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DATE: 26 January 2024

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

Councillor Simon Fawthrop (Chairman)
Councillor Robert Evans (Vice-Chairman)
Councillors Jeremy Adams, Mark Brock, David Cartwright QFSM, Kira Gabbert, Adam Jude Grant, Julie Ireland, Simon Jeal, Ruth McGregor, Tony Owen, Shaun Slator, Mark Smith, Melanie Stevens and Michael Tickner

A meeting of the Executive, Resources and Contracts Policy Development and Scrutiny Committee will be held Bromley Civic Centre, Stockwell Close, Bromley, BR1 3UH on **MONDAY 5 FEBRUARY 2024 AT 7.00 PM**

TASNIM SHAWKAT
Director of Corporate Services & Governance

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, members of the public may submit one question each on matters relating to the work of the Committee. Questions must have been received in writing 10 working days before the date of the meeting - by 5pm on Monday 22 January 2024.

Questions seeking clarification of the details of a report on the agenda may be accepted within two working days of the normal publication date of the agenda – by **5pm on Tuesday 30 January 2024.**

a **QUESTIONS FOR THE CHAIRMAN OF EXECUTIVE, RESOURCES AND CONTRACTS PDS COMMITTEE**

b **QUESTIONS FOR THE RESOURCES, COMMISSIONING AND CONTRACTS MANAGEMENT PORTFOLIO HOLDER**

4 **MINUTES OF THE EXECUTIVE, RESOURCES AND CONTRACTS PDS COMMITTEE MEETING HELD ON 16 JANUARY 2024 (EXCLUDING EXEMPT ITEMS)** (Pages 5 - 16)

5 **MATTERS OUTSTANDING AND WORK PROGRAMME** (Pages 17 - 20)

6 **FORWARD PLAN OF KEY DECISIONS** (Pages 21 - 28)

HOLDING THE RESOURCES, COMMISSIONING AND CONTRACTS PORTFOLIO HOLDER TO ACCOUNT

7 **RESOURCES, COMMISSIONING AND CONTRACTS MANAGEMENT PORTFOLIO - PRE-DECISION SCRUTINY**

Portfolio Holder decisions for pre-decision scrutiny.

a **COUNCIL TAX - SECOND HOME PREMIUM** (Pages 29 - 38)

b **CAPITAL PROGRAMME MONITORING - QUARTER 3 2023/24** (Pages 39 - 46)

c **TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2024/25 & QUARTER 3 PERFORMANCE 2023/24** (Pages 47 - 94)

HOLDING THE EXECUTIVE TO ACCOUNT

8 **SCRUTINY OF THE LEADER OF THE COUNCIL**

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 7 February 2024.

The Executive, Resources and Contracts PDS Committee will be looking at the following items on the Executive Agenda:

- Council Tax Report 2024/25
- Capital Programme Monitoring Q3 And Capital Strategy
- Operational Building Repair and Maintenance Budget 2024/25

10 **POLICY DEVELOPMENT AND OTHER ITEMS**

a **RISK MANAGEMENT** (Pages 95 - 110)

11 **INFORMATION ITEMS**

The items comprise:

- Contracts Register

Members have been provided with advance copies of the briefing via e-mail. The briefing is also available on the Council's Website at the following link:
http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=559&Year=0

Information Items will not be debated at Executive, Resources and Contracts PDS Committee unless a member of the Committee requests a discussion be held. 24 hours' notice must be given to the Clerk.

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	**EXEMPT MINUTES OF THE MEETING HELD ON 16 JANUARY 2024** (Pages 111 - 112)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
14	**PRE-DECISION SCRUTINY OF EXEMPT EXECUTIVE REPORTS (IF ANY)**	

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EXECUTIVE, RESOURCES AND CONTRACTS POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Minutes of the meeting held at 7.00 pm on 16 January 2024

Present:

Councillor Simon Fawthrop (Chairman)
Councillor Robert Evans (Vice-Chairman)
Councillors Jeremy Adams, Mark Brock,
David Cartwright QFSM, Kira Gabbert, Adam Jude Grant,
Julie Ireland, Simon Jeal, Ruth McGregor, Tony Owen,
Shaun Slator, Mark Smith, Melanie Stevens and
Michael Tickner

Also Present:

Councillor Christopher Marlow, Portfolio Holder for Resources, Commissioning and Contracts Management

Councillors

62 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for lateness were received from Councillor Shaun Slator.

63 DECLARATIONS OF INTEREST

Councillor Slator declared an interest in item 8 (Scrutiny of the Portfolio Holder for Resources, Commissioning and Contracts Management) as he would be affected by any changes to the Empty Homes Premium.

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

There were no questions.

65 MINUTES OF THE EXECUTIVE, RESOURCES AND CONTRACTS PDS COMMITTEE MEETING HELD ON 27 NOVEMBER 2023 (EXCLUDING EXEMPT ITEMS)

The minutes of the Executive, Resources and Contracts PDS Committee meeting held on 27 November 2023 (excluding exempt information), were agreed and signed as a correct record.

66 MATTERS OUTSTANDING AND WORK PROGRAMME Report CSD24007

The report dealt with the Committee's business management including matters outstanding from previous meetings and the proposed work plan for the remainder of the year.

In response to a question concerning the Biggin Hill Update, the Portfolio Holder confirmed that a huge amount of work was being undertaken with the involvement of senior officers and third-party experts. The Portfolio Holder was seeking to provide a comprehensive update to the committee when the time comes. Negotiations were ongoing, and the Chairman confirmed that when the report came back to the Committee he would ensure that there was every opportunity for residents to read the report, and if necessary the consideration of the report would be delayed to facilitate this.

RESOLVED: That the report be noted.

67 FORWARD PLAN OF KEY DECISIONS

The Committee noted the Forward Plan of Key Decisions covering the period November 2023 to February 2024. The Committee noted that the timescales set out in the Forward Plan for the Churchill Court Lettings Strategy were the latest that the report would be presented to Committee.

68 PRE-DECISION SCRUTINY OF EXECUTIVE REPORTS

The Committee considered the following reports on the Part 1 agenda for the meeting of the Executive on 17 January 2024:

(5) DRAFT BUDGET 2024/25 AND UPDATE ON THE COUNCIL'S FINANCIAL STRATEGY Report FSD24001

The report sought approval of the initial draft 2024/25 Budget including the full year effect of changes agreed as part of the 2023/24 Council Tax report and savings approved during the year with the resultant impact on the Council's medium term 'budget gap'.

A key part of the financial strategy was to highlight the budget issues that would need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to revenue spending. More details of the capital programme and the impact on the revenue budget would be reported to the next meeting of the Executive.

PDS Committees views would also be sought and reported back to the next meeting of the Executive, prior to the Executive making recommendations to Council on the 2024/25 Council Tax and Adult Social Care precept levels.

The report provided details of the Provisional Local Government Finance Settlement 2024/25 which was published on 18th December 2023 and represented a one-year settlement only. The awaited Fair Funding Review and changes relating to the devolution of business rates, which could have a significant impact on future funding, had been delayed and were unlikely to be implemented until at least 2026/27.

There were increasing challenges facing the Council as identified in the report. These included the need to address the ongoing Dedicated Schools Grant (DSG) funding deficits, the medium-term risk of depletion of reserves and the resultant impact, funding the future capital programme and progressing to the next steps for the Transformation Programme. The report provided an update on the local authority landscape and the implications on a deteriorating financial position for many local authorities. As indicated later in the report there was no significant additional new funding announced in the Autumn Statement or Provisional Local Government Finance Settlement 2024/25 to address the significant cost pressures facing the Council.

There were still outstanding issues and areas of uncertainty remaining, including various grant allocations and associated grant conditions, which could impact on the final revenue budget. Any significant changes would be reported at the meeting and further updates would be included in the 2024/25 Council Tax report to the next meeting of the Executive.

In opening the discussion, the Chairman proposed that the word “not” be inserted at the beginning of recommendation 2.1.9 which would read:

2.1.9 [That the Executive be recommended to] Not agree the proposed contribution of £247,872 to the London Boroughs Grant Committee.

The Committee, by majority, supported the proposals noting that the conditions imposed ruled out a number of the charities within the Borough from being able to apply.

A number of Members expressed concerns regarding recommendation 2.1.5 – a request to approve a one-off Transformation Fund 2024-2028 earmarked reserve of £1m to resource the next phase of the Transformation Programme to assist in delivery of significant future year savings. Members of the Committee were concerned about the lack of detail and scrutiny around use of the funds. In response the Director of Finance highlighted the duty on the Local Authority to deliver a balanced budget and the work that would be required to do this. The Director explained that these proposals were about creating the capacity to deliver the scale of the savings required and were crucial to the delivery of the required service transformation.

The Committee discussed the scale of savings that would be required and acknowledged that there would be a need to do things differently. A Member suggested that there should be a review of what could be delivered in-house with the current staffing resources. Staff should also be asked to put forward any potential areas for saving that they had been able to identify. In addition, a Member highlighted that any funds set aside should not be used to pay for external consultants where there was an adequate in-house resource to complete the work. The Chairman also suggested that consideration should be given to establishing a cross-cutting contracts management department to ensure that the Council was achieving value for money for all its contracts. The Committee agreed that more scrutiny of any expenditure was required. Consequently, it was agreed that recommendation 2.1.5 should be amended to read:

"Given the scale of financial challenges, approve a one-off Transformation Fund 2024-2028 earmarked reserve of £1m to resource the next phase of Transformation Programme to assist in delivery of significant future year savings. This will be funded from the Growth and Investment Fund earmarked reserve and the final allocation of these resources will be delegated to the Chief Executive in consultation with the Resources, Commissioning and Contract Management Resources Portfolio Holder (See Section 6.8 of the report). *Full details of any proposals should be presented to the Executive, Resources and Contracts PDS Committee for detailed scrutiny prior to any decisions relating to spend being taken."*

Councillor Jeal proposed that recommendation 2.1.6 in the report should be amended to:

"Agree to increase rent levels for London Affordable Rents and Social (Formula) Rents by 3.85% from April 2024."

The motion was seconded by Councillor Adams and following discussion around the cost of the proposals and the impact of the amendment on the viability of housing schemes, put to the vote and LOST.

Noting that as part of the Operational Property Review the Executive had approved a number of property disposals, a Member queried why it was being proposed that the budget for the team responsible for disposals stay the same when there were fewer properties to manage. The Committee questioned whether there had been a review of the current needs of the Council, and it was suggested that consideration should be given to whether there was a need for a working party to be set up to look at the Council's requirements and whether the current staffing structure met those requirements. The Director of Finance advised that the Operational Property Review included major works required to properties which was still to be undertaken and would continue to require staff resources and that any review should be considered once such works and major projects were complete.

Noting the funding set aside in respect of Audits, Councillor Tickner, in his capacity of Chairman of the Audit and Risk Committee, emphasised that this was a significant issue for the Council. Councillor Tickner reported that he had lobbied local MPs as there was no benefit to local residents arising from any increase in this expenditure.

In response to a question about the Capital Programme, the Director of Finance confirmed that there were no new capital receipts to fund projects. There would need to be a debate about the future funding of the capital programme. In respect of the possible move of the Central Library, the report, when it was presented to Committee, would need to detail funding arrangements.

The Committee emphasised the importance of the service PDS Committee thoroughly reviewing the proposed budget and giving consideration to any areas where savings could be identified. The views of the PDS Committee would be captured and reported back to the February meetings of this Committee and the Executive.

RESOLVED: That Executive be recommended to

1. **Agree the initial draft 2024/25 Budget detailed in Appendix 7 of the report.**
2. **Refer the initial draft 2024/25 Budget for each portfolio to the relevant PDS Committees for consideration.**
3. **Note the financial projections for 2025/26 to 2027/28.**
4. **Note that there are still areas of financial uncertainty which will impact on the final 2024/25 Budget.**
5. **Given the scale of financial challenges, approve a one-off Transformation Fund 2024-2028 earmarked reserve of £1m to resource the next phase of Transformation Programme to assist in delivery of significant future year savings. This will be funded from the Growth and Investment Fund earmarked reserve and the final allocation of these resources will be delegated to the Chief Executive in consultation with the Resources, Commissioning and Contract Management Resources Portfolio Holder (See Section 6.8 of the report). Full details of any proposals should be presented to the Executive, Resources and Contracts PDS Committee for detailed scrutiny.**
6. **Agree to increase rent levels for London Affordable Rents and Social (Formula) Rents by 7.7% from April 2024 as set out in Section 9.8 of the report.**
7. **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 the Schools Forum (see section 10 of the report).**
8. **Note that the Dedicated Schools Grant Deficit Recovery Plan will be reviewed and updated for future reporting to Members (see paragraph 10.18 of the report).**

9. **Not agree the proposed contribution of £247,872 in 2024/25 to the London Boroughs Grant Committee (see section 12 of the report).**

10. **Note that the outcome of consultation with PDS Committees will be reported to the next meeting of the Executive (See paragraph 15.4 of the report).**

11. **Note the outcome of the Provisional Local Government Financial Settlement 2024/25 as detailed in the report.**

12. **Note the budget gap remaining of an estimated £38.7m per annum by 2027/28 and that any decisions made for the 2024/25 Budget will have an impact on the future year projections.**

13. **Note that any final decision by Executive on recommended Council Tax and Adult Social Care Precept levels to Council will normally be undertaken at the next meeting of Executive.**

(6) OUTCOME OF OFSTED INSPECTION OF CHILDREN'S SERVICES
Report ECHS19017

On 6th November 2023, Ofsted inspectors notified the London Borough of Bromley to complete a one week ILACS inspection of children's social care services in Bromley. A team of seven inspectors reviewed the effectiveness of services for children in need of help and protection, children in care and care leavers. The inspectors also judged the impact of leaders on social work practice with children and families and evaluated the overall effectiveness of children's services in Bromley. The inspection team gave a feedback presentation on Friday 17th November 2023.

On 12th January 2024, the Ofsted inspection report was published and formally outlined the following awarded judgments:

Judgement	**Grade**
The impact of leaders on social work practice with children and families	**Outstanding**
The experiences and progress of children who need help and protection	**Outstanding**
The experiences and progress of children in care	**Outstanding**
The experiences and progress of Care Leavers	**Outstanding**
Overall effectiveness	**Outstanding**

The report to Executive provided Members with:

- A summary of the key feedback for each judgment area and any identified areas for improvement
- The next steps for the completion of an improvement plan to addressed the recommendations identified in the report

Councillor Gabbert, in her capacity of Chairman of the Children, Education and Families PDS Committee, offered heartfelt congratulations to everyone involved in the outcome of the Ofsted Inspection. The Committee extended its gratitude to the Council's Senior Leadership Team, the Portfolio Holder for Children, Education and Families and all the officers across the Council who had been involved in the inspection process. Councillor Gabbert recognised the extra-ordinary journey that the service had been on since 2016 and expressed pride in what had been achieved and all the people that had made it happen. The comments were unanimously endorsed by all Members of the Committee, and it was recognised that the challenge was now to maintain the outstanding services provided to children in the Borough.

The Executive were asked to note the congratulations, pride and gratitude of the Committee.

RESOLVED: That the Executive be recommended to note the findings of the Ofsted report and the outlined plan to address the recommendation identified in the report.

(7) ACADEMY INFORMATION SYSTEM AND ASPIEN CORPORATE DEBT MANAGEMENT SYSTEM SOFTWARE LICENCE AND MAINTENANCE ARRANGEMENTS
Report FSD24006

In July 2018, officers recommended to the Executive that the future provider of the Exchequer Service should undertake a health check of several IT systems used to deliver the service. The Executive noted that due to the complexities of a number of the systems and the need to provide sufficient time to migrate high risk data, these health checks should be carried out within 12 months of the contract start date to confirm the value for money options going forward.

The Exchequer Services Contract commenced on 1st April 2020; however, the review of the Academy Information System (now known as Capita One Revenues & Benefits) and the Aspien Corporate Debt Management System were significantly delayed due to the impact of the pandemic.

Quotes for completing a full review of the Academy Information System were requested from our IT contractors, BT and from Liberata. Unfortunately, there were delays with obtaining the quotes and the delivery of the report, which was eventually delivered at the end of September 2023.

The report from Liberata recommended migrating to the NEC Revenues & Benefits system with transition costs of £1.52 million and annual costs of £259k on the basis that the NEC system offers greater automation which will improve collection and processing performance, however the indication from colleagues in the London Revenues Group (LRG) was that there was very little difference between the two systems.

Discussions with Liberata regarding the contents of the system review were ongoing and were likely to be completed within the next few months. The Department was also exploring the greater use of automation available within the Academy system.

The Aspien Corporate Debt Management System was used by the Council's contractors Liberata in conjunction with the Council's financial system Oracle Fusion to bill and collect in the region of £60 million each year and the authorisation for extension of the agreement was due to expire in January 2024.

The Council changed its financial system from Oracle R12 to Oracle Fusion in April 2022. The review of the debt recovery module, Advance Collections had commenced however it had not been possible to complete this due to the bedding in of Oracle Fusion. It had been estimated that the review would be completed within the next 12 months and if the outcome of the review was that Advance collections should be implemented a further 18 months would be required.

The report sought authorisation to renew the licence agreements for both the Academy System and the Aspien Corporate Debt Management System beyond 2024. The cumulative value of these extensions made this an Executive decision.

RESOLVED: That Executive be recommended to

1. **Approve the renewal of the agreement for the Academy Information system until 31st March 2027 at an estimated annual cost of £182k; £546k over 3 years.**

2. **Approve the renewal of the agreement for Aspien Corporate Debt Management System until 31st January 2027 at an annual cost of £9.9k; £30k over 3 years.**

69 SCRUTINY OF THE PORTFOLIO HOLDER FOR RESOURCES, COMMISSIONING AND CONTRACTS MANAGEMENT

The Portfolio Holder for Resources, Commissioning and Contracts Management, Councillor Christopher Marlow, attended the meeting to respond to questions from the Committee. Councillor Marlow had previously circulated a written update to the Committee outlining activity across the Portfolio. The Portfolio Holder then responded to questions, making the following comments:

- There would not be a large number of furnished empty properties that would be liable if a Second Home Council Tax Premium were to be introduced. However, long-term empty properties did generate a

significant economic cost for the Borough. There would need to be adequate notification of the introduction of such a scheme.
- Changes to the Biggin Hill Airport Consultative Committee had been proposed over a year ago and had not been progressed. Regrettably, the Portfolio Holder did not see any other route for adding more councillor representation to the Consultative Committee.
- It was going to become increasingly challenging to balance the budget and provide statutory services. Whilst the PDS Committees were strongly encouraged to forensically review their department budgets and review non-statutory services and non-value adding activities to see where savings could be made, the Council needed to ensure that it was not fined for failure to meet obligations.
- The financial challenges facing the Council were significant and all PDS Chairman were asked to review all opportunities for savings to be brought forward.
- The opportunities for Local Authorities to raise revenue were limited and as a result all those which were available would need to be considered and utilised where possible.

The Committee thanked the Portfolio Holder for his update.

70 RESOURCES, COMMISSIONING AND CONTRACTS MANAGEMENT PORTFOLIO - PRE-DECISION SCRUTINY

The Committee considered the following report(s) where the Resources, Contracts and Commissioning Portfolio Holder was recommended to take a decision.

A REVENUES SERVICE MONITORING REPORT Report FSD24003

The report provided information regarding the performance of the Revenues Services provided by Liberata for the period 1 April to 30 November 2023. A letter from Bola Odunsi, Liberata’s Regional Director (London and the Southeast), provided an update on each of the individual services and was attached at Appendix 1 of the report with statistical data relating to the Revenues Service attached at Appendix 2.

In response to a question, the representative from Liberata confirmed that where mistakes occurred they were reviewed and lessons learnt with the aim of ensuring that mistakes were not repeated. A Member suggested that it would be helpful for the next report to have a short update covering mistakes that had been made and what had been done to correct the mistakes.

In response to a question about the drop in the rates of collection in respect of Nightly Paid Accommodation Charges, the Liberata representative confirmed that there was little expectation that things would improve in the short term as household budgets were finely balanced and households were having to prioritise their expenditure.

Concerning the reference to “propensity to pay”, representatives from Liberata explained that the tool analysed customers’ ability to pay and would allow the service to initially focus resources to enable a higher return. The tool would also enable the right intervention or solution at the right time.

RESOLVED: That the Portfolio Holder be recommended to agree a temporary revision to the Council Tax Arrears Incentive Scheme for years 2024/25 and 2025/26 with a review at the beginning of 2026/27. The details of the proposal are set out in the accompanying Part 2 Appendix.

71 POLICY DEVELOPMENT AND OTHER ITEMS

A BENEFITS SERVICE MONITORING REPORT Report FSD24004

The report provided information regarding the performance of the Benefits Service provided by Liberata for the period 1 April to 30 November 2023. A letter from Bola Odunsi Liberata’s Regional Contract Director (London and Southeast) was attached as Appendix 1 to the report. This communication provided Liberata’s perspective of performance, together with an update on initiatives to be introduced in the coming months.

In response to a question the Revenues and Benefits Manager confirmed that the decision to reduce Council Tax Support had had a detrimental effect on the collection rates for those customers. People were struggling and there were more claims to the discretionary hardship fund.

In relation to the processing of change of circumstances, the Committee sought assurances that a plan was in place to ensure the target was met. It was agreed that this element should be brought back to the Committee by the Revenues and Benefits Manager if there was no progress in meeting the target. Representatives from Liberata confirmed that this was an ongoing issue however following recruitment, performance had improved in December and there was confidence that the target would be met by the end of the year.

RESOLVED: That the report be noted.

B EXCHEQUER SERVICE CONTRACT PERFORMANCE REPORT Report FSD24005

The report provided information regarding Liberata’s performance in the provision of Exchequer Services for the period 1st April 2023 to 30th September 2023 with an updated position as at 30th November 2023. A letter from Bola Odunsi, Liberata’s Regional Contract Director, provided an update on each individual service and was attached at Appendix 1 of the report with statistical data relating to the services shown in subsequent appendices.

The Chairman suggested that, where possible, there should be a provision within contracts regarding interest payable on late payments.

A Member suggested that the impact of the cost-of-living crisis was a further risk that should be born in mind as this would affect peoples' ability to pay. It was noted that the increase in debts written off was attributed to the impact of Covid and the cost-of-living crisis. There was more work going into debt recovery but rates remained low.

RESOLVED: That the report be noted.

C CUSTOMER SERVICES CONTRACT MONITORING REPORT Report CSD24006

This report provided information on the performance of the Customer Service Contract provided by Liberata for the period 1st May 2023 to 30th November 2023. A letter from Bola Odunsi Regional Director (London & The Southeast) for Liberata, provided his update on each individual element and was attached at Appendix 1 of the report.

In response to a question concerning the reduction in performance around Blue Badges and Freedom Passes, representatives from Liberata explained that a member of staff had left and there had been delays with automation. In response, an additional person had been recruited and performance was back on track.

Concerning whether anything could be done to incentivise people to respond to the customer satisfaction survey, the Committee heard that Liberata were looking to use voicebot functionality to encourage customers to provide feedback and it was hoped that this would encourage people to respond.

In relation to the move to Churchill Court, Liberata were working with colleagues in the Council to develop a customer journey and a communications plan. The two reception areas would be amalgamated, and it was anticipated that everything would be in place by September 2024. There would also be a review of whether statistics relating to the self-service terminals could be included in future reports.

A Member suggested that there needed to be some joint working to collect measures and data around whether customers actually received the help they needed. It was noted that measures around whether the original issue was resolved at the first contact would be included in future reports. The Chairman suggested that it might be helpful if the Committee could be provided with statistics concerning the number of call transfer dropouts.

The Committee noted that the KPIs for call responses had evolved over time, and historically some had been reduced in order to deliver efficiency savings. The Assistant Director agreed to provide specific details following the meeting.

In respect of statistics relating to the out-of-hours service and trends in the number of calls received the Committee were advised that these areas would require further investigation and analysis.

RESOLVED: That the report be noted.

72 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

73 PRE-DECISION SCRUTINY OF EXEMPT RESOURCES, COMMISSIONING AND CONTRACTS PORTFOLIO HOLDER REPORTS

The Committee considered the following reports on the Part 2 agenda where the Resources, Contracts and Commissioning Portfolio Holder was recommended to take a decision.

A REVENUES SERVICE MONITORING REPORT PART 2 APPENDIX

The Committee noted and discussed the Part 2 information.

The Meeting ended at 9.59 pm

Chairman

Report No.
CSD24017

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE, RESOURCES AND CONTRACTS POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**Monday 5th February 2024**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**MATTERS OUTSTANDING AND WORK PROGRAMME**
Contact Officer:	Philippa Gibbs, Democratic Services Officer Tel: 020 8461 7638 E-mail: Philippa.Gibbs@bromley.gov.uk
Chief Officer:	Director of Corporate Services and Governance
Ward:	All Wards

1. Reason for decision/report and options

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

- Monitoring progress against actions arising from previous meetings; and
- Developing the 2023/24 Forward Work Programme.

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2. RECOMMENDATION(S)

That PDS Committee reviews and comments on:

1. Progress on matters arising from previous meetings; and

2. The 2023/24 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

Transformation Policy

1. Policy Status: Not Applicable:
2. Making Bromley Even Better Priority (delete as appropriate): Not Applicable:

Financial

1. Cost of proposal: Not Applicable:
2. Ongoing costs: Not Applicable:
3. Budget head/performance centre: Democratic Services
4. Total current budget for this head: £366k
5. Source of funding: Revenue Budget

Personnel

1. Number of staff (current and additional): 6
2. If from existing staff resources, number of staff hours:

Legal

1. Legal Requirement: None:
2. Call-in: Not Applicable: Non-Executive reports are not subject to call-in

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Procurement

1. Summary of Procurement Implications: Not Applicable

Property

1. Summary of Property Implications: Not Applicable

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: Not Applicable

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Customer Impact

1. Estimated number of users or customers (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

3. COMMENTARY

Matters Outstanding from Previous Meetings

3.1. There are no matters outstanding from previous meetings.

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. ERC 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 1** sets out the ERC PDS Committee Work Programme for 2023/24, 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. Other reports will be added to the 2023/24 Work Programme as items arise. In addition, there may also be references from other committees, the Resources, Contracts and Commissioning Portfolio Holder, or the Executive.

Sub-Committees and Working Groups

3.5 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.

Non-Applicable Headings:	Impact on Vulnerable Adults and Children, Transformation/Policy Implications, Financial Implications, Personnel Implications, Legal Implications, Procurement Implications, Property Implications, Carbon Reduction/Social Value Implications, Customer Impact, Ward Councillor Views
Background Documents: (Access via Contact Officer)	Minutes of previous meetings

EXECUTIVE, RESOURCES & CONTRACTS PDS COMMITTEE
WORK PROGRAMME 2023/24

Meeting Date: 25 March 2024	Division	Committee Role
Matters Arising/Work Programme/Forward Plan	Democratic Services	Standard Items
Executive Agenda	Various	Pre-decision scrutiny
Post-Completion Review of Oracle Fusion Implementation	Finance.	PDS Committee.
Scrutiny of the Chief Executive (including short written summary)	N/A	PDS Committee
Councillor Emails and Data Protection	IT/Legal/Information Management	PDS Committee
Annual PDS Report 2022/23	Democratic Services	PDS Committee

*Part 2 (Exempt) Report

LONDON BOROUGH OF BROMLEY

FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS PUBLISHED ON: 9 JANUARY 2024 (DRAFT)

PERIOD COVERED: January 2024 - April 2024

DATE FOR PUBLISHING NEXT FORWARD PLAN OF KEY AND PRIVATE EXECUTIVE DECISIONS: 27 February 2024

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 2025/26	Council	February 2025 Executive, PDS Committees, business community & local residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Meeting in public	Report and relevant background documents
REVENUE BUDGET 2025/26	Council	February 2025 Executive, PDS Committees, business community and local residents	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Meeting in public	Report and relevant background documents
CAPITAL STRATEGY 2025 TO 2029	Council	February 2025 Executive, PDS Committees and key stakeholders	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Meetings in public	Reports 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?
TREASURY MANAGEMENT STRATEGY 2025/26	Council	February 2025 Executive, Resources and Contracts PDS Committee	Meetings	Contact Officer: Peter Turner Tel: 020 8313 4668 peter.turner@bromley.gov.uk	Meeting in public	Reports and relevant background documents
EXECUTIVE						
ADOPTION OF LEISURE STRATEGY	Executive	07 February 2024 Renewal, Recreation and Housing PDS Committee	Meetings	Contact Officer: Alicia Egan Tel: 020 8313 4559 Alicia.Egan@bromley.gov.uk	Meeting in public	Report and relevant background documents
FACILITIES MANAGEMENT REPAIR & MAINTENANCE BUDGET	Executive	07 February 2024 Executive, Resources and Contracts PDS Committee	Meetings	Contact Officer: Michael Jarman michael.jarman@bromley.gov.uk	Meeting in public	Report and relevant background documents
ASTLEY CENTRE	Executive	07 February 2024 Adult Care and Health PDS Committee	Meetings	Contact Officer: Christian Markandu christian.markandu@bromley.gov.uk	Meeting in public	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?
HOUSING ALLOCATION SCHEME AND CHOICE BASED LETTINGS POLICY	Executive	07 February 2024 Renewal, Recreation and Housing PDS Committee	Meetings	Contact Officer: Lynnette Chamielec Tel: 020 8313 4009 Lynnette.Chamielec@bromley.gov.uk	Meeting in public	report and relevant background documents
HOUSING REVENUE ACCOUNT POLICIES - (APPROVAL TO ADOPT TENANCY MANAGEMENT POLICY AND TENANCY MANAGEMENT STRATEGY)	Executive	07 February 2024 Renewal, Recreation & Housing PDS Committee	Meetings	Contact Officer: Michelle Bowler Tel: 020 8313 4014 Michelle.Bowler@bromley.gov.uk	Meeting in public	Report and relevant background documents
HOUSING MANAGEMENT CONTRACT (AWARD REPORT)	Executive	07 February 2024 Renewal, Recreation & Housing PDS Committee	Meetings	Contact Officer: Michelle Bowler Tel: 020 8313 4014 Michelle.Bowler@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings	Report and relevant background documents
BIGGIN HILL UPDATE	Executive	27 March 2024 Executive Resources and Contracts PDS Committee	Meetings	Contact Officer: James George james.george@bromley.gov.uk	Meeting in Public	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?
OLDER PEOPLE'S BLOCK BEDS	Executive	27 March 2024 Adult Care and Health PDS Committee	Meetings	Contact Officer: Sean Rafferty sean.rafferty@bromley.gov.uk	Meeting in public	Report and relevant background documents
CRM REPLACEMENT CAPITAL PROJECT - WEBSITE REDESIGN UPDATE REPORT	Executive	27 March 2024 Executive, Resources and Contracts PDS Committee	Meetings	Contact Officer: Duncan Bridgewater Tel: 0208 461 7676 Duncan.Bridgewater@bromley.gov.uk	Meeting in public	Report and relevant background documents
CONTRACT AWARD - ADULT MENTAL HEALTH RECOVERY AND REHABILITATION SUPPORT @ HOME SERVICE	Executive	27 March 2024 Adult Care and Health PDS Committee	Meetings	Contact Officer: Kelly Sylvester Tel: 020 8461 7653 kelly.sylvester@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background papers
AWARD OF CONTRACT - CAPITAL WORKS AT RED HILL PRIMARY SCHOOL	Executive	27 March 2024 Children, Education & Families PDS Committee	Meetings	Contact Officer: Robert Bollen Tel: 020 8313 4697 Robert.Bollen@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
OPR AWARD OF CONTRACTS FOR MULTIDISCIPLINARY SERVICES	Executive	27 March 2024 Executive, Resources and Contracts PDS Committee	Meetings	Contact Officer: Graham Soars Graham.Soars@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents
PROPOSED NEW BROMLEY HEALTH AND WELLBEING CENTRE - PROJECT UPDATE AND CONSTRUCTION CONTRACT AWARD	Executive	May 2024 Executive, Resources and Contracts PDS Committee	Meetings	Contact Officer: Simon Goodburn Simon.Goodburn@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents
CHURCHILL COURT - LETTING STRATEGY	Executive	Between 01 May 2024 and 31 May 2024 Executive Resources and Contracts PDS Committee	Meetings	Contact Officer: Darren Essex darren.essex@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents

WHAT IS BEING DECIDED?	WHO IS THE DECISION MAKER?	WHEN WILL THE DECISION BE MADE AND WHO WILL BE CONSULTED BEFORE THE DECISION IS MADE?	HOW WILL THE CONSULTATION TAKE PLACE?	HOW CAN YOU MAKE COMMENTS ON THE DECISION BEFORE IT IS MADE?	WILL THIS ITEM BE CONSIDERED IN PUBLIC OR IN PRIVATE?	WHAT SUPPORT DOCUMENTS AND OTHER INFORMATION WILL BE AVAILABLE?
TRANSPORT GATEWAY REPORT	Executive	June 2024 Adult Care and Health PDS Committee and Children, Education and Families PDS Committee	Meetings	Contact Officer: Maya Vadgama Tel: 0208 313 4740 Maya.Vadgama@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents
DEPOT IMPROVEMENT WORKS UPDATE	Executive	July 2024 Environment and Community Services PDS Committee	Meetings	Contact Officer: Peter McCready Tel: 020 8313 4942 peter.mccready@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents
0-19 CONTRACT WITH BROMLEY HEALTHCARE	Director of Public Health	Between 01 September 2024 and 30 November 2024 Adult Care and Health PDS Committee	Meetings	Contact Officer: Dr Jenny Selway Tel: 0208 313 4769 jenny.selway@bromley.gov.uk	Report is expected to be considered in the public part of the meetings with exempt material considered during confidential proceedings.	Report and relevant background documents
ADULT CARE & HEALTH PORTFOLIO						
CHILDREN, EDUCATION & FAMILIES PORTFOLIO						
ENVIRONMENT						

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?
PUBLIC PROTECTION & ENFORCEMENT PORTFOLIO						
RENEWAL, RECREATION & HOUSING PORTFOLIO						
RESOURCES, COMMISSIONING & CONTRACT MANAGEMENT PORTFOLIO						
TRANSPORT, HIGHWAYS AND OPEN SPACES						

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

Contact Officer: Philippa Gibbs, Chief Executive's Department: 020 8461 7638, philippa.gibbs@bromley.gov.uk

Report No.
FSD24013

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**PORTFOLIO HOLDER FOR RESOURCES, COMMISSIONING AND CONTRACT MANAGEMENT**
Date:	**Monday 5 February 2024**
Decision Type:	Non-Urgent Non-Executive Key
Title:	**COUNCIL TAX – SECOND HOME PREMIUM**
Contact Officer:	Jayne Carpenter, Revenues and Benefits Manager Tel: 020 8461 7996 E-mail: Jayne.Carpenter@bromley.gov.uk
Chief Officer:	Peter Turner, Director of Finance
Ward:	(All Wards);

1. Reason for report

1.1 Proposal that a public consultation exercise is undertaken in which it is recommended that a Second Home Premium is introduced from April 2025.

2. RECOMMENDATION(S)

The PDS is requested to:

- **consider the introduction of a Second Home Premium and the Equality Impact Assessment at Appendix 1**

The Portfolio Holder is asked to:

- **approve that a public consultation exercise is undertaken recommending that a 100% Second Home Premium is introduced from 1 April 2025.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: The Revenues Service impacts on all residents in the Authority including vulnerable adults/and those with children.

Corporate Policy

1. Policy Status: New Policy
2. Making Bromley Even Better Priority

(5) To manage our resources well, providing value for money, and efficient and effective for Bromley's residents

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Financial

1. Cost of proposal: Estimated £8500 for one off consultation and set up costs
2. Ongoing costs: should the proposal be approved following consultation, approximate net additional income of £398k could be generated. This is dependant of the number of properties recorded as second homes for Council Tax.
3. Budget head/performance centre: Exchequer - Revenues
4. Total current budget for this head: £3.9m
5. Source of funding: Existing Revenue Budget for 2024/25

Personnel

1. Number of staff (current and additional): 3 plus Liberata staff
2. If from existing staff resources, number of staff hours: From existing Revenue budget for 2024/25

Legal

1. Legal Requirement:
   Local Government Finance Act 1992
   The Council Tax (Administration and Enforcement) Regulations 1992
   The Local Government Finance Act 2012
   Rating Law and Practice; England and Wales
   The Levelling up and Regeneration Act 2013.
2. Call-in: Not applicable

Procurement

1. Summary of Procurement Implications: The Revenues Service forms part of the Exchequer Services contract

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Property

1. Summary of Property implications: Not applicable

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability implications: Not applicable

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Impact on the Local Economy

1. Summary of Local Economy implications: Not applicable

Impact on the Health and Wellbeing

1. Summary of Health and Wellbeing implications: Not applicable

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Customer Impact

1. Summary of Health and Wellbeing implications: The Second Home Premium effects 362 properties.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

3.1 Background

Section 80 (2) of the Levelling Up and Regeneration Act 2023 (that received Royal Assent on 26 October 2023) inserted Section 11C into the Local Government Finance Act 1992 which permits Councils to apply a discretionary Council Tax premium of up to 100% on periodically occupied properties (Second Homes) from 1 April 2025.

The aim of the premium is to encourage owners to bring these properties back into permanent use and increase the availability of homes.

3.2 Definition of a Second Home

A property is defined as a Second Home when it does not have a permanent occupant(s) and is substantially furnished. These are properties that are occupied periodically and are not considered sole or main homes.

3.3 The number of properties affected by the introduction of a Second Home Premium

At the 31 December 2023 there were 362 properties recorded as Second Homes and the “band” split is shown below:

Council Tax Band	A	B	C	D	E	F	G	H	Total
Number of properties recorded	12	36	91	94	64	36	21	8	**362**

3.4 Exemption

The only exemption from this premium relates to properties classified as a second home because the occupant has been required by an employer to move elsewhere for job related purposes. For example, a member of the armed services who is required to move into Ministry of Defence accommodation in Great Britain as part of their posting.

3.5 Grace period

It is proposed that a 3 month grace period from the Second Home premium will apply to any person or company that is liable for Council Tax on a residential property that has been left substantially furnished and vacant.

The grace period will apply when:

- a residential property is left furnished but vacant for a period of 3 months or less – no premium will be applied.
- a residential property is left furnished but vacant for period over 3 months - no premium will apply for the first 3 months, but will be applied from month 4.

For example, if a resident has to temporarily leave their home to care for a relative who lives in another part of the country or abroad for 2 months, they would not be liable for the premium. A landlord who has a break between tenants but only for a maximum of 3 months would also not be liable for the premium.

For operational purposes the premium will automatically be applied, and that the persons or companies responsible for paying Council Tax will be required to apply for a grace period if eligible.

3.6 Consultation

It is being proposed that a 4-week public consultation exercise is undertaken recommending that a 100% Second Home Premium is introduced from April 2025.

4 IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 Attached as Appendix 1 is the Equality Impact Assessment (EIA). The assessment did not identify any impact on groups with protected characteristics.

5 FINANCIAL IMPLICATIONS

5.1 The table below shows the projected additional income that may be available should the level of the premium be introduced. These figures are based on the number of second homes at the 31 December 2023 and Band "D" Council Tax levels for 2023/24 with a 15% reduction to reflect the potential change in use.

	£'000	**£'000**
Potential additional Council Tax raised through the increase in the Premium	667	
Less 15% assumed reduction in Second Homes	-100	
Total potential additional income	557	
Less GLA estimated proportion of 20.8%	-117	
Potential Additional net income for LBB		450
Less additional collection costs		-52
Net additional potential income for LBB		**398**

5.2 The estimated additional collection cost of 52k is based on a full-time equivalent member of staff covering the tasks of billing, recovery, visiting and customer services. The costs also cover printing, postage, traveling, tribunal appearances and legal costs.

5.3 These figures might be significantly reduced by properties going back into permanent occupation. An assumption has been made that the number of second homes may reduce and corresponding income will fall by 15%.

5.4 The one-off set up and consultation costs of approximately £8500 will be met from existing revenue budgets.

6. TRANSFORMATION/POLICY IMPLICATIONS

One of the “Making Bromley Even Better” ambitions is to manage our resources well, providing value for money, efficient and effective services for Bromley’s residents.

7. LEGAL IMPLICATIONS

7.1 Section 80 (2) of the Levelling Up and Regeneration Act 2023 inserted Section 11C into the Local Government Finance Act 1992 which permits Councils to apply a discretionary Council Tax premium of up to 100% on periodically occupied properties (Second Homes) from 1 April 2025.

The Act requires Local Authorities to give at least one year’s notice of its intention to levy a Second Home premium.

7.2 There is no statutory duty to consult on the Second Home Premium however to do so represents best practice. Having consulted then the Council must have regard to the consultation outcome although it is not bound by it.

8. CUSTOMER IMPACT

8.1 The Second Home Premium currently impacts on 362 properties.

Non-Applicable Sections:	Personnel, Procurement, Property, Impact on the Economy, Impact of Health and Wellbeing and Ward Councillors views
Background Documents: (Access via Contact Officer)	

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Equality Impact Assessment – Introduction of Council Tax - Second Home Premium   Appendix 1

<u>Name and job title of completing officer</u>

Jayne Carpenter, Revenues and Benefits Manager

1. **Summary of Proposal, impact on groups with protected characteristics and mitigating actions**

a) What is your proposal? To introduce a Council Tax Second Home premium from the financial year 2025/26. A premium of 100% will be added to properties that are recorded as a second homes. A second home is defined as a property that is occupied periodically and is substantially furnished. Initial calculations suggest that 362 properties would be impacted by the introduction of the premium.
b) Impact on groups with protected characteristics and mitigating actions None identified
c) **Summarise any potential negative impact(s) identified and mitigating actions** N/A

Equality Impact Assessment – Introduction of Council Tax - Second Home Premium Appendix 1

2. Assessing impact

You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to borough profile data, equalities data, service user information, consultation responses and any other relevant data/evidence to help you asses and explain what impact (if any) your proposal(s) will have on each group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.	What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major) or no impact

Protected characteristics	For each protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.	Positive impact	Minor impact	Major impact	No Impact
Age	This proposal is only affecting second home owners. Council Tax is only payable by persons over the age of 18. Age is not held on the Council Tax records unless noted as an indicator of vulnerability. This policy is not dependent a Council Tax payers age.				✓
Disability	This proposal is only affecting second home owners not on a Council Tax payers' disability. A customer's disability will only be held on the Council Tax records if they are: a) claiming a disabled band reduction which is only applicable on occupied properties defined as their main residence b) claiming a discount as a carer of someone else in the property which is only applicable on occupied properties defined as their main residence c) Claiming a discount as severely mentally impaired which is only applicable on occupied properties defined as their main residence.				✓
Gender assignment	This proposal is only affecting second home owners not on a Council Tax payers gender reassignment. This information is not held on the Council Tax records				✓

Equality Impact Assessment – Introduction of Council Tax - Second Home Premium Appendix 1

Marriage and civil partnership	This proposal is only affecting second home owners. Whilst a Council Tax payers title may be held on our records, this policy is not dependent a Council Tax payers marital or civil partnership status.				✓
Pregnancy and maternity	This proposal is only affecting second home owners and not on a Council Tax payers' pregnancy or maternity status. This information is not held on the Council Tax records unless it has been noted as indicator of vulnerability.				✓
Race/Ethnicity	This proposal is only affecting second home owners and not a Council Tax payers' race/ethnicity. This information is not held on the Council Tax records.				✓
Religion or belief	This proposal is only affecting owners of second homes not on a Council Tax payers' religion or belief. This information is not held on the Council Tax records.				✓
Sex	This proposal is only affecting second home owners and is not dependant not on the sex of the Council Tax payer.				✓
Sexual Orientation	This proposal is only affecting owners of second homes not on a Council Tax payers' sexual orientation. This information is not held on the Council Tax records.				✓

3. Actions to mitigate/remove negative impact

Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics.

In the table below, please state what these potential negative impact(s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for each group identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation	What action(s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer

Signed: Jayne Carpenter, Revenue and Benefits Manager
Date: 22 January 2024

Report No.
FSD24012

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**PORTFOLIO HOLDER FOR RESOURCES, COMMISSIONING AND CONTRACT MANAGEMENT**
Date:	**For pre-decision scrutiny by the Executive, Resources and Contracts Policy Development and Scrutiny Committee on 5th February 2024**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**CAPITAL PROGRAMME MONITORING - QUARTER 3 2023/24**
Contact Officer:	James Mullender, Head of Corporate Finance & Accounting Tel: 020 8313 4196 E-mail: james.mullender@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	All

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1. Reason for report

At its meeting on 7th February 2024, the Executive will receive a report summarising the current position on capital expenditure and receipts following the third quarter of 2023/24 and be asked to agree a revised capital programme for the five-year period 2023/24 to 2027/28. This report highlights changes to be considered by the Executive in respect of the capital programme for the Resources, Commissioning and Contract Management portfolio. The revised programme for this portfolio is set out in Appendix A and detailed comments on individual schemes are shown in Appendix B.

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2. RECOMMENDATIONS

The Portfolio Holder is asked to note and acknowledge the changes to be considered by the Executive on 7th February 2024.

Impact on Vulnerable Adults and Children:

1. Summary of Impact:

Corporate Policy

1. Policy Status: Existing Policy: capital programme monitoring is part of the planning and review process for all services. Capital schemes help to maintain and improve the quality of life in the borough. Effective asset management planning (AMP) is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. For each of our portfolios and service priorities, we review our main aims and outcomes through the AMP process and identify those that require the use of capital assets. Our primary concern is to ensure that capital investment provides value for money and matches the Council's overall priorities as set out in the Community Plan and in "Making Bromley Even Better". The capital review process requires Council Directors to ensure that bids for capital investment provide value for money and match Council plans and priorities.
2. Making Bromley Even Better Priority: To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

Financial

1. Ongoing costs: Not Applicable
2. Budget head/performance centre: Capital Programme
3. Total current budget for this head: £84,303k for the Resources, Commissioning and Contract Management portfolio over the four years 2023/24 to 2027/28
4. Source of funding: Capital grants, capital receipts and earmarked revenue contributions

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Personnel

1. Number of staff (current and additional): 1fte
2. If from existing staff resources, number of staff hours: 36 hours per week

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Legal

1. Legal Requirement: Non-Statutory - Government Guidance
2. Call-in: Applicable

Procurement:

1. Summary of Procurement Implications:

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors' comments: N/A

3. COMMENTARY

Capital monitoring – variations to be considered by the Executive on 7th February 2024

3.1 A revised capital programme will be considered by the Executive at its meeting on 7th February 2024, following a detailed monitoring exercise carried out after the third quarter of 2023/24. The base position is the programme approved by the Executive on 18th January 2023. All changes to schemes in the Resources, Commissioning and Contract Management portfolio programme are itemised in the table below and further details are included in paragraphs 3.2 to 3.5. The revised programme for the Resources, Commissioning and Contract Management portfolio is attached as Appendix A, whilst Appendix B shows actual spend against budget as at the third quarter of 2023/24, together with detailed comments on individual scheme progress.

3.2 If all the changes proposed in this report are approved, the total capital programme 2023/24 to 2027/28 would increase by £800k.

	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Programme approved by Executive 18/01/23	54,313	19,607	25,864	1,500	0	101,284
Net underspend 22/23 rephased to 23/24	32,686					32,686
Net changes agreed in Q1 monitoring	Cr 31,544	Cr 8,921	Cr 13,702			Cr 54,167
Net changes agreed in Q2 monitoring	Cr 13,320	12,768	252	4,000		3,700
Approved programme prior to Q3 monitoring	**42,135**	**23,454**	**12,414**	**5,500**	**0**	**83,503**
Net rephasing from 23/24 to future years (p. 3.4)	Cr 12,821	11,998	823			0
Reduction in Financial Systems Replacement scheme	Cr 200					Cr 200
S/T - changes not requiring Executive approval	**Cr 13,021**	**11,998**	**823**	**0**	**0**	**Cr 200**
Public Switched Telephone Network (PSTN) Switch Off		1,000				1,000
S/T - changes requiring Executive approval	**0**	**1,000**	**0**	**0**	**0**	**1,000**
Revised RCCM capital programme	**29,114**	**36,452**	**13,237**	**5,500**	**0**	**84,303**

3.3 Variations not requiring the approval of Executive (decrease of £200k)

Reduction in Financial Systems Replacement Scheme (decrease of £200k)

As part of the third quarter monitoring exercise, a review identified that the Financial Systems Replacement schemes could be reduced by £200k based on revised estimates of total scheme expenditure.

3.4 Scheme re-phasing

As part of the Q3 monitoring exercise, a total of £12,821k has been re-phased from 2023/24 into future years to reflect revised estimates of when expenditure will be incurred. Re-phasings are itemised in the table below and comments on scheme progress are provided in Appendix B.

	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Churchill Theatre	Cr 4,498	4,498			0	0
Churchill Court	Cr 8,000	8,000				0

Financial Systems Replacement	Cr 250	250				0
Emergency Works on Surplus Sites	Cr 47	47				0
Property Disposal/Feasibility Work	Cr 26	26				0
OPR Surface Car Parks		Cr 823	823			0
Total for Portfolio	**Cr 12,821**	**11,998**	**823**	**0**	**0**	**0**

3.5 Variations requiring the approval of the Executive (£1,000k increase)

Public Switched Telephone Network (PSTN) Switch Off (£1,000k increase)

3.5.1 The Public Switched Telephone Network (PSTN) is scheduled to be switched off on 31st December 2025. This means that all traditional landline connection will be replaced with Voice over Internet Protocol (VoIP). The PSTN lines are used to deliver various services i.e. Emergency Lines, old telephone lines, emergency lines in Lifts, TeleCare Service Lines etc. The PSTN is the analogue copper cable telephone network that has been in use since 1876. As well as landline services, the PSTN also provides standard ADSL and fibre-to-the-cabinet (FTTC) broadband services via fibre optic cables.

3.5.2 The replacement, VoIP, is entirely digital and uses an internet connection to transmit voice calls and data. It’s the same technology that is used for messaging and video call services like Skype, Teams and WhatsApp.

3.5.3 This change impacts everyone in the UK, both home and business customers. The capital estimate of £1m will cover the cost of investigation of all PSTN lines that are used for the service delivered by the Council as well as the lines used by the services and support our residents. The estimate also includes the cost of resources for procurement, implementation, change management and support the program to change the technology to the supported services.

3.6 Post-completion reports

Under approved capital programme procedures, capital schemes should be subject to a post-completion review within one year of completion. These reviews should compare actual expenditure against budget and evaluate the achievement of the scheme’s non-financial objectives. Post-completion reports on the following schemes are currently due for the Resources, Commissioning and Contract Management portfolio:

- Upgrade of Core Network Hardware
- Replacement of Storage Area Network
- Rollout of Windows 7 and Office 2000
- Replacement of MD110 Telephone Switch
- Windows Server 2003 Replacement Programme
- Review of Corporate Customer Services I.T Systems
- Upgrade of MS Dynamics CRM System

4. POLICY IMPLICATIONS

4.1 Capital programme monitoring and review is part of the planning and review process for all services. The capital review process requires Chief Officers to ensure that bids for capital investment provide value for money and match Council plans and priorities.

5. FINANCIAL IMPLICATIONS

5.1 These will be reported in full to the Executive on 7th February 2024. Changes to be considered by the Executive for the Resources, Commissioning and Contract Management portfolio capital programme are set out in the table in paragraph 3.1.

Non-applicable sections:	Legal, Personnel and Procurement Implications; Impact on Vulnerable Adults and Children
Background documents: (Access via contact officer)	Capital programme monitoring Q1 23/24 (Executive 20/09/2023) Capital programme monitoring Q2 23/24 (Executive 29/11/2023) Capital programme monitoring Q3 22/23 (Executive 18/01/2023)

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APPENDIX A

EXECUTIVE, RESOURCES & CONTRACTS PORTFOLIO - APPROVED CAPITAL PROGRAMME Q3 2023/24									
Scheme	**Total approved estimate**	**Spend to 31.03.23**	**Estimate 2023/24**	**Estimate 2024/25**	**Estimate 2025/26**	**Estimate 2026/27**	**Estimate 2027/28**	**Responsible officer**	**Remarks**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		
Emergency Works on Surplus Sites	312	265	0	47	0	0	0	Essex, Darren	(Block Capital) Essential to maximise capital receipts
Property Investment Fund	103,895	97,064	0	3,416	3,415	0	0	Essex, Darren	Various property acquisitions - met from Property Investment Fund, Growth Fund, and Capital Receipts
RAAC surveys and remedial works	3,000	0	0	3,000	0	0	0	Essex, Darren	For approval by Exec 29/11/23
Churchill Court	38,000	466	25,284	12,250	0	0	0	Essex, Darren	Approved Executive 18/05/16 and Council 04/07/16; revision approved by Executive 30 November 2022
Property Disposal/Feasibility Work - Growth Fund	250	224	0	26	0	0	0	Essex, Darren	Executive 24th May 2017. Funded by the Growth Fund
Property Management System	175	118	57	0	0	0	0	Jackson, Hannah	Approved by the Leader on 10/09/2020 Funded from revenue receipts
Existing consolidated OPR budgets	0		22,567	17,567	22,824	0	0	Essex, Darren	
OPR budgets reflected in individual portfolios	0		-22,567	-17,567	-17,567	0	0	Essex, Darren	
OPR - surface car parks	1,060	0	12	225	823	0	0	Essex, Darren	
OPR - cemetery properties	912	0	10	450	452	0	0	Essex, Darren	
OPR - Churchill Theatre	4,500	0	2	4,498	0	0	0	Essex, Darren	
OPR - Central Library	500	0	0	500	0	0	0	Essex, Darren	
OPR - contingency	4,000	0	0	0	0	4,000	0	Essex, Darren	
North Block solar PV Installation	100	0	100	0	0	0	0	Bowrey, Sara	Approved by Executive 30/03/22
Health & Wellbeing Centre (all)	10,119	382	886	8,750	250	0	0	Essex, Darren	Approved by Executive 09/02/22
Subtotal - Property	**166,823**	**98,519**	**26,351**	**33,162**	**10,197**	**4,000**	**0**		
IT Transformation	5,766	4,772	994	0	0	0	0	Shukle, Vinit	Approved by Executive 28/11/18
IT Digitalisation	6,500	0	0	2,000	3,000	1,500	0	Shukle, Vinit	Approved by Executive 18/01/23
SharePoint Productivity Platform upgrade/replacement	1,500	1,298	202	0	0	0	0	Shukle, Vinit	
Public Switched Telephone Network (PSTN) Switch Off	1,000	0	0	1,000	0	0	0	Shukle, Vinit	Subject to approval Executive 07/02/24
Customer Services IT System Replacement	761	468	293	0	0	0	0	Bridgewater, Duncan	
Financial Systems Replacement	1,350	890	210	250	0	0	0	Mullender, James	Agreed by Council on 24/02/20
Social Care Case Management System	4,236	3,889	347	0	0	0	0	Shukle, Vinit	£700k supplementary estimate for approval by Executive 29/11/23
HR/Payroll System Replacement	1,650	1,068	582	0	0	0	0	Downie, Emma	
Legal Case Management System	355	140	135	40	40	0	0	Iqbal, Shupriya	
Subtotal - Resources	**23,118**	**12,525**	**2,763**	**3,290**	**3,040**	**1,500**	**0**		
Total for Portfolio	**189,941**	**111,044**	**29,114**	**36,452**	**13,237**	**5,500**	**0**		

EXECUTIVE, RESOURCES & CONTRACTS PORTFOLIO - APPROVED CAPITAL PROGRAMME Q3 2023/24				
Scheme	**Estimate 2023/24 as at Jan 2023**	**Actual at Q3 2023/24**	**Estimate 2023/24 as at Q3**	**Commentary**
	£'000	**£'000**	**£'000**	
Emergency Works on Surplus Sites	0	0	0	(Block capital) Essential to maximise capital receipts. To prepare surplus sites for disposal and to cover any emergency works.
Property Investment Fund	0	35	0	
RAAC surveys and remedial works	0	18	0	Approved by Executive 29/11/23
Churchill Court	20,970	22,533	25,284	
Property Disposal/Feasibility Work - Growth Fund	0	0	0	Feasibilities being carried out on a number of schemes. These are being progressed until planning approval and on-site development by contractor is underway, and the costs will then be transferred to according scheme code.
Property Management System	0	11	57	
Existing consolidated OPR budgets	22,567	0	22,567	
OPR budgets reflected in individual portfolios	0	0	-22,567	
OPR - surface car parks	0	0	12	
OPR - cemetery properties	0	0	10	
OPR - Churchill Theatre	0	2	2	
OPR - Central Library	0	0	0	New scheme - Executive Oct 2023 (funded from OPR Churchill Theatre budget)
OPR - contingency	0	0	0	
North Block solar PV Installation	0	0	100	Approved by Executive 30/03/22
Health & Wellbeing Centre	9,943	369	886	
Subtotal - Property	**53,480**	**22,968**	**26,352**	
IT Transformation	0	277	994	As part of the IT Transformation programme, it is envisaged that the Cloud project will complete this financial year.
IT Digitalisation	0	0	0	Approved by Executive 18/01/23. No spend anticipated until 2024/25
SharePoint Productivity Platform upgrade/replacement	0	6	202	Work continues as part of the Digitalisation programme to configure SharePoint for external sharing, and integration with E5 security apps and policies as well as M365 apps. Work is on track and projected spend in FY24/25.
Customer Services IT System Replacement	143	23	293	System implementation and configuration work complete. System is live and decommissioning work of the old system was completed in May 23. Website phase 2 analysis in progress and proposal to seek Member approval to use the remaining budget for further web/customer developments is currently under investigation.System implementation and configuration work complete. System is now live.
Financial Systems Replacement	600	15	210	Scheme approved by Executive February 2020 to procure and implement a new Financial System to replace the existing Oracle E-Business Suite R12, and in-house developed budget monitoring systems (EBM and FBM). The scheme was delayed slightly due to the impact of COVID-19 and essential upgrades required for other financial systems. Decision by the Leader in November 2020 to procure the Oracle Cloud ERP (Enterprise Resource Planning) system. The main ERP element went live in April 2022, just 3 weeks later than originally planned, and the Enterprise Performance Management (EPM) element which replaces EBM and FBM was completed in August 2022.
Social Care Case Management System	0	125	347	Programme budget agreed Sept 2018 (Report ED10868). Award of contract to purchase new system May 2020 (Report CEF20010B). £700k supplementary estimate for approval by Exec 29/11/23 to meet cost pressures.
HR/Payroll System Replacement	0	587	582	The current HR/Payroll software and support contract ends in June 2023 however to allow for time for parallel run testing of payroll results in new software, any new system needs to be ready for January 2023. System went live in April 2023.
Legal Case Management System	90	18	135	A contract has been entered into with Iken for the Case Management System and will also enter into contract with Bundledocs for the bundling software.
Subtotal - Resources	**833**	**1,051**	**2,763**	
Total for portfolio	**54,313**	**24,019**	**29,115**	

Report No.
FSD24016

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**Resources, Commissioning and Contracts Management Portfolio Holder** **Council**
Date:	**For pre-decision scrutiny by Executive, Resources and Contracts PDS Committee on 5th February 2024** **Council on 26th February 2024**
Decision Type:	Non-Urgent Executive Non-Key
Title:	**TREASURY MANAGEMENT - ANNUAL INVESTMENT STRATEGY 2024/25 & QUARTER 3 PERFORMANCE 2023/24**
Contact Officer:	James Mullender, Head of Corporate Finance and Accounting Tel: 020 8313 4196 E-mail: James.mullender@bromley.gov.uk
Chief Officer:	Peter Turner, Director of Finance Tel: 020 8313 4668 E-mail: peter.turner@bromley.gov.uk
Ward:	All

1. Reason for report

1.1. This report summarises treasury management activity during the third quarter of 2023/24. Investments as at 31st December 2023 totalled £370.1m (£388.7m at 31st December 2022) and there was no outstanding external borrowing.

1.2. Thes report also includes the Treasury Management Strategy and the Annual Investment Strategy for 2024/25, which are required by the CIPFA Code of Practice for Treasury Management in the Public Services to be approved by the Council.

1.3. The report also includes Prudential Indicators (Annex 3 of Appendix 4) and the MRP (Minimum Revenue Provision) Policy Statement (paragraph 2.4 of Appendix 4), both of which require the approval of 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.

1.4. The report ensures that the Council is implementing best practice and complying with the requirements of the CIPFA Code of Practice for Treasury Management.

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2. RECOMMENDATION(S)

2.1. The Resources, Commissioning and Contracts Management Portfolio Holder is requested to:

(a) note the Treasury Management performance for the third quarter of 2023/24;

(b) recommend that Council agrees to adopt the Treasury Management Statement and the Annual Investment Strategy for 2024/25 including:

- **(i) the Prudential Indicators for the period 2024/25 to 2026/27 (Annex 3 of Appendix 4); and**
- **(ii) the Minimum Revenue Provision (MRP) Policy Statement (paragraph 2.4 of Appendix 4).**

2.2. Council is requested to:

(a) note the Treasury Management performance report for the third quarter of 2023/24;

(b) agree to adopt the Treasury Management Statement and the Annual Investment Strategy for 2024/25 including:

- **(i) the Prudential Indicators for the period 2024/25 to 2026/27 (Annex 3 of Appendix 4); and**
- **(ii) the Minimum Revenue Provision (MRP) Policy Statement (paragraph 2.4 of Appendix 4).**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None

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. 2.Making Bromley Even Better Priority: To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

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: £4m surplus (against budget of £9,841k) currently projected for 2023/24
5. Source of funding: Net investment income

Personnel

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

Procurement

1. Summary of Procurement Implications: N/A

Customer Impact

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

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required to approve an annual treasury strategy in advance of the year, a mid-year review report and an annual report following the year comparing actual activity to the strategy.

3.2 This report includes details of investment performance and treasury management activity in the third quarter of 2023/24. It also sets out the Treasury Management Strategy and the Annual Investment Strategy for 2024/25.

3.3 Changes in the regulatory environment have placed 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.

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

- Positive cash flow;
- 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.

3.5 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.

3.6 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 a cumulative total of £31.8m between 2016/17 and 2021/22, £4.5m in 2022/23 and is budgeted to achieve £6.3m in 2023/24. 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.

3.7 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 current ongoing volatility in interest rates. The available resources for the medium term, given the ongoing reductions in government funding, will need to be regularly reviewed.

Treasury Performance in the quarter ended 31st December 2023

3.8 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.

3.9 Investments: The following table sets out details of investment activity during the second quarter and year to date:

	Qtr ended 31/12/23		2022/23 Year to date	
	Deposits	**Ave rate**	**Deposits**	**Ave rate**
	£m	**%**	**£m**	**%**
Balance of "core" investments b/f	220.00	5.58	230.00	2.97
New investments made in period	40.00	5.80	205.00	5.84
Investments redeemed in period	-40.00	2.63	-215.00	2.85
"Core" investments at period end	220.00	5.76	220.00	5.76
Money Market Funds	37.00	5.26	37.00	4.91
CCLA Property Fund*§	40.00	-4.08	40.00	0.72
Multi-Asset Income Funds*§	40.00	15.47	40.00	3.76
Schroders Diversified Growth Fund	20.00	18.50	20.00	7.22
Project Beckenham Loan	3.08	6.00	3.08	6.00
Sovereign bonds	10.00	6.61	10.00	6.61
"Alternative" investments at period end	150.08	7.36	150.08	2.72
Total investments at end of period	**370.08**	**6.41**	**370.08**	**4.53**

* The rates shown in here are the total return (ie. the dividend income plus the change in capital value

A more detailed breakdown of the rates for these investments is shown in the relevant paragraphs

§ At the time of writing the quarter-end figures had not been made available by the relevant managers. The figures shown are therefore estimated figures at the end of quarter 3.

3.10 Details of the outstanding investments at 31st December 2023 are shown in maturity date order in Appendix 2 and by individual counterparty in Appendix 3. The return on the new "core" investments placed during the third quarter of 2023/24 was 5.76%.

3.11 Reports to previous meetings have highlighted the fact that options with regards to the reinvestment of maturing deposits have become 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. Following the succession of increases in the Bank of England base rate to the current rate of 5.25%, counterparty rates were generally in excess of 6% for a one year deposit during the first half of 2023/24. However, interest rates are expected to start reducing during 2024/25, so one year rates are around 5% at the time of writing this report.

3.12 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.

Interest Rate Forecast (provided by Link Group)

3.13 The current Bank of England base rate is 5.25%, following an increase at the September 2023 meeting of the Monetary Policy Committee. The market believes rates will remain at this rate until Q1 before decreasing to 4.75% in Q2. Link has stated that they expect MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat on-going inflationary and wage pressures, even if they have dampened somewhat of late. They do not think that the MPC will increase Bank Rates above 5.25%.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.14

Money Market Funds

3.15 The Council currently has 5 AAA rated Money Market Fund accounts, with Federated Prime Rate, Aberdeen Standard (formerly known as Ignis), Insight, 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 risen considerably in recent months. The LGIM, Fidelity and Federated Funds currently offer the best rate at around 5.3%.

3.16 The total balance held in Money Market Funds has varied during the year to date moving from £0 as at 31st March 2023 to £36.1m as at 30th September 2023 to £37m as at 31st December 2023. The Money Market Funds usually offer the lowest interest of all eligible investment vehicles with the exception of the Government Debt Management Account Deposit Facility; however, they are the most liquid, with funds able to be redeemed up until midday for same day settlement.

3.17 Daily balances in the Money Market Funds will vary considerably and balances tend to be managed higher during February and March to provide a cashflow buffer when the Council's income from Council Tax and Business Rates is significantly lower than the rest of the year. Occasionally, these balances are also inflated to ensure that the Council has sufficient liquidity to cover any 'non-standard' expenditure such as investment property purchases.

Housing Associations

3.18 Deposits have previously been made with Housing Associations where they had attracted favourable rates. However at the time of drafting this report, the Council holds no investments in Housing Associations as the rates offered have been less competitive than other fixed term deposit opportunities.

Loan to Project Beckenham

3.19 On 26 June 2017, Council approved the inclusion in the strategy of a 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. A loan of £2.3m was made in June 2017, at a rate of 6% (increasing to 7.5% if the loan to value ratio exceeded a set value). £1.0m of this loan was re-paid during 2019/20, leaving a £1.3m balance at the end of March 2020. Advances totalling £2.45m were made in 2020/21 and 2021/22 leaving a balance of £3.75m. In 2022/23 a further five loan advances totalling £1.2m were made and repayments of £0.96m were received, leaving the balance at 31st March 2023 at £4.0m. In May, August, September and November 2023, repayments totalling £0.91m were made, leaving the balance as at 31st December 2023 at £3.08m.

Sovereign Bonds

3.19 During November 2021, it was agreed that the Council's treasury management strategy be amended to allow investment in sterling-denominated sovereign bonds, subject to a maximum of duration of 3 years and an exposure limit of £25m. On 30 November 2021, an investment of

£10m was made for two years at a rate of 1.84% and a further investment of £10m was invested on 1 August 2023 for two years at a rate of 6.61%

Pooled Investment Schemes

3.20 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.

3.21 Until March 2018, accounting rules required 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 reflected the dividends from these investments.

3.22 However, from 2018/19 onwards, local authorities have been required to account for financial instruments in accordance with IFRS9. One of the results of this is that changes in the capital value of pooled fund investments are recognised in revenue in-year. Subsequently, MHCLG issued regulations providing a statutory override to reverse the impact of IFRS9 on the Council's General Fund, which came into force in December 2018 and would apply until 31 March 2023, after which it was intended for movements in value to be recognised in year. Following consultation, DLUHC announced in January that the override would be extended for a further two years to 31 March 2025, after which the standard will be applied fully.

3.23 Due to the regulations being time limited and the potentially volatile nature of these investments, interest/dividend earnings above a determined threshold have been set aside in the Income Equalisation earmarked reserve. This will protect the Council against unexpected variations in the capital value of these investments and any timing issues arising from the expiry of the statutory override. Details are shown in the following table:

FY	Threshold %	Bal bfwd £'000	Set aside £'000	Bal cfwd £'000
2018/19	2.5	0	1,509	1,509
2019/20	2.5	1,509	1,196	2,705
2020/21	2.0	2,705	1,520	4,225
2021/22	2.0	4,225	1,676	5,901
2022/23	2.0	5,901	2,044	7,945
2023/24 (est)	2.0	7,945	2,200	10,145

CCLA Property Fund

3.24 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 dividends earned and capital growth is provided in the table below. At the time of writing the quarter-end figures had not been made available by the fund manager. The figures shown are therefore figures at the end of quarter 2, as at 30th September 2023.

Annualised net return	Dividend %	Capital gain/(loss) %	Total return (%)
01/02/14- 31/03/14	4.29	-29.64	-25.35
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 - 31/03/18	4.58	2.41	6.99
01/04/18 - 31/03/19	4.46	1.57	6.03
01/04/19 - 31/03/20	4.45	-3.68	0.77
01/04/20 - 31/03/21	4.30	-0.71	3.60
01/04/21 - 31/03/22	3.82	17.29	21.12
01/04/22 - 31/03/23	4.19	-19.09	-14.90
01/04/23 - 30/09/23	0.34	-6.28	-1.46
Cumulative return	4.42	-0.53	3.89

3.25 The annualised fund return for the year to 30th September 2023 was capital decline of -6.18% and dividends paid of 0.34%, resulting in a total return of -1.46%. Since inception, dividends paid have averaged 4.42% per annum and the capital value has decreased by -0.53% per annum resulting in a net annual return of 3.89%.

Multi-Asset Income Fund

3.26 Following 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, Commissioning and Contracts Management Portfolio Holder. A subsequent investment of £10m was made on December 30th 2019. The annualised fund return for the year to 30th September 2023 was a capital decline of -7.51% and dividends paid of 5.38%, resulting in a total return of -2.13%. At the time of writing the quarter-end figures had not been made available by the fund manager. The figures shown are therefore figures at the end of quarter 2, as at 30th September 2023.

3.27 Since inception, dividends paid have averaged 4.36% per annum and the capital value has declined by -4.16% per annum resulting in a net annual return of 0.20%.

Annualised net return	Dividend %	Capital gain/(loss) %	Total return %
12/07/17 - 31/03/18	4.42	-6.27	-1.85
01/04/18 - 31/03/19	4.26	1.45	5.71
01/04/19 - 31/03/20	4.37	-11.81	-7.44
01/04/20 - 31/03/21	4.38	9.52	13.9
01/04/21 - 31/03/22	4.16	-4.98	-0.82
01/04/22 - 31/03/23	4.17	-12.08	-7.92
01/04/23 - 30/09/23	5.38	-7.51	-2.13
Cumulative Return	4.36	-4.16	0.20

Global Diversified Income Fund

3.28 During 2020/21 a new investment was made in the Global Diversified Income Fund managed by Schroders. The aim of this fund is to provide long-term capital growth and income of 3-5% per annum. An initial investment of £10m was made in March 2021, followed by a further £10m in April 2021. A breakdown of the dividends earned and capital growth is provided in the table below.

Annualised Net Return	Dividend %	Capital gain/(loss) %	Total return %
01/03/21 - 31/03/21	2.45	2.43	4.88
01/04/21 - 31/03/22	2.96	-3.15	-0.19
01/04/22 - 31/03/23	3.50	-8.38	-4.88
01/04/23 - 31/12/23	3.98	3.24	7.22
Cumulative return	3.42	-3.21	0.21

The annualised fund return for the year to 31st December 2023 was capital growth of 3.24% and dividends paid of 3.98% resulting in a total return of 7.22%. Since inception, dividends paid have averaged 3.42% per annum and the capital value has decreased by -3.21% per annum resulting in a net annual return of 0.21%.

Property Acquisition Scheme (Meadowship Homes)

3.29 As agreed by the Executive in 2021, the Council has entered into a joint venture with Orchard & Shipman (since acquired by Pinnacle) for a property acquisition scheme. This involved the formation of an LLP between the Council and Orchard & Shipman. As part of this scheme, the Council will make a £20m loan (in tranches) for 50 years. Annual repayments will start from year 3 of 1.6% (£320k) per annum and increasing annually by CPI (collared at 0-4%), As the Effective Interest Rate on the loan is dependent on CPI, it is possible that this will be lower than the rate the Council might achieve through treasury management investments, so there may be a loss of treasury management income. Phase 2 of the scheme was approved in July 2022 - this involves a further loan of £15m on similar repayment terms to the initial scheme.

Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25

3.30 Appendix 4 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25. This combines the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code. The Strategy includes throughout details of proposed prudential indicators and will be submitted for approval to the February Council meeting. Many of the indicators relate to how the Council seeks to control debt and borrowing and are therefore not currently relevant (since the Council currently has no external debt), though it is a statutory requirement that prudential indicators are prepared, agreed and published. Additionally, under the recently revised Prudential Code, there is a requirement for the prudential indicators to be monitored and reported at least quarterly.

3.31 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. In line with advice from Link, the Council will apply a minimum sovereign rating of AA- to investment counterparties.

3.32 While the Council effectively determines its own eligible counterparties and limits, it also uses Link Group as an advisor in investment matters. Link uses a sophisticated modelling approach that combines credit ratings, credit watches, credit outlooks and Credit Default Swap (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.

3.33 Although, as indicated above, the strategy allows the Council to make a range of investments, in practical terms the Council has recently utilised only a narrow range of investment types, namely Money Market Deposits, Fixed Interest loans to Banks, Housing Associations and Local Authorities, Sovereign Bonds and Pooled Investment Vehicles. Moreover, the Council's investment decisions have been informed by consideration of maximising the available whilst operating within the parameters set out within the strategy, namely credit-ratings and investment category limits.

3.34 Changes to the Council's lending limits and eligibility criteria, as well as the inclusion of pooled funds, housing associations and sovereign within the strategy have provided some diversification of investment types and also opportunities to obtain returns that often exceed those available from UK and International Banks. Further consideration of diversification and risk led to consideration of investment types where returns may be available that outperform the current portfolio yield, and the strategy approved by Council in February 2023 incorporated the following revised credit-ratings for the following investment types:

- Corporate Bonds – minimum credit rating of BBB+
- Housing Associations – minimum credit rating of BBB+

3.35 No further changes to counterparty criteria are proposed at this time.

3.36 Details of eligible types of investment and counterparties are set out in the Annual Investment Strategy, as set out in section 4 of Appendix 4.

3.37 Members are requested to adopt the Treasury Management Statement and the Annual Investment Strategy for 2024/25 at Appendix 4, including the Prudential Indicators for the period 2024/25 to 2026/27 (Annex 3 of Appendix 4) and the Minimum Revenue Provision (MRP) policy statement (paragraph 2.4 of Appendix 4).

Revised Treasury Management and Prudential Codes

3.38 During December 2021 CIPFA published a revised Prudential Code (Prudential Code for Capital Finance in Local Authorities) and Treasury Management Code (Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes). The requirements of the revised Codes, to the extent to which they apply to the Council, have been incorporated into the Treasury Management Strategy Statement and Annual Investment Strategy as appended at Appendix 4.

3.39 The revised Treasury Code requires the Council to implement the following:

- **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained
- **Long-term treasury investments,** (including pooled funds) are to be classed as commercial investments unless justified by a cash flow business case
- **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year
- Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function – to be proportionate to the size and complexity of the treasury management function
- **Reporting to be members is to be done quarterly** – specifically the s151 officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly

- **Environmental, Social and Governance (ESG)** issues to be addressed within an authority's treasury management policies and practices.

3.40 In addition, all investments and investment income must be attributed to one of the following three purposes:

(i) **Treasury Management.** Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

(ii) **Service Delivery.** Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

(iii) **Commercial return.** Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Regulatory Framework, Risk and Performance

3.41 The Council's treasury management activities are regulated by a variety of professional codes, 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, DLUHC 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.

3.42 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 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.

5.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council. Although the Council does not currently borrow to finance its general fund 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.

5.3 The Council's Treasury Management strategy and day to day operations of the treasury function are informed by our professional adviser, Link Group. It advises the Council on counterparties, investment and borrowing options, and risk management.

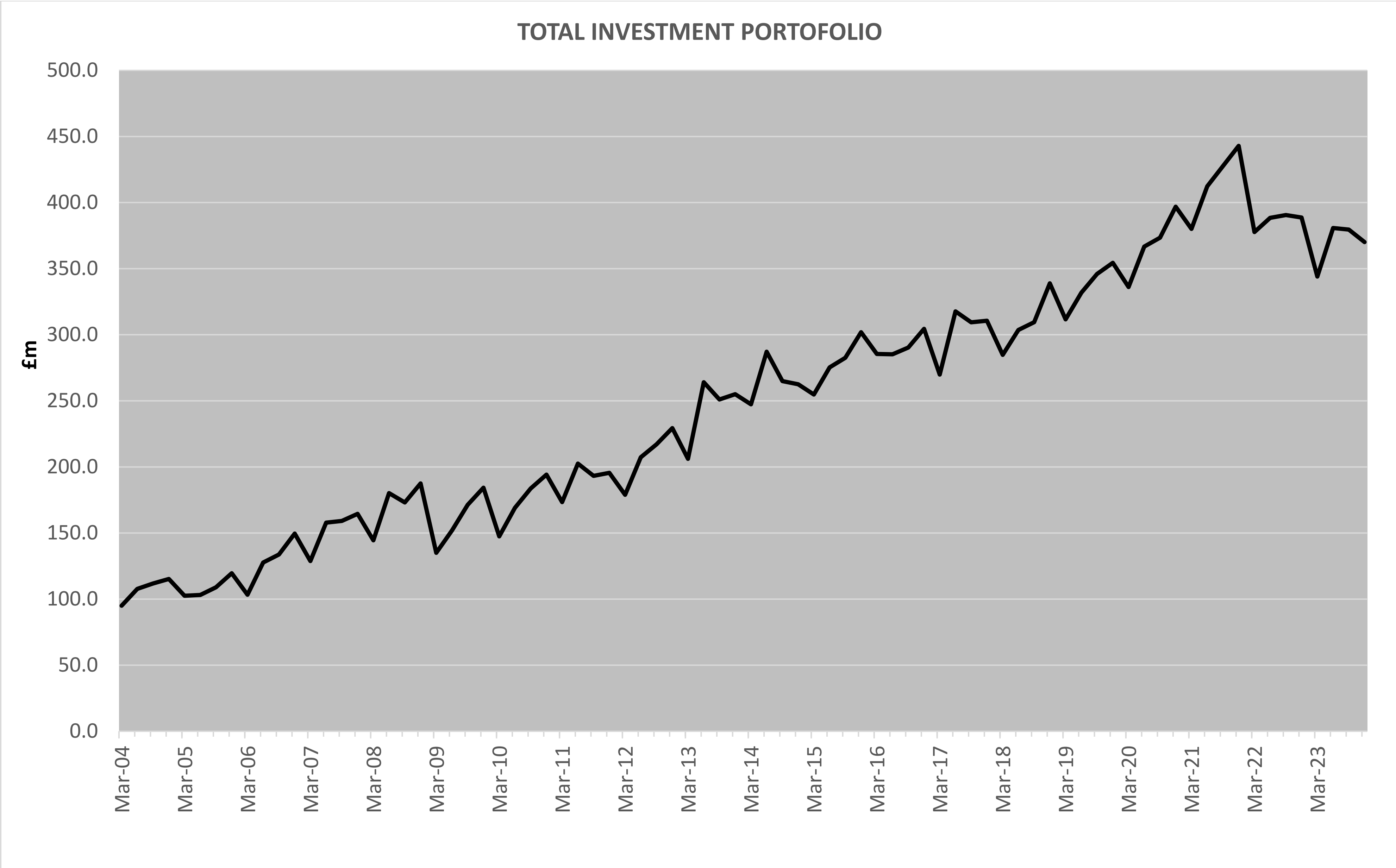
6. LEGAL IMPLICATIONS

6.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

6.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice and Statutory Guidance on Local Government Investments.

Non-applicable sections:	Impact on Vulnerable Adults and Children, Personnel, Legal and Procurement Implications
Background documents: (access via Contact Officer)	CIPFA Code of Practice on Treasury Management 2021 CIPFA Prudential Code for Capital Finance in Local Authorities 2021 DLUHC Guidance on Investments

APPENDIX 1


TOTAL INVESTMENT PORTOFOLIO
£m
500.0
450.0
400.0
350.0
300.0
250.0
200.0
150.0
100.0
50.0
0.0
Mar-04
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Mar-23

INVESTMENTS HELD AS AT 31 DECEMBER 2023

APPENDIX 2

Counterparty	Start Date	Maturity Date	Rate of Interest	Amount	Fitch Long Term	Fitch Short Term	Moodys Long Term	Moodys Short Term	S&P Long Term	S&P Short Term	Fitch Long Term	Fitch Short Term	Moodys Long Term	Moodys Short Term	S&P Long Term	S&P Short Term
			%	£m												
FIXED DEPOSITS																
					Ratings at time of Investment						**Ratings as at December 2023**					
NATIONAL BANK OF CANADA	20/01/2023	19/01/2024	4.60000	10.0	A+	F1	Aa3	P-1	A	A-1	A+	F1	Aa3	P-1	A	A-1
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	27/01/2023	26/01/2024	4.70000	5.0	A+	F1			A	A-1	A+	F1			A	A-1
GOLDMAN SACHS INTERNATIONAL BANKS	27/04/2023	29/01/2024	5.06000	5.0	A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
NATIONAL BANK OF CANADA	05/05/2023	05/02/2024	4.95000	5.0	A+	F1	Aa3	P-1	A	A-1	A+	F1	Aa3	P-1	A	A-1
BIRMINGHAM CITY COUNCIL	30/08/2023	29/02/2024	5.65000	10.0	**N/A**						**N/A**					
NATIONAL WESTMINSTER BANK	07/06/2023	07/03/2024	5.32000	5.0	A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
SANTANDER	19/06/2023	19/03/2024	5.55000	10.0	A+	F1	A1	P-1	A	A-1	A+	F1	A1	P-1	A	A-1
CLOSE BROTHERS	20/04/2023	19/04/2024	5.00000	10.0	A-	F2	Aa3	P-1			A-	F2	Aa3	P-1		
GOLDMAN SACHS INTERNATIONAL BANKS	21/04/2023	19/04/2024	4.93000	10.0	A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	24/05/2023	22/05/2024	5.31000	5.0	A+	F1			A	A-1	A+	F1			A	A-1
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	14/07/2023	12/07/2024	6.65000	10.0	A+	F1			A	A-1	A+	F1			A	A-1
NATIONAL WESTMINSTER BANK	19/07/2023	18/07/2024	6.19000	10.0	A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE (HE	21/07/2023	19/07/2024	6.20000	15.0	A+	F1+	Aa3	P-1			A+	F1+	Aa3	P-1		
AL RAYAN BANK	26/07/2023	24/07/2024	6.05000	10.0			A1	P-1					A1	P-1		
FIRST ABU DHABI BANK PJSC	27/07/2023	26/07/2024	6.28000	15.0	AA-	F1+	Aa3	P-1	AA-	A-1+	AA-	F1+	Aa3	P-1	AA-	A-1+
QATAR NATIONAL BANK SAQ	28/07/2023	26/07/2024	6.37000	5.0	A	F1	Aa3	P-1	A+	A-1	A	F1	Aa3	P-1	A+	A-1
PRINCIPALITY BUILDING SOCIETY- CARDIFF	28/07/2023	26/07/2024	5.95000	10.0	BBB+	F2	Baa1	P-2			BBB+	F2	Baa1	P-2		
CLOSE BROTHERS	16/08/2023	15/08/2024	6.20000	10.0	A-	F2	Aa3	P-1			A-	F2	Aa3	P-1		
NATIONAL WESTMINSTER BANK	24/08/2023	22/08/2024	6.07000	10.0	A+	F1	A1	P-1	A+	A-1	A+	F1	A1	P-1	A+	A-1
SANTANDER	24/08/2023	27/08/2024	6.10000	10.0	A+	F1	A1	P-1	A	A-1	A+	F1	A1	P-1	A	A-1
CAMBRIDGESHIRE COUNTY COUNCIL	04/12/2023	04/09/2024	5.65000	10.0	**N/A**						**N/A**					
CLOSE BROTHERS	27/10/2023	25/10/2024	5.75000	10.0	A-	F2	Aa3	P-1			A-	F2	Aa3	P-1		
AL RAYAN BANK	30/10/2023	30/10/2024	5.90000	10.0			A1	P-1					A1	P-1		
QATAR NATIONAL BANK SAQ	01/12/2023	29/11/2024	5.90000	10.0	A	F1	Aa3	P-1	A+	A-1	A	F1	Aa3	P-1	A+	A-1
TOTAL FIXED INVESTMENTS				**220.0**												
OTHER FUNDS																
FIDELITY MONEY MARKET FUND				0.0												
ABERDEEN -STANDARD LIFE (IGNIS) LIQUIDITY FUND				0.0												
INSIGHT STERLING LIQUIDITY FUND				7.0												
LGIM STERLING LIQUIDITY FUND				15.0												
FEDERATED (Hermes) STERLING LIQUIDITY FUND				15.0												
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40.0												
SCHRODERS	12/07/2017			20.0												
FIDELITY MULTI-ASSET INCOME FUND	01/03/2021			40.0												
SPRING CAPITAL LOAN	09/06/2017			3.1												
SOVEREIGN BONDS	01/08/2023	01/08/2025	6.61000	10.0												
TOTAL INVESTMENTS				**370.1**												

INVESTMENTS HELD AS AT 31 DECEMBER 2023

	Start Date	Maturity Date	Rate of Interest %	Amount £m	Total £m	Limit £m	Remaining £m
UK BANKS							
NATWEST BANK PLC	07/06/2023	07/03/2024	5.32000	5			
NATWEST BANK PLC	19/07/2023	18/07/2024	6.19000	10			
NATWEST BANK PLC	24/08/2023	22/08/2024	6.07000	10	25	80	55
SANTANDER PLC UK	19/06/2023	19/03/2024	5.55000	10			
SANTANDER PLC UK	24/08/2023	27/08/2024	6.10000	10	20	20	0
CLOSE BROTHERS LTD	20/04/2023	19/04/2024	5.00000	10			
CLOSE BROTHERS LTD	16/08/2023	15/08/2024	6.20000	10			
CLOSE BROTHERS LTD	27/10/2023	25/10/2024	5.75000	10	30	30	0
GOLDMAN SACHS INTERNATIONAL BANK	21/04/2023	19/04/2024	4.93000	10			
GOLDMAN SACHS INTERNATIONAL BANK	27/04/2023	29/01/2024	5.06000	5	15	20	5
AL RAYAN BANK PLC - LONDON	26/07/2023	24/07/2024	6.05000	10			
AL RAYAN BANK PLC - LONDON	30/10/2023	30/10/2024	5.90000	10	20	20	0
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	27/01/2023	26/01/2024	4.70000	5			
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	24/05/2023	22/05/2024	5.31000	5			
NATIONAL BANK OF KUWAIT (INTERNATIONAL) - LONDON	14/07/2023	12/07/2024	6.65000	10	20	20	0
UK BUILDING SOCIETIES							
PRINCIPALITY BUILDING SOCIETY	28/07/2023	26/07/2024	5.95000	10	10	10	0
OVERSEAS BANKS							
QATAR NATIONAL BANK	28/07/2023	26/07/2024	6.37000	5			
QATAR NATIONAL BANK	01/12/2023	29/11/2024	5.90000	10	15	15	0
FIRST ABU DHABI	21/07/2023	19/07/2024	6.20000	15	15	15	0
LANDESBANK HESSEN-THUERINGEN GIROZENTRALE (HELABA	21/07/2023	19/07/2024	6.20000	15	15	15	0
NATIONAL BANK OF CANADA	20/01/2023	19/01/2024	4.60000	10			
NATIONAL BANK OF CANADA	05/05/2023	05/02/2024	4.95000	5	15	15	0
LOCAL AUTHORITIES							
BIRMINGHAM CITY COUNCIL	30/08/2023	29/02/2024	5.65000	10	10	15	5
CAMBRIDESHIRE COUNTY COUNCIL	04/12/2023	04/09/2024	5.65000	10	10	15	5
OTHER INVESTMENTS							
INSIGHT STERLING LIQUIDITY FUND				7.0	7	15	8
LGIM STERLING LIQUIDITY FUND				15	15	15	0
FEDERATED (PRIME RATE) STERLING LIQUIDITY FUND				15	15	15	0
CCLA LOCAL AUTHORITY PROPERTY FUND	30/01/2014			40	40		
FIDELITY - MULTI ASSET INCOME FUND	12/07/2017			40	40		
SCHRODERS	01/03/2021			20	20		
SPRING CAPITAL LOAN	09/06/2017		6.00000	3.1	3.1		
SOVEREIGN BONDS	01/08/2023	01/08/2025	6.61000	10	10		
TOTAL INVESTMENTS				**370.1**	**370.1**		

APPENDIX 4

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy: 2024/25

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. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

Having obtained the requisite permissions to re-open its Housing Revenue Account (HRA) during 2020/21 the Council will provide immediate finance through internal borrowing, with external borrowing to be utilised at a later date. Repayments and interest will be made through the internal movement of funds to the general fund.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, 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."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function these activities are generally classed as non-treasury activities and are separate from the day-to day treasury management activities.

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 and Contracts Policy Development & Scrutiny Committee.

Prudential and Treasury Indicators and Treasury Strategy (this report) - This covers:

1. the capital plans (including prudential indicators);
2. a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);

3. the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
4. an investment strategy (the parameters on how investments are to be managed).

A Part-Year Treasury Management Report (approved by Council in December 2023) – 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.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be subject to scrutiny.

Capital Strategy
The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

1. a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
2. an overview of how the associated risk is managed
3. 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 2024/25

The strategy for 2024/25 covers two main areas:

Capital issues

1. the capital expenditure plans and the associated prudential indicators;
2. the minimum revenue provision (MRP) policy.

Treasury management issues

1. the current treasury position;
2. treasury indicators which limit the treasury risk and activities of the Council;
3. prospects for interest rates;
4. the borrowing strategy;
5. policy on borrowing in advance of need;
6. debt rescheduling;
7. the investment strategy;
8. creditworthiness policy; and
9. the policy on use of external service providers.

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the Head of Corporate Finance & Accounting. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Head of Corporate Finance & Accounting.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions 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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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.

1.6 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 2024/25–2026/27

The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ 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 quarterly capital monitoring and review reports to Executive. The data shown below will be reported to the Executive in February 2024:

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Non-HRA	21.0	60.0	141.1	84.8	24.5
HRA[1]	-	-	-	-	-
Total	21.0	60.0	141.1	84.8	24.5

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[1] Note: The HRA Business Plan has yet to be drafted and approved and it is therefore not currently possible to estimate HRA Capital Expenditure.

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

Financing of capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Total expenditure	21.0	60.0	141.1	84.8	24.5
Financed by:					
Capital receipts	0.0	19.3	79.1	48.6	0.0
Capital grants/contributions	12.4	24.6	38.8	15.3	1.5
Internal borrowing	3.5	1.7	10.8	8.4	0.0
Revenue contributions	5.1	10.8	5.3	0.3	0.0
Net financing need	**0.0**	**3.6**	**7.1**	**12.2**	**23.0**

2.2 The Council's borrowing need (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. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

If the CFR is positive, the Council may borrow from the Public Works Loans Board (PWLB) or the market (other 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, but it has agreed in principle borrowing of £50m from the PWLB for the purpose of refinancing existing housing programmes. This loan is reflected in the table below. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

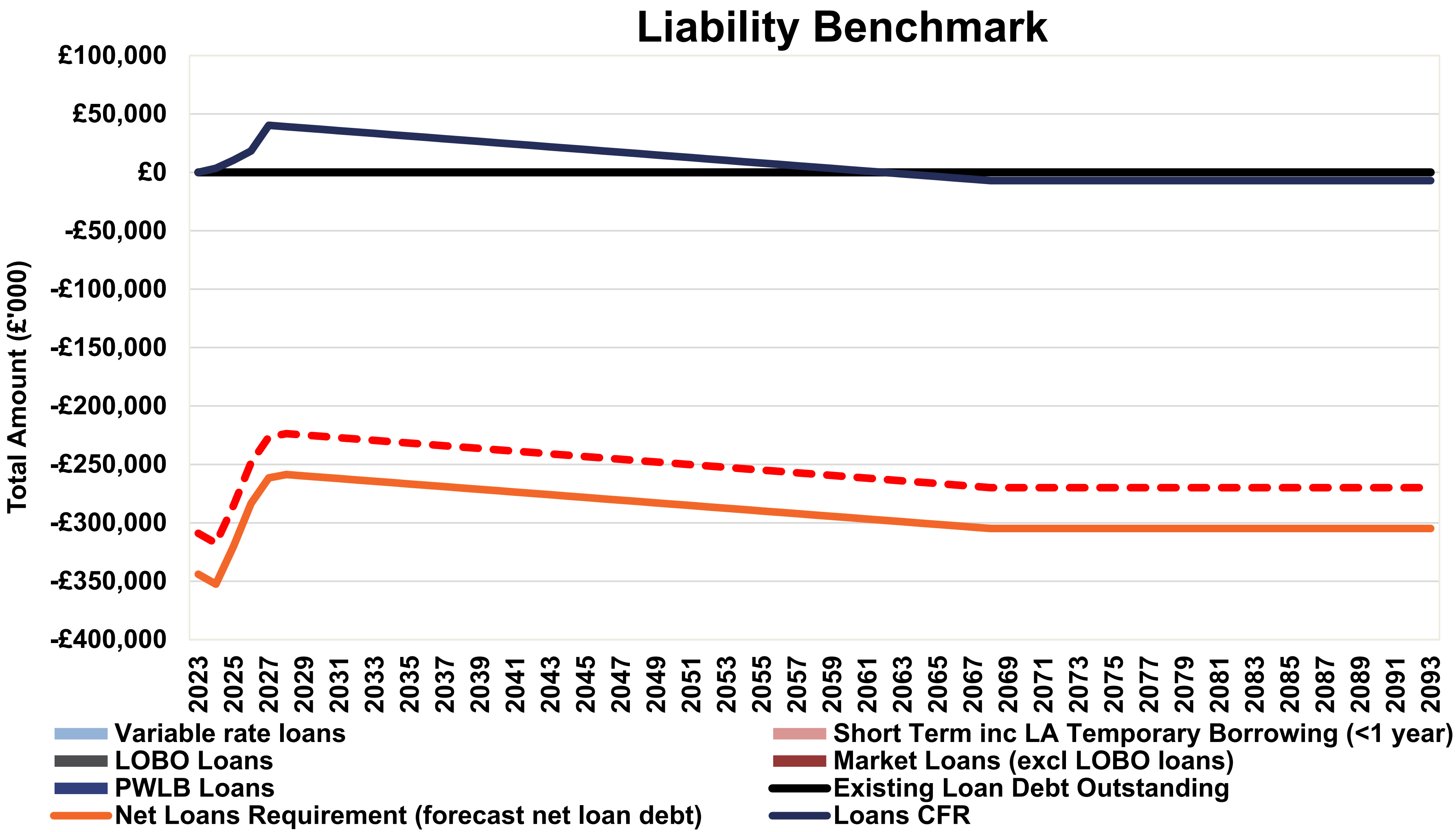
The Council is asked to approve the CFR projections below:

£m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Financing Requirement					
CFR – non housing	8.4	7.7	7.0	6.3	5.6
CFR – housing	21.5	24.7	31.3	43.1	65.6
Total CFR	29.9	32.4	38.3	49.4	71.2
Movement in CFR	-	+2.5	+5.9	+11.1	+21.8

Movement in CFR represented by					
Net financing need for the year (above)	-	3.6	7.1	12.2	23.0
Less MRP/VRP and other financing movements	-	-1.1	-1.2	-1.1	-1.2
Movement in CFR	-	+2.5	+5.9	+11.1	+21.8

2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark. The Authority is required to estimate and measure the benchmark for the forthcoming financial year and the following two financial years, as a minimum.



There are four components to the Liability Benchmark:

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

For Bromley, the graph indicates a zero net borrowing requirement at present, based on the Council's current financial position. It does not fully take into account the following metrics, which the Council has modelled separately in determining its borrowing needs:

- A detailed breakdown of the latest Capital Financing Requirement including details of how this is to be financed in future
- Details of the expenditure and financing requirements of the Capital Programme
- Information on the use of balances and reserves over the Medium-Term Financial Plan and Capital Programme
- Full details of all projected treasury management activity.

2.4 Minimum revenue provision (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 undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG (now DLUHC) regulations have been issued which 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:

The 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 currently assessed as the depreciation chargeable on 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. Going forwards, the capital financing MRP will also be required to cover the proposed PWLB loan to support housing programmes. It is proposed to calculate this element of the MRP on the methodology set out in the CIPFA Prudential code known as "option 3 - equal instalment asset life method."

Note: There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

2.5 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).

2.6 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. The Council is asked to approve the following indicators:

2.6.1 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.

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Non-HRA	0.0	0.0	0.0	0.0	0.4
HRA	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.4

3. Borrowing

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 relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023 is summarised below, together with forward projections. The table shows the actual external borrowing (the treasury management operations) against the capital borrowing (the Capital Financing Requirement) highlighting any over or under borrowing.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m	£m
External borrowing					
Borrowing at 1 April	0.0	0	3.6	10.7	23.0
Expected change in borrowing	0	3.6	7.1	12.3	22.9
Other long-term liabilities (OLTL)	29.9	28.8	27.6	26.5	25.3
Expected change in OLTL	-	-1.1	-1.2	-1.1	-1.2
Actual borrowing at 31 March	**0.0**	**3.6**	**10.7**	**23.0**	**45.9**
CFR – the borrowing need	29.9	32.4	38.3	49.4	71.2
Under / (over) borrowing	**29.9**	**28.8**	**27.6**	**26.5**	**25.3**
Investments	**344.0**	**298.9**	**243.1**	**208.5**	**225.5**
Net investments	**344.0**	**295.3**	**232.4**	**185.5**	**179.6**
Change in net investments	-	-48.7	-62.9	-46.9	-5.9

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 2023/24 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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Borrowing	10.0	50.0	50.0	50.0
Other long-term liabilities	30.0	30.0	30.0	30.0
Total Operational Boundary	40.0	80.0	80.0	80.0

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	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	£m	£m	£m	£m
Borrowing	30.0	50.0	50.0	50.0
Other long-term liabilities	30.0	30.0	30.0	30.0
Total Authorised Limit	60.0	80.0	80.0	80.0

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th January 2024. Their current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE (PROVIDED BY LINK)

- Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is c70 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

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

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.

- Projected **gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT),** could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all

PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	320%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

Whilst the Council currently has no external borrowing, it does plan to borrow to refinance existing housing schemes – this is estimated to require PWLB borrowing of £50m over a maximum of 40 years. Additionally, the Council has a Capital Financing Requirement (CFR) of £29.9m (as at 31st March 2023), 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:

1. Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
2. Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates
3. 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	2023/24	2024/25	2025/26
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 2023/24			
		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 Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are reported separately.

The Council's investment policy has regard to the following:

1. DLUHC's Guidance on Local Government Investments ("the Guidance")
2. CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
3. CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

In accordance with the above guidance from the DLUHC 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 Annex 2 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:

1. 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
2. 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.

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:

1. credit watches and credit outlooks from credit rating agencies;
2. 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);
3. sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

1. **Banks 1** - good credit quality **–** the Council will only use banks which:
   a) are UK banks;

   b) are non-UK and domiciled in a country with a minimum long-term sovereign rating of AA- or equivalent;

   c) have, <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+

2. **Banks 2** – Part nationalised UK bank – Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised.

3. **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.

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

5. **Money Market Funds** – The Council will use AAA rated Money Market Funds, including VNAV funds.

6. **UK Government** (including gilts and the DMADF)

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

8. **Housing Associations**

9. **Collective (pooled) investment schemes**

10. **Supranational institutions**

11. **Corporate Bonds**

12. **Sovereign Bonds**

13. **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.

1. 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.
2. 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 ESG Considerations

The updated Treasury Management Code states that "The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies."

Link has suggested that the most important issue is ensuring that there is a clear understanding of what "environmental, social and governance (ESG)" investment considerations means. It is about understanding the ESG "risks" that an entity is exposed to and evaluating how well it manages these risks, (all entities will be subject to these to one extent or other). It is not the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is not the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return). There is also a significant potential for misunderstanding which could have material unintended consequence i.e., limiting of potential counterparty options, thus decreasing diversification. The above could then lead to authorities widening credit criteria to take on more names, or those with a stronger "ESG" performance, which could then increase credit risk, which would place the cornerstone of prudent investing at risk.

Link has suggested that authorities can take ESG considerations into account through credit ratings. All the main agencies are now extoling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. As such, it is arguable that their incorporation is already being done, to an extent, by the use of mainstream rating agencies. It is this approach that Bromley will currently adopt, until such time as a definitive, consistent approach can be formulated and validated by our external advisers.

4.5 Investment Strategy

In-house funds: The Council's core portfolio is around £370m although cashflow variations during the year will lead to the portfolio balance fluctuating. 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).

Investment returns expectations.
The current interest rate forecast (refer paragraph 3.3) projects that the Bank Rate will remain at 5.25% in Q2 2024.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, are as follows.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.70%
2025/26	3.10%	3.20%
2026/27	3.00%	3.00%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

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	2024/25	2025/26	2026/27	2027/28
	£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.

4.6 End of year investment report

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

4.7 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.

4.8 Role of the Section 151 Officer

The S151 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
- preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments
    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that

appropriate professional due diligence is carried out to support decision making

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

ANNEX 1: Economic Background (Provided by Link)

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet

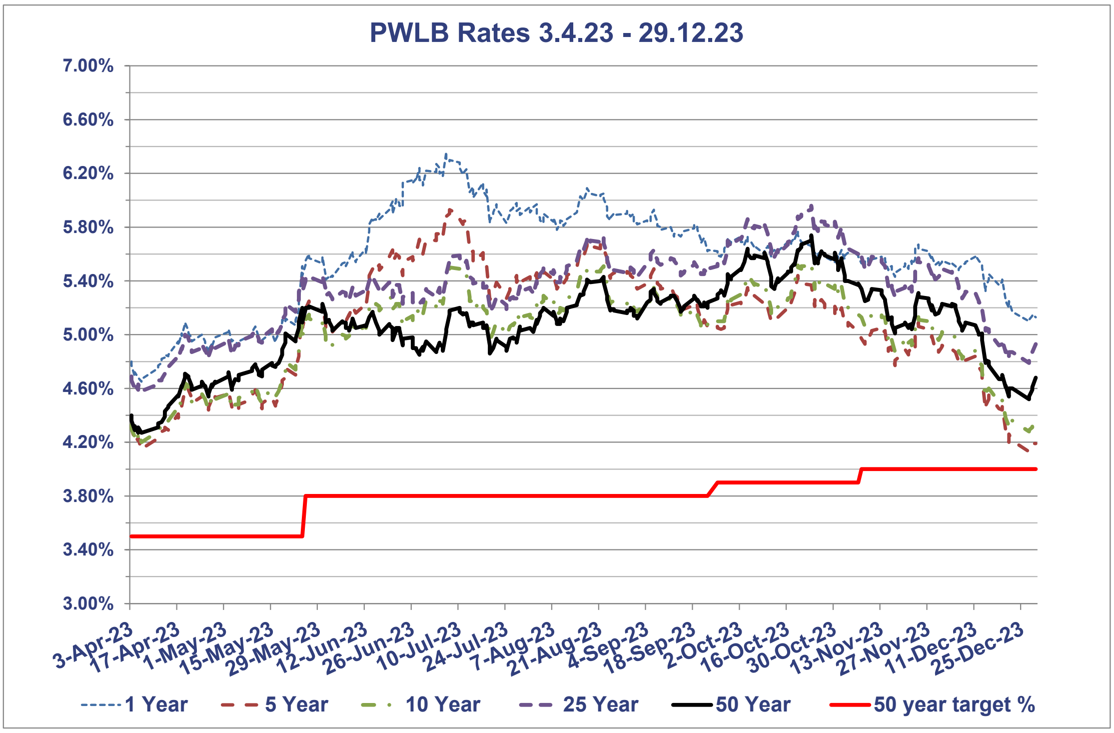
to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

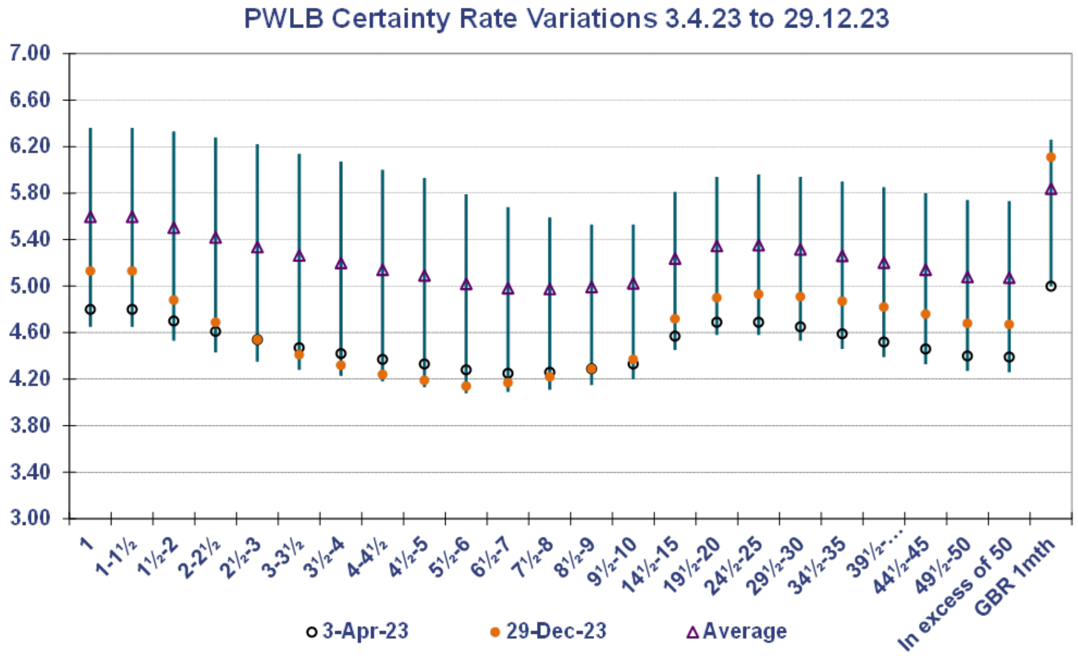
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time".

In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.





	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

ANNEX 2: Specified and Non-Specified Investments – Eligibility Criteria

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, Sovereign 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 AA- (or equivalent) to investment counterparties.

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

	Non-Specified Investment Category	Limit (£ or %)
	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.
	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 greater than 1 year and up to a maximum of 3 years. Maximum total investment of £15m with each local authority.	£15m limit with each local authority; maximum duration 3 years.
	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.
	Sovereign Bonds with a duration of greater than 1 year and up to a maximum of 3 years, subject to a minimum credit rating of AA-	£25m in total; maximum duration 3 years. Sterling only.
	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.	£80m in total; maximum duration 2 years.

CRITERIA FOR FUNDS MANAGED INTERNALLY AND EXTERNALLY

1. **Banks General** - good credit quality **–** the Council may only use banks which:
a) are UK banks;
b) are non-UK and domiciled in a country with a minimum long-term sovereign rating of AA- or equivalent;
c) have, as a minimum, 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 Baa1; S&P BBB+

2. **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-

3. **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

4. **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+
Moody's	P-3	Baa1
S & P	A-3	BBB+

5. **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 remains part-nationalised.

6. **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.

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

8. **Money Market Funds** – The Council may invest in AAA rated Money Market Funds, including Constant Net Asset Value (CNAV) Funds, Low Volatility Net Asset Value (LVNAV) funds and Variable Net Asset value (VNAV) funds. The total invested in each of the CNAV and LVNAV Funds must not exceed £15m at any time and £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."

9. **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.

10. **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.

11. **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.

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

13. **Sovereign Bonds** – Investment in sovereign bonds (sterling denominated only) with a minimum credit rating of AA- is permitted, subject to a maximum duration of 3 years and a maximum total exposure of £25m.

14. **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.

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

16. **Housing Associations** – The Council may invest with Housing Associations with a minimum credit rating of BBB+, for a maximum duration of 2 years, and with a maximum deposit of £10m with anyone Housing Association and £80m in total.

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

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France
- Qatar
- **U.K.**

ANNEX 3: Prudential Indicators – Summary for Approval by Council

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, 2017 and 2021) was initially adopted by full Council on 15th February 2010 and has subsequently been re-adopted each year in January/February.

PRUDENTIAL INDICATORS	2022/23	2023/24	2024/25	2025/26	2026/27
	actual	estimate	estimate	estimate	estimate
GF Capital Expenditure	21.0	60.0	141.1	85.8	24.5
HRA Capital Expenditure	0	0	0	0	0
Total Capital Expenditure	£21.0m	£60.0m	£141.1m	£85.8m	£24.5m
Ratio of financing costs to net revenue stream	0.0%	0.0%	0.0%	0.0%	0.4%
Net borrowing requirement (net investments for Bromley)					
brought forward 1 April	£377.8m	£344.0m	£295.3m	£232.4m	£185.5m
carried forward 31 March	£344.0m	£295.3m	£232.4m	£185.5m	£179.6m
in year borrowing requirement (movement in net investments for Bromley)	-£23.8m	-£48.7m	-£62.9m	-£46.9m	-£5.9m
Capital Financing Requirement as at 31 March	£29.9m	£32.4m	£38.3m	£49.4m	£71.2m
Annual change in Cap. Financing Requirement	-	+£2.5m	+£5.9m	+£11.1m	+£21.8m

TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2024/25	2025/26	2026/27
	actual	estimate	estimate	estimate	estimate
Authorised Limit for external debt -					
borrowing	£30.0m	£50.0m	£50.0m	£50.0m	£50.0m
other long-term liabilities	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
TOTAL	£60.0m	£80.0m	£80.0m	£80.0m	£80.0m
Operational Boundary for external debt -					
borrowing	£10.0m	£50.0m	£50.0m	£50.0m	£50.0m
other long-term liabilities	£30.0m	£30.0m	£30.0m	£30.0m	£30.0m
TOTAL	£40.0m	£80.0m	£80.0m	£80.0m	£80.0m
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.
FSD24011

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker:	**EXECUTIVE, RESOURCES AND CONTRACTS POLICY DEVELOPMENT AND SCRUTINY COMMITTEE**
Date:	**Monday 5th February 2024**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**RISK MANAGEMENT**
Contact Officer:	Tasnim Shawkat, Director of Corporate Services and Governance – Corporate Services Risk Register Tel: 020 8461 7899 E-mail: tasnim.shawkat@bromley.gov.uk Peter Turner, Director of Finance – Finance Risk Register Tel: 020 8313 4338 E-mail: peter.turner@bromley.gov.uk Charles Obazuaye, Director of Human Resources, Customer Services and Public Affairs – Human Resources and Customer Services Risk Register Tel: 020 8313 4335 E mail: charles.obazuaye@bromley.gov.uk
Chief Officer:	Director of Finance
Ward:	(All Wards);

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1. Reason for decision/report and options

This report provides Members of the Executive, Resources and Contracts Policy, Development and Scrutiny Committee with the net 'High' (Red) risks extracted from the Corporate Services, Finance and the Human Resources and Customer Services Risk Registers.

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2. RECOMMENDATION

That the Executive, Resources and Contracts Policy, Development and Scrutiny Committee review and comment on the Risk Register extracts and commentary, and direct any queries they may have to the relevant Contact Officer.

Impact on Vulnerable Adults and Children

1. Summary of Impact: There are no direct implications for Vulnerable Adults and Children arising from the attached Risk Register extracts, although failure of the Council to meet its commitments in any risk area could directly impact on life chances.

Transformation Policy

1. Policy Status: Not Applicable:
2. Making Bromley Even Better Priority
   To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

Financial

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

Personnel

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

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Legal

1. Legal Requirement: None:
2. Call-in: Not Applicable:

Procurement

1. Summary of Procurement Implications: Where applicable, the risk category is reflected as Contractual and Partnership.

Property

1. Summary of Property Implications: Where applicable, the risk category is reflected as 'Property' or 'Physical', which includes hazards/risks associated with buildings.

Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: Where applicable, the risk category is reflected as Environmental.

Impact on the Local Economy

1. Summary of Local Economy Implications: Where applicable, the risk category is reflected as Economic.

Impact on Health and Wellbeing

1. Summary of Health and Wellbeing Implications: There are no direct Health and Wellbeing Implications arising from the attached Risk Register extracts, although failure of the Council to meet its commitments in any risk area could directly impact on life chances.

Customer Impact

1. Estimated number of users or customers (current and projected): This report is intended primarily for the benefit of Members of the Executive, Resources and Contracts Policy, Development and Scrutiny Committee.

Ward Councillor Views

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

3. COMMENTARY

3.1 This report provides Members of the Executive, Resources and Contracts Policy, Development and Scrutiny Committee with the net 'High' (Red) rated risks for the areas falling within their remit.

- Corporate Services (Appendix A)
- Finance (Appendix B)
- Human Resources and Customer Services (Appendix C)

3.2 There are currently the following net 'High' risks across the three risk registers:

Corporate Services

- IT Security Failure
- Information Request non-compliance

Finance

- Financial Strategy

Human Resources, Customer Services and Public Affairs

- Insufficient Fire Safety Arrangements

3.3 In accordance with a request from Members of the Audit and Risk Management Committee to provide a greater degree of assurance that risks are being effectively managed, **Appendix D** contains additional commentary from risk owners on further actions that are being taken and / or explanatory explanation as to why the risk continues to remain high.

3.4 The net 'High' risks were previously presented to ER&C PDS on 17th October 2023 and the full risk registers were presented on 27th November 2023. Since those reports, there have been no changes to scoring or new net 'High' risks added. However the risk narratives, including causes, controls and additional commentaries have been updated to reflect the current situation.

3.5 Each Director retains responsibility for risk management within their division, which includes identifying and assessing risks, and ensuring that effective controls and / or actions are in place where appropriate. Departmental Management Teams are expected to review their risk registers on a minimum quarterly basis.

3.6 Internal Audit coordinate the Risk Management process via the Corporate Risk Management Group and the Audit and Risk Management Committee. The Corporate Risk Management Group met in December 2023 with a specific focus on reviewing each Departmental Risk Register to ensure completeness, consistency of scoring, appropriateness of controls and actions etc. These discussions did not result in any significant changes to the risks presented in this paper.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 There are no direct implications for Vulnerable Adults and Children arising from the attached Risk Register extracts, although failure of the Council to meet its commitments in any risk area could indirectly impact on life chances.

5. TRANSFORMATION/POLICY IMPLICATIONS

5.1 Where applicable, the risk category in all registers is reflected as 'Financial, Operational'.

6. FINANCIAL IMPLICATIONS

6.1 The Finance department's net Red Risk is attached as Appendix B. Where applicable, the risk category in all registers is reflected as 'Financial, Operational'.

7. PERSONNEL IMPLICATIONS

7.1 The Human Resources' department's net Red Risk is attached as Appendix C. Where applicable, the risk category in all risk registers is reflected as 'Personnel, Operational'. The Council takes seriously the health and safety of its staff and third parties' staff on Council premises and hence every reasonable/proportionate step will be taken to fulfil the Council's moral and legal duty of care.

8. LEGAL IMPLICATIONS

8.1 Where applicable, the risk category in all registers is reflected as 'Legal, Operational'.

9. PROCUREMENT IMPLICATIONS

9.1 Where applicable, the risk category in all registers is reflected as 'Contractual and Partnership'.

10. PROPERTY IMPLICATIONS

10.1 Where applicable, the risk category is reflected as 'Physical / Property', which includes hazards/risks associated with buildings.

11. CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS

11.1 Where applicable, the risk category is reflected as Environmental.

12. IMPACT ON THE LOCAL ECONOMY

12.1 Where applicable, the risk category is reflected as Economic.

13. IMPACT ON HEALTH AND WELLBEING

13.1 There are no direct Health and Wellbeing Implications arising from the attached Risk Register extracts, although failure of the Council to meet its commitments in any risk area could directly impact on life chances.

Non-Applicable Headings:	Customer Impact Ward Councillor Views
Background Documents: (Access via Contact Officer)	None

Appendix A - Corporate Services Risk Register Extract

												DATE LAST REVIEWED:	**16/01/24**
REF	**DIVISION**	**RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)**	**RISK CAUSE & EFFECT**	**RISK CATEGORY**	**GROSS RISK RATING** *(See next tab for guidance)*			**EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK**	**CURRENT RISK RATING** *(See next tab for guidance)*			**FURTHER ACTION REQUIRED**	**RISK OWNER**
					LIKELIHOOD	**IMPACT**	**RISK RATING**		**LIKELIHOOD**	**IMPACT**	**RISK RATING**		
1	Corporate Services	**IT Security failure**	**Cause(s):** Failure of IT Security (responsibility across Bromley & BT) to manage risk of attack or intrusion leading to potential corruption / loss of data / loss of systems **Effect(s):** Loss of service, potential fines, resident dissatisfaction	Data and Information	4	5	20	-Application of effective security management including effective application of anti-virus protection and security measures through the IT Contract with BT - Regular Penetration Testing undertaken - Information Security Team in place - Patch updates undertaken regularly - IG training programme - PSN Compliant	3	5	15	- Security Operation Centre(SOC) will be implemented by December/January which will proactive montoring of the LBB Data and Infrastructure.	Vinit Shukle
16	Corporate Services	**Information Request non-Compliance**	**Cause(s):** Failure to meet timescales under FOIA, EIR and GDPR Failure to provide suitable answers in respect of these requests or correctly apply exemptions **Effect(s):** 1. Distress on wellbeing of customers 2. Impact on operational integrity 3. Reputational damage to services and the authority as a whole 4. Liability in law 5. Economic damage to authority due to fines	Data and Information - Operational	4	5	20	SAR Team formed in the Information Management Team to ensure timely triage, collation, redaction and response. Appeal to COE, CLT, Manager's Briefing and all officers to support the information coordinators	4	4	16	Annual and increased training and awareness - experienced resources to triage and redact where necessary - improved technical measures to assist Data searches	Director of Corporate Services/Vinit Shukle

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Appendix B - Finance Risk Register Extract

												DATE LAST REVIEWED:	17/01/24
REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance) LIKELIHOOD	IMPACT	RISK RATING	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance) LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
5	Finance	**Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget**	**Cause(s):** 1. The 2024/25 Draft Budget report to Executive identified the need to reduce the Council's 'budget gap' of £38.76m per annum by 2027/28. The Council received a one-year financial settlement for 2024/25, which creates uncertainty on funding levels for the medium term. 2. The fundamental review of local government funding through the Fair Funding Review and Business Rate review is now expected to be delayed until at least 2026/27 which adds to financial uncertainty in considering the impact on the financial forecast for 2025/26 to 2027/28. Apart from cost/growth pressures relating to SEN, social care and homelessness, the significant cost increases relating to inflation continue for some time. These factors can have a significant impact on the future years' 'budget gap' identified above. More background is included in the Draft 2024/25 Budget and Update on the Council's Financial Strategy 2025/26 to 2027/28 report to Executive on 17th January 2024 and 2024/25 Council Tax report of 7th February 2024. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: Housing (homelessness and cost of bed and breakfast); Adult Social Care (demographic changes including ageing population); Children's Social Care, Education (central costs and high needs transport), Waste (growing number of households), Dedicated Schools Grant deficit increases and limited delivery of planned mitigation savings. 4. New capital schemes may be required with the associated revenue impact (including financing) adding to the Council's 'budget gap' to meet. 5. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding pressures not being met. 6. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 7.Increases in national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 8. Local government may be required to take on new funding responsibilities in the future without adequate funding. 9. Impact of future welfare reforms and the phased roll out of Universal Credit. 10. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). **Effect(s):** - Increased overspends in particular services - Council unable to carry out its statutory duties due to services cuts - Reputational damage	Financial - Operational	5	5	25	Strategic Controls: 1. Regular update to forward forecast 2. Regular analysis of funding changes and new burdens including full year impact 3. Early identification of future savings required 4. Transformation options considered early in the four year forward planning period 5. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 6. Mitigation of future cost pressures including demographic changes 7. Quarterly review of growth pressures and mitigation 8. Continue to progress with opportunities for the Transformation Reviews towards meeting future years' budget gap. Operational Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis 3. Reporting of financial forecast updates in year to provide an update of financial impact and action required 4. Obtain monthly trend / current data to assist in any early action required 5. Obtain regular updates / market intelligence 6. Reporting full year effect of budget variations 7. Analysis of government plans and changes	4	5	20	The Council continues to explore transformation opportunities to help meet the ongoing budget gap	Director of Finance

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Appendix C - Human Resources and Customer Services Risk Register Extract

												DATE LAST REVIEWED:	18/01/24
REF	DIVISION	RISK TITLE & DESCRIPTION	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
12	Health and Safety/Property	**Insufficient fire safety arrangements** Non compliance with Regulatory Reform (Fire Safety) Order 2005, as amended by the Fire Safety Act 2021	**Cause(s)** - No trained fire responsible person (legal) for some sites - Insufficient numbers of trained fire wardens and fire marshals onsite to safely manage an evacuation (in accordance with the Fire Risk Assessments). Cover has become even more stretched now that additional sites are operating simultaneously - Insufficient fire safety and fire fighting equipment - Property related issues, including property not being suitable for fire safety requirements - Insufficient arrangements for outside of normal working hours - Insufficient arrangements to support those who may need additional assistance evacuating in a fire - including the lack of undertaking of personal emergency evacuation plans - Fire risk assessments not undertaken - Insufficient arrangements for monitoring who is on site at any given time e.g. check in and check out arrangements - Lack of clarity on who is responsible for what should there be an emergency **Effect(s)** - Non compliance with the Regulatory Reform (Fire Safety) Order 2005, as amended by the Fire Safety Act 2021 - Inadequate plans for fire safety and evacuation for current occupation plans putting staff and visitors at risk	Health & Safety/Property	4	5	20	1. Reduced number of staff on site 2. Check in and check out arrangements adopted at the Civic Centre site 3. Fire evacuation instructions for the Civic Centre site published 4. All staff required to complete fire prevention and evacuation e-learning course 5. Currently trying to recruit more volunteers to be fire wardens 6. New monthly allowance provided to fire wardens to encourage more people to volunteer 7. Fire Safety is standing item at Corporate Health and Safety Committee 8. Fire Safety policy published 9. Arrangements for new accomodation implemented and are under constant review 10. Fire drills undertaken 11. Fire warden arrangements recently discussed at COE. There was a particular focus on the arrangements to be adopted for the new site 12. Recent review done of how regularly fire drills are done at all of our sites. Any issues identified are being picked up 13. Creation of a fire safety committee 14. A report regarding fire risks of electric powered personal vehicles (EEPVs) created	3	5	15	' - Learning and Development to arrange training - Facilities Management to ensure Fire Risk Assessments are completed - Facilities Management to engage fire safety supplier to produce Emergency Plans for sites - Civic Centre Emergency Plan is to include the revised fire evacuation procedure which meets the best practice advice from the London Fire Brigade and HSE - Facilities Management team to implement new signage etc. - Facilities Management team to distribute emergency plan to site occupiers and to arrange training on plan for fire marshals - Fire safety documents to be stored corporately to retain corporate knowledge and ensure regularly reviewed - Fire Safety to be added to COE agenda as a standing item. - Fire drills to be undertaken - Alternatives to current Civic Centre check in and check out arrangements to be reviewed due to issues with current arrangements	Director of HR, Customer Services and Public Affairs & Director of Housing, Planning and Regeneration

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Appendix D - Commentary on Net 'High' risks

Finance Risk Register			
Risk Title & Descriptor	**Risk Owner**	**NET score and risk rating**	**Commentary**
Financial Strategy *Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget*	Director of Finance	20 - High	Local Government faces the challenge of the impact of inflation, service and cost pressures continuing to reflect demographic changes and new burdens whilst income from council tax and government funding is not expected to be able to keep pace with inflation and other cost pressures. There is an increase in reported Section 114 notices and capitalisation directions which is a sign of deteriorating financial position facing local authorities. Although these were initially caused by poor governance and financial management, more are expected as due to the ongoing funding challenges, whilst needing to maintain statutory services. This Council has a statutory duty to have a balanced budget and the funding challenge is also faced by this Council as reported to Executive and Council as part of the annual budget process. The next phase of the transformation programme 2024-28 will look at options to generate income but the scale of cost pressures including housing, adult and children's social care and special educational needs (and possibly higher inflation in the future) creates a deteriorating financial position in the medium to longer term. Bromley is 'better placed' than many authorities but the significant financial challenges remain. The awaited Government review of local government finance continues to be deferred and is not expected until at least 2026/27.

			On that basis, the significant financial sustainability risk is likely to remain in the medium to longer term without a fundamental review of local government finance. Work will continue to deliver a balanced budget but the ongoing financial sustainability challenge remains. Further details are provided in the draft 2024/25 budget report and update on financial strategy 2025/6 - 2027/28 to Executive on 17 January 2024.

Corporate Services Risk Register			
Risk Title & Descriptor	**Risk Owner**	**NET score and risk rating**	**Commentary**
IT Security Failure	Assistant Director - IT	15 – High	Security Operation Centre(SOC) has been implemented which is being fine-tuned to ensure efficient proactive monitoring of the LBB Data and Infrastructure.
Information Request non compliance	Director of Corporate Services & Governance	16 – High	Annual and increased training and awareness - experienced resources to triage and redact where necessary - improved technical measures to assist Data searches

Human Resources, Customer Services and Public Affairs Risk Register			
Risk Title & Descriptor	**Risk Owner**	**NET score and risk rating**	**Commentary**
Insufficient fire safety arrangements *Non-compliance with Regulatory Reform (Fire Safety) Order 2005, as amended by the Fire Safety Act 2021*	Director of HR, Customer Services and Public Affairs & Director of Housing, Planning and Regeneration	15 – High	Due to the vast number of LBB sites, and due to the higher risk nature of work undertaken at our sites, including waste collections and supporting vulnerable persons, the risk rating will always be somewhat high. Given the known ongoing issues with LBB's fire safety arrangements, as noted in the causes box for this risk on the risk register, and the severe findings noted in some of the recently completed fire risk assessments, the risk remains high. Some actions have now been progressed, such as some of the courses needing to be delivered have now been delivered, the creation of a fire safety committee and the creation of a report about the fire risks of electric powered personal vehicles. Actions to be taken include: - Learning and Development to arrange training – Ongoing – Accountable officer: Assistant Director of Human Resources - Facilities Management to ensure Fire Risk Assessments are completed – Ongoing – Accountable officer: Director of Housing, Planning, Property and Regeneration - Facilities Management to engage fire safety supplier to produce Emergency Plans – As soon as possible – Accountable officer: Director of Housing, Planning, Property and Regeneration

			- Facilities Management team to implement new signage – Ongoing – Accountable officer: Director of Housing, Planning, Property and Regeneration - Facilities Management team to distribute emergency plan to site occupiers and to arrange training on plan for fire marshals – As soon as possible – Accountable officer: Director of Housing, Planning, Property and Regeneration - Fire safety documents to be stored corporately to retain corporate knowledge and ensure regularly reviewed – Ongoing – Accountable officers: Director of Housing, Planning, Property and Regeneration & Director of Human Resources, Customer Services & Public Affairs - Fire Safety to be added to COE agenda as a standing item – As soon as possible – Accountable officer: Director of Housing, Planning, Property and Regeneration & Director of Human Resources, Customer Services and Public Affairs - Fire drills to be undertaken – Ongoing – Accountable officer: Director of Housing, Planning, Property and Regeneration Alternatives to current Civic Centre check in and check out arrangements to be reviewed due to issues with current arrangements – As soon as possible – Accountable officer: Director of Human Resources, Customer Services and Public Affairs & Director of Housing, Planning, Property and Regeneration

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

Agenda Item 13

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