Centre contribution	(25,000.00)	0.00	0.00	0.00	**(25,000.00)**	Dec 2018
	Total Local Economy & Town Centres		**(45,000.00)**	**0.00**	**0.00**	**0.00**	**(45,000.00)**	

Public register ref	Address of application	Use of monies	Balance c/f as at 31.3.17	Expenditure	Commitments	Income received during 2017/18	Unallocated Balance as at 31.12.17	Time Limit for spend
	Parking							
120	Beckenham hospital, Croydon Road Beckenham	£10k car park, £30k residents parking scheme	(18,000.00)	0.00	0.00	0.00	**(18,000.00)**	
110	77 Addington Road West Wickham	Contribution to on street parking	(1,000.00)	0.00	0.00	0.00	**(1,000.00)**	
204	Tesco - Homesdale Road	£40k towards controlled parking zone	(23,385.76)	3,000.00	0.00	0.00	**(20,385.76)**	July 2014
194	Reliance House	£5k towards 'white lining' for the provision of public and car club parking & restoration of redundant crossovers	(2,658.88)	0.00	0.00	0.00	**(2,658.88)**	
185	101 Palace Road Bromley	£3k for white lining car parking spaces and redstoring crossovers parking Permit Scheme, Car Club Scheme	(2,904.59)	0.00	0.00	0.00	**(2,904.59)**	
231	117 Widmore Road Bromley	£2.5k towards car club	(2,500.00)	0.00	2,500.00	0.00	**0.00**	June 2014
284	Westmoreland car park, Simpson Road, Bromley	£2.5k towards car club	(2,500.00)	0.00	2,500.00	0.00	**0.00**	Oct 2018
339	Kingswood House	£21k parking restriction contribution	(21,000.00)	0.00	0.00	0.00	**(21,000.00)**	Oct 2021
350	Orpington Police Station	£2k contribution for disabled parking	(2,000.00)	0.00	2,000.00	0.00	**0.00**	Mar 2024
358	Broadway House	£2.5k for a car club parking space	(2,279.77)	0.00	2,279.77	0.00	**0.00**	
370	Bassetts Day Care Centre	£2.5k for car club	0.00	0.00	0.00	(2,500.00)	**(2,500.00)**	
	Total parking schemes		**(78,229.00)**	**3,000.00**	**9,279.77**	**(2,500.00)**	**(68,449.23)**	
	Community facilities							
83	Kelsey Square Beckenham	Environmental improvements	(10,000.00)	0.00	0.00	0.00	**(10,000.00)**	
	Total Community Facilities		**(10,000.00)**	**0.00**	**0.00**	**0.00**	**(10,000.00)**	
	Other minor schemes							
204	Tesco - Homesdale Road	£10k webcam contribution	(10,083.73)	0.00	0.00	0.00	**(10,083.73)**	Oct 2013
290	Kent County Cricket Ground	£300k contribution towards sports	(300,000.00)	0.00	300,000.00	0.00	**0.00**	Feb 2021
	Total other minor schemes		**(310,083.73)**	**0.00**	**300,000.00**	**0.00**	**(10,083.73)**	
	Landscaping							
377	45 Ancaster Rd, Beckenham	£576.67 to be paid for tree removal costs	(576.67)	0.00	576.67	0.00	**0.00**	Oct 2013
	Total Landscaping		**(576.67)**	**0.00**	**576.67**	**0.00**	**0.00**	
	Healthcare/CCG							
197	Orpington Halls High St Orpington	£13,243 for health care	(13,243.00)	0.00	13,243.00	0.00	**0.00**	Aug 2014
228	Land at former 1-23 Orchard Grove Orpington	£98,240 for healthcare contribution	(98,240.00)	0.00	98,240.00	0.00	**0.00**	
274	Denton Court, 60 Birch Row	£40,797 Health contribution	(40,797.00)	0.00	40,797.00	0.00	**0.00**	
178	Ravensbourne College (Instalment 1 of 3)	Healthcare contribution (£163k in total)	(55,000.00)	0.00	55,000.00	0.00	**0.00**	Feb 2019
178	Ravensbourne College (Instalment 2 of 3)	Healthcare contribution (£163k in total)	(55,000.00)	0.00	55,000.00	0.00	**0.00**	Feb 2019
178	Ravensbourne College (Instalment 3 of 3)	Healthcare contribution (£163k in total)	(53,000.00)	0.00	53,000.00	0.00	**0.00**	Mar 2019
303	2 Betts Way	Healthcare contribution £24.871k	(24,871.00)	0.00	0.00	0.00	**(24,871.00)**	Nov 2024
300	76 High Street Orpington	Healthcare contribution £44k	(44,000.00)	0.00	0.00	0.00	**(44,000.00)**	Apr 2020
323	Sheila Stead House (Interest to accrued)	Healthcare contribution £35.953k	(36,215.10)	0.00	0.00	0.00	**(36,215.10)**	Jun 2025
311	Graham Chiesman House	Healthcare contribution £119.04k	(42,304.46)	0.00	0.00	0.00	**(42,304.46)**	Jun 2020
208	Land at south side Ringers Road	Healthcare contribution £42k	(119,040.00)	0.00	0.00	0.00	**(119,040.00)**	Aug 2020
324	1 Chilham Way	Healthcare contribution £52.315k	(2,715.44)	0.00	0.00	0.00	**(2,715.44)**	Nov 2025
327	Oakfield Centre	Health contribution £37.742k	(37,742.00)	0.00	0.00	0.00	**(37,742.00)**	
344	The Rising Sun	Health contribution £16.096k	(16,096.00)	0.00	0.00	0.00	**(16,096.00)**	June 2021
333	Isard House, Glebe House Drive	Health contribution £27,930	(27,965.39)	0.00	0.00	0.00	**(27,965.39)**	
349 (see 367)	Summit House, Glebe Way	Health contribution £28,998(1st of 2 installment)	(28,998.00)	0.00	0.00	0.00	**(28,998.00)**	Oct 2021
349 (see 367)	Summit House, Glebe Way (interest to be accrued)	Health contribution £28.998k (2nd of 2 installments)	(29,033.55)	0.00	0.00	0.00	**(29,033.55)**	Feb 2022
370	Bassetts Day Care Centre	Health contribution £188.3k	0.00	0.00	0.00	(188,255.00)	**(188,255.00)**	
396	4 Oaklands Road Bromley	Health contribution £10.494k	0.00	0.00	0.00	(10,494.00)	**(10,494.00)**	
	Total Healthcare /CCG		**(724,260.94)**	**0.00**	**315,280.00**	**(198,749.00)**	**(607,729.94)**	
Total S106 Revenue Balance			**(1,751,741.00)**	**164,554.71**	**962,667.94**	**(211,249.00)**	**(835,767.35)**	

Public register ref	Address of application	Use of monies	Balance c/f as at 31.3.17	Expenditure	Commitments	Income received during 2017/18	Unallocated Balance as at 31.12.17	Time Limit for spend
CAPITAL ITEMS								
	Housing							
178	Ravensbourne College (instalment 2 of 5)	Affordable housing contribution (£1,411k)	(282,200.00)	282,200.00	0.00	0.00	**0.00**	Feb 2019
178	Ravensbourne College (instalment 3 of 5)	Affordable housing contribution (£1,411k)	(282,200.00)	19,943.34	262,256.66	0.00	**0.00**	Feb 2019
178	Ravensbourne College (instalment 4 of 5)	Affordable housing contribution (£1,411k)	(282,200.00)	0.00	282,200.00	0.00	**0.00**	Mar 2019
178	Ravensbourne College (instalment 5 of 5)	Affordable housing contribution (£1,411k)	(282,200.00)	0.00	282,200.00	0.00	**0.00**	Mar 2019
289	Holy Trinity, Plaistow Lane	£2,173,150 housing contribution	(1,550,922.37)	1,550,922.37	0.00	0.00	**0.00**	July 2017
191/202	102 Martins Rd Bromley	£3,838.80 wheelchair payment	(3,838.80)	0.00	0.00	0.00	**(3,838.80)**	Feb 2016
267	Invicta Works, Chalk Pit Avenue, Orpington, BR5 3JQ	Affordable housing contribution £226.801k	(226,801.00)	0.00	226,801.00	0.00	**0.00**	Apr 2019
285	H Smith Engineers Ltd, Fordcroft Rd, BR5 2DB	Contribution towards wheelchair adapted units £5.512k	(5,512.00)	0.00	5,512.00	0.00	**0.00**	May 2019
321	Sunridge Park Management Centre Ltd	Affordable housing contribution £700k	(704,817.04)	0.00	704,817.04	0.00	**0.00**	July 2022
334	Hayes Court, West Common Road	Housing contribution £94k	(94,000.00)	0.00	94,000.00	0.00	**0.00**	
300	76 High Street Orpington	Affordable Housing cont'n £205.182k	(205,182.00)	0.00	205,182.00	0.00	**0.00**	Apr 2020
311	Graham Chiesman House	Affordable hsing cont'n of £383.397k	(386,171.24)	0.00	386,171.24	0.00	**0.00**	Jun 2020
341	Grays Farm Production Village	Affordable hsing cont'n of £105k	(105,000.00)	0.00	105,000.00	0.00	**0.00**	Nov 2020
330	GlaxoSmithKline	Supplementary affordable housing contribution £500k	(500,222.60)	0.00	252,103.52	0.00	**(248,119.08)**	Jan 2022
383	Dylon International Ltd, Worsley Bridge Rd	Affordable Housing instalment 1 of 2	0.00	0.00	0.00	(40,000.00)	**(40,000.00)**	Nov 2022
	Total Housing		**(4,911,267.05)**	**1,853,065.71**	**2,806,243.46**	**(40,000.00)**	**(291,957.88)**	
	Education							
178	Ravensbourne College (instalment 1 of 5)	Education contribution (£550k in total)	(110,000.00)	110,000.00	0.00	0.00	**0.00**	Jan 2017
178	Ravensbourne College (instalment 2 of 5)	Education contribution (£550k in total)	(110,000.00)	0.00	110,000.00	0.00	**0.00**	Feb 2019
178	Ravensbourne College (instalment 3 of 5)	Education contribution (£550k in total)	(110,000.00)	0.00	110,000.00	0.00	**0.00**	Feb 2019
178	Ravensbourne College (instalment 4 of 5)	Education contribution (£550k in total)	(110,000.00)	0.00	110,000.00	0.00	**0.00**	Mar 2019
178	Ravensbourne College (instalment 5 of 5)	Education contribution (£550k in total)	(110,000.00)	0.00	110,000.00	0.00	**0.00**	July 2019
186	Blue Circle	Education contribution	(257,531.08)	97,343.00	160,188.08	0.00	**0.00**	Jan and Aug 2019
223	Anerley School for Boys, Versialles Rd Penge (Blocks A, B & C)	£91,176 education contribution	(91,176.00)	91,176.00	0.00	0.00	**0.00**	Apr 2017
274	Denton Court, 60 Birch Row	£205,230.62 Education contribution	(205,230.62)	0.00	205,230.62	0.00	**0.00**	Jun 2019
301	47 Homesdale Road	£53.59k Education contribution	(53,590.45)	53,590.45	0.00	0.00	**0.00**	
303	2 Betts Way	Education cont'n £83.826k	(83,825.77)	83,825.77	0.00	0.00	**0.00**	Nov 2024
334	Hayes Court, West Common Road	Education cont'n £103.827k	(103,827.44)	0.00	103,827.44	0.00	**0.00**	
296A	Land at rear of 86-94 High St Beckenham	Education contribution £182.389k	(182,389.38)	0.00	182,389.38	0.00	**0.00**	
323	Sheila Stead House (Interest to accrued)	Education contribution £168.738k	(169,965.43)	89,822.43	80,143.00	0.00	**0.00**	Jun 2025
302	Day Centre, Chipperfield Rd	Education contribution £335.511k	(335,511.48)	166,648.00	168,863.48	0.00	**0.00**	Jun 2025
321	Sunridge Park Management Centre Ltd (instalmt 1 of 2) (Interest to accrued)	Education contribution £50k	(50,233.36)	50,233.36	0.00	0.00	**0.00**	July 2022
324	1 Chilham Way	Education contribution £283.047k	(283,046.92)	0.00	283,046.92	0.00	**0.00**	Nov 2025
327	Oakfield Centre	Education contribution £211.618k	(211,617.82)	211,617.82	0.00	0.00	**0.00**	
344	The Rising Sun	Education contribution £44.36k	(44,360.00)	44,360.00	0.00	0.00	**0.00**	June 2021
333	Isard House, Glebe House Drive	Education contribution £112,881.95	(113,024.99)	0.00	113,024.99	0.00	**0.00**	Sept 2026
349 (see 367)	Summit House, Glebe Way	Education contribution £77,215.81 (1st of 2 installment)	(77,310.48)	77,310.48	0.00	0.00	**0.00**	Oct 2021
349 (see 367)	Summit House, Glebe Way (interest to be accrued)	Education contribution £77.2k (2nd of 2 installments)	(77,215.81)	77,215.81	0.00	0.00	**0.00**	Feb 2022
370	Bassetts Day Care Centre	Education contribution £773.4k	0.00	0.00	773,390.76	(773,390.76)	**0.00**	
396	4 Oaklands Road Bromley	Education contribution £14.293k	0.00	0.00	0.00	(14,293.05)	**(14,293.05)**	
	Total Education		**(2,889,857.03)**	**1,153,143.12**	**2,510,104.67**	**(787,683.81)**	**(14,293.05)**	

Public register ref	Address of application	Use of monies	Balance c/f as at 31.3.17	Expenditure	Commitments	Income received during 2017/18	Unallocated Balance as at 31.12.17	Time Limit for spend
	Highway improvement works & traffic schemes							
203	Multi-storey car park at Earls Way Orpington	£80k for bus stop enhancement	(82,251.73)	0.00	82,251.73	0.00	**0.00**	Sept 2014
	Total for Highway improvement works		**(82,251.73)**	**0.00**	**82,251.73**	**0.00**	**0.00**	
	Local Economy							
350	Orpington Police Station	Public Realm contribiution £81.513k	(72,206.93)	72,563.93	162,668.00	(163,025.00)	**0.00**	Mar 2024
351	The Walnuts	Public Realm contribution £24.5k	(24,500.00)	24,500.00	0.00	0.00	**0.00**	
368	18 Elmfield Road, Bromley	£152k for public realm contribution (50% rec'd)	0.00	0.00	76,030.75	(76,030.75)	**0.00**	7 yrs from the date of the final instalment.
	Total for Local Economy		**(96,706.93)**	**97,063.93**	**238,698.75**	**(239,055.75)**	**0.00**	
	Community Facilities							
389	Land Adj to Main Road Biggin Hill	Additional museum contribution	0.00	0.00	85,545.35	(85,545.35)	**0.00**	Jan 2022
	Total for Community Facilities		**0.00**	**0.00**	**85,545.35**	**(85,545.35)**	**0.00**	
Total S106 Capital Balance			**(7,980,082.74)**	**3,103,272.76**	**5,722,843.96**	**(1,152,284.91)**	**(306,250.93)**	
Total Section 106 Balance			**(9,731,823.74)**	**3,267,827.47**	**6,685,511.90**	**(1,363,533.91)**	**(1,142,018.28)**	

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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