

## Notice of Meeting of the

# ASSEMBLY

to be held on Wednesday, 15 July 2015  
commencing at 7:00 pm in the  
Council Chamber, Town Hall, Barking



To all Members of the Council of the London Borough of Barking and Dagenham

Date of publication: 7 July 2015

Chris Naylor  
Chief Executive

Councillors and senior officers are also invited to attend a presentation by the Chief Finance Officer on the subject of "**Implications of the Chancellor's Emergency Budget**" which will take place in the Council Chamber from 6.00 pm until 6.45 pm

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## **AGENDA**

**1. Apologies for Absence**

**2. Declaration of Members' Interests**

In accordance with the Council Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting.

**3. Minutes - To confirm as correct the minutes of the meeting held on 20 May 2015 (Pages 3 - 30)**

**4. Minutes of Sub-Committees - To note the minutes of the JNC Salaries and Conditions Panel held on 15 May 2015 (Pages 31 - 33)**

**5. Leader's Statement**

**6. Appointments**

The Labour Group Secretary will announce any nominations to fill vacant positions on Council committees or other bodies.

**7. Senior Management Appointments**

The Chief Executive will table a report at the meeting advising on the outcome of the JNC Appointments Panel which met earlier in the day.

**8. Council Constitution - Pensions Panel Terms of Reference (Pages 35 - 40)**

**9. Treasury Management Annual Report 2014/15 (Pages 41 - 60)**

**10. Questions With Notice**

**11. Any other public items which the Chair decides are urgent**

**12. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

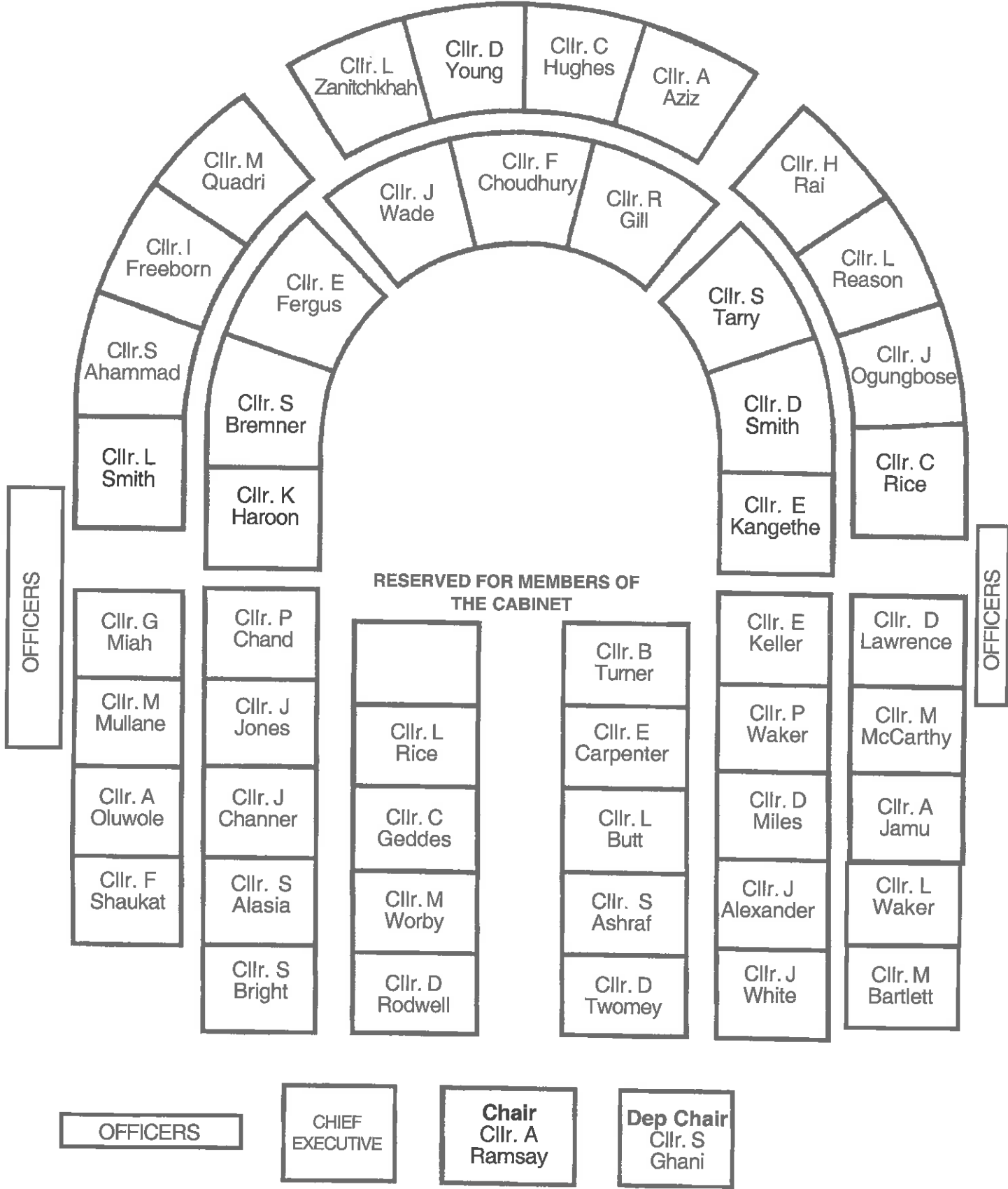
### **Private Business**

The public and press have a legal right to attend Council meetings such as the Assembly, except where business is confidential or certain other sensitive information is to be discussed. There are no such items at the time of preparing this agenda.

**13. Any confidential or exempt items which the Chair decides are urgent**

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# BARKING TOWN HALL COUNCIL CHAMBER



SEATING PLAN FOR THE ASSEMBLY

## **Our Vision for Barking and Dagenham**

### **One borough; one community; London's growth opportunity**

#### **Encouraging civic pride**

- Build pride, respect and cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life
- Promote and protect our green and public open spaces
- Narrow the gap in attainment and realise high aspirations for every child

#### **Enabling social responsibility**

- Support residents to take responsibility for themselves, their homes and their community
- Protect the most vulnerable, keeping adults and children healthy and safe
- Ensure everyone can access good quality healthcare when they need it
- Ensure children and young people are well-educated and realise their potential
- Fully integrate services for vulnerable children, young people and families

#### **Growing the borough**

- Build high quality homes and a sustainable community
- Develop a local, skilled workforce and improve employment opportunities
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough's image to attract investment and business growth

## MINUTES OF ASSEMBLY

Wednesday, 20 May 2015  
(7:00 - 8:07 pm)

### PRESENT

Cllr Tony Ramsay (Chair)  
Cllr Syed Ghani (Deputy Chair)

Cllr Syed Ahammad	Cllr Sanchia Alasia	Cllr Jeanne Alexander
Cllr Saima Ashraf	Cllr Abdul Aziz	Cllr Simon Bremner
Cllr Laila Butt	Cllr Evelyn Carpenter	Cllr Peter Chand
Cllr Josephine Channer	Cllr Faruk Choudhury	Cllr Edna Fergus
Cllr Irma Freeborn	Cllr Cameron Geddes	Cllr Rocky Gill
Cllr Kashif Haroon	Cllr Chris Hughes	Cllr Amardeep Singh Jamu
Cllr Jane Jones	Cllr Eileen Keller	Cllr Mick McCarthy
Cllr Giasuddin Miah	Cllr Dave Miles	Cllr Margaret Mullane
Cllr James Ogungbose	Cllr Adegboyega Oluwole	Cllr Moin Quadri
Cllr Hardial Singh Rai	Cllr Linda Reason	Cllr Chris Rice
Cllr Lynda Rice	Cllr Darren Rodwell	Cllr Faraaz Shaukat
Cllr Danielle Smith	Cllr Liam Smith	Cllr Bill Turner
Cllr Dominic Twomey	Cllr Jeff Wade	Cllr Lee Waker
Cllr Phil Waker	Cllr John White	Cllr Maureen Worby
Cllr Dan Young	Cllr Linda Zanitchkhah	

### APOLOGIES FOR ABSENCE

Cllr Melanie Bartlett	Cllr Sade Bright	Cllr Elizabeth Kangethe
Cllr Danielle Lawrence	Cllr Sam Tarry	

#### 1. Appointment of Chair and Deputy Chair

The Chief Executive opened the meeting and invited nominations for the positions of Chair and Deputy Chair of the Assembly for the 2015/16 municipal year.

The Assembly **resolved** to appoint Councillors Ramsay and Ghani as Chair and Deputy Chair of the Assembly respectively.

#### 2. Declaration of Members' Interests

There were no declarations of interest.

#### 3. Minutes (24 February 2015)

The minutes of the Assembly held on 24 February 2015 were confirmed as correct, subject to the amendment of Minute 59 and specifically the supplementary question under Question 5 to reflect that Redbridge Council was a Labour-run authority.

#### **4. Minutes of Sub-Committees**

It was noted that the minutes of the JNC Salaries and Conditions Panel held on 15 May 2015 were not available for this evening's meeting. The Chair advised that the minutes would be presented for formal noting at the next meeting of the Assembly but that, in the meantime, he had asked the Chief Executive to circulate them to all Members by the end of the week.

#### **5. Death of Honorary Alderman John Davis**

The Assembly noted with deep regret that Honorary Alderman John Davis had passed away on 18 March 2015 following a period of illness.

Mr Davis had served as a Borough councillor for 44 years until his retirement in May 2014 and was the Borough Mayor during the 1982/83 municipal year. Mr Davis had held numerous senior and high profile positions during his time as a councillor and had been bestowed the Borough's highest award when becoming an Honorary Alderman in February 2014.

A number of Members paid tribute to Mr Davis' huge contribution to the Council and to his genuine commitment, not only to the constituents that he served as an elected representative for Triptons and Alibon wards but to all those that lived and worked in the Borough. Tribute was paid for the guidance and support that he had given to his colleagues over the years and to his great sense of humour, with several Members fondly recalling their personal memories.

The Assembly stood for a minute's silence as a mark of respect.

#### **6. Leader's Statement**

The Leader of the Council presented a verbal statement updating the Assembly on a range of matters which included:

- His concerns at the financial challenges ahead for local government following the election of a Conservative Government and the need for the Council to prepare for greater austerity arising from the Chancellor's emergency budget announcement expected in July;
- The work that he and the Leaders of other London Boroughs were involved with to press for the greater devolvement of powers to local authorities within London, including powers that currently rested with the Mayor of London, as a way of achieving better value for money. The Leader referred specifically to the areas of health and growth and advised that his London Leader colleagues had recently appointed him as the Shadow Health spokesperson for London;
- The 10 most significant achievements in the first 12 months of the new Council leadership, which included the securing of over £¾ billion investment to bring prosperity to the Borough, the building of 669 new homes and plans to create of a new energy company that would enable the Council and its residents to save money;
- The inauguration of the first Young Mayor of Barking and Dagenham, the first



Youth Parade in the Borough and the staging of a Women's Empowerment Month for the first time in the country's history;

- The plans to celebrate the 50 year anniversary of Barking and Dagenham with over 70 events across the Borough, more than any other London Borough.

The Leader was particularly pleased to announce that Her Majesty the Queen and His Royal Highness the Duke of Edinburgh were to visit Barking and Dagenham as part of the 50<sup>th</sup> Anniversary celebrations and he undertook to advise Members of the full details once they had been finalised.

## **7. Appointments to the Political Structure and Other Bodies 2015/16**

The Head of Legal and Democratic Services (HLDS) introduced a report on the annual process of appointments to the various elements of the political structure and other internal and external bodies.

The HLDS invited the Labour Group Secretary, Councillor Carpenter, to advise on the nominations to the various positions to be appointed to and the Labour Group Secretary referred to the schedule that had been tabled at the meeting.

Assembly **resolved** to agree the appointments to positions as set out in Appendix 1.

(**Note:** The full membership schedules for 2015/16 are also included as Annexes A to E).

## **8. Members' Allowances Scheme 2015/16**

The Cabinet Member for Finance and Central Services presented a report on the Members' Allowances Scheme for 2015/16.

The Cabinet Member advised that, in view of the continuing pressures on public sector funding and the Council's finances in particular, it was proposed that no changes be made to the scheme for 2015/16, representing a freeze in allowance levels for the seventh successive year.

Several Members spoke in support of the proposed freeze as a contribution to making best use of the Council's money and the role of the previous portfolio holder in progressing the proposals was acknowledged. Councillor Gill commented that he too supported the proposed freeze but placed on record his frustration at the removal last year of the right for councillors to participate in the Local Government Pension Scheme (LGPS), particularly bearing in mind the above-inflation benefits applied by the Government to the pension scheme available to Members of Parliament. The Cabinet Member remarked that the removal of LGPS membership rights for councillors had led to a reduction of £100,000 in the overall Members' Allowances budget and he added that he would support a continuation of the freeze of allowances for at least the next three years.

Assembly **resolved** to:

- (i) Agree that no increase be applied to Members' basic and special

responsibility allowances for the 2015/16 municipal year, representing a freeze in allowance levels for the seventh year in succession; and

- (ii) Adopt the Members' Allowances Scheme 2015/16 as attached at Appendix A to the report, to come into effect from 21 May 2015.

## **9. Council Constitution - Updates**

The Cabinet Member for Finance and Central Services presented a report on the latest updates to the Council Constitution.

The Cabinet Member explained that the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015, which came into force on 11 May, 2015 introduced changes to the disciplinary process for the three statutory officer posts of Head of Paid Service, Monitoring Officer and Chief Finance Officer. As a consequence, the terms of reference of the JNC Disciplinary Panel required amendment, as did the Council's Employment Procedure Rules. A number of other minor changes had also been made, as well as the inclusion of reference to the new Pensions Board which was formally approved by the Assembly under Minute 55 of the last meeting.

With regard to the changes to the disciplinary process for the three statutory officer posts, Councillor Young sought clarification of the decision-making process for any future cases. The Cabinet Member confirmed that the recommendations of a JNC Disciplinary Panel would be presented to the Assembly, who in turn would deliberate the findings in private but make the final decision in public.

Assembly **resolved** to:

- (i) Note the revised arrangements in respect of the proposed dismissal of the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer, in accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015; and
- (ii) Note the schedule of updates to the Constitution as set out in Appendix 1 to the report.

## **10. Questions With Notice**

### **Question 1**

#### **From Councillor Mullane**

"In light of the recent press stories regarding the tragedy that has occurred in Rotherham, including allegations that elected Councillors have been criticised for not undertaking an active role in ensuring safeguarding of the Boroughs children, does the Leader of the Council feel this Council has all safeguards in place to ensure this cannot happen in Barking and Dagenham?"

#### **Response**

Councillor Rodwell, Leader of the Council, thanked Cllr Mullane for raising the very important report from Rotherham and stated that strong leadership was essential in making sure that the Council did all that it could to put in place the

necessary safeguards to protect children in the borough. Councillor Rodwell referred to the assurance received from OFSTED following its inspection of the Barking and Dagenham Children's Services last year, which concluded that: "The multi-agency work in relation to missing children is effective, there is good multi-agency working and the Local Safeguarding Children's Board (LSCB) has clear oversight of the issue via its Child Sexual Exploitation subgroups, which are chaired by senior representatives from the Police and Adults Services."

He also alluded to a joint review by several Government departments in April this year which concluded that:

"The Leader has made focusing on eliminating violence and abuse against women and children a priority for the council and the focus on child sexual exploitation sits within that context. The Council has been run by one political party for some time and the Leader is keen that scrutiny arrangements are robust to ensure there is proper challenge from both scrutiny committees and the Local Safeguarding Children's Board."

Councillor Rodwell also referred to the role of the Child Sexual Exploitation Champions, multi-agency working and the requirement for all staff, volunteers and school governors who work with children to have a disclosure and barring service (DBS) check. He added that as all Members had a role as 'corporate parents' and in view of the potential to have access to detailed information on young people, Members may want to think about strengthening their own leadership role and undertaking DBS checks.

## **Question 2**

### **From Councillor Young**

"Could the Cabinet Member for Environment please outline the exact costs to the Council incurred due to the ongoing industrial dispute including but not exclusive to security costs, overtime payments, agency staff and landfill payments?"

It was advised that Councillor Twomey, Deputy Leader of the Council and Cabinet Member for Finance and Central Services, would respond to all questions that related to the industrial dispute with the GMB Union, as he was the Council's lead spokesperson on the matter.

### **Response**

Councillor Twomey advised that the current budget position showed a net underspend of £47,920. The salaries not paid during the dispute amounted to £128,600, which was offset by £80,680 of additional costs relating to temporary staffing and recruitment, security, communications, vehicle costs, extension of opening times of Frizlands depot and miscellaneous equipment costs.

### **Supplementary Question**

Councillor Young asked whether the additional costs relating to staffing were for current agency staff or new agency staff.

Councillor Twomey clarified that only existing staff had been used to cover for

those drivers that were involved in the dispute.

### **Question 3**

#### **From Councillor Gill**

“Could the Cabinet Member for Environment please confirm if the Council will be providing a Council Tax rebate to residents for the non-collection of refuse and lack of services provided during the on-going strike?”

#### **Response**

Councillor Twomey advised that the Council would not, as the Council Tax was a statutory tax which helped to pay for a range of services of which the refuse service was a very small part.

#### **Supplementary Question**

Councillor Gill asked for further details as he felt that refuse collection was a basic service and the Council had recently increased the Council Tax.

Councillor Twomey responded that the Council had taken a unanimous decision in February to raise the Council Tax for 2015/16. The amount of rebate, if it were possible to make one, would represent approximately 30p per week per household and he referred to the Council's overall package of savings amounting to £29m which had to be made for 2015/16, which included the reduction to the pre-strike arrangements. Councillor Twomey also spoke on the details of the dispute and the extra measures being taken to mitigate the effects of the strike and advised that the Council had recently made a third offer to the GMB Union in an attempt to bring the dispute to an end, which he believed was very fair.

### **Question 4**

#### **From Councillor Gill**

“Could the Cabinet Member for Environment please advise why refuse collections for Longbridge Ward were missed out on non-strike days as part of the west-to-east collection strategy even though neighbouring wards received a collection?”

#### **Response**

Councillor Twomey advised that despite the exceptional circumstances, a service was continuing to be provided across the Longbridge area through an established pattern of collection on Mondays, with domestic grey bins emptied by the early shift and recycling brown or green bins collected on alternate Monday afternoons. The pattern operated from west to east.

Councillor Twomey also elaborated on some of the interim waste collection arrangements that were in place and the days lost to date as a consequence of the dispute.

#### **Supplementary Question**

Councillor Gill suggested that there were no advertised collection details for the Longbridge area and, in respect of the interim collection arrangements that had been introduced at various points in the Borough, enquired how

pensioners and those without a vehicle could be expected to deliver their household waste to those points.

Councillor Twomey acknowledged that not all residents were expected to use the collection points and some additional, assisted services were available alongside the collection services that were running. Additional services were also being provided to deal with any increase in fly-tipping.

#### **Question 5**

##### **From Councillor Mullane**

“Does the Cabinet Member for Housing feel, in this financial climate with rents having been increased and Council Tax too, that removing a caretaker from the Ibscott Estate in Village Ward, with poorer standards witnessed by the three ward councillors already, that officers must start listening to residents and elected councillors and reinstate the caretakers to three?”

##### **Response**

Councillor Ashraf, Deputy Leader of the Council and Cabinet Member for Housing, advised that the allocation of resources, including staffing, was solely a matter for officers to decide, within the financial parameters agreed by Members as part of the budget setting process.

##### **Supplementary Question**

Councillor Mullane clarified that she had been told that a Housing officer had made the decision and asked Councillor Ashraf if she would be prepared to meet with the Village ward councillors to discuss the decline in the caretaking service since the changes were introduced. Councillor Ashraf agreed to the request.

#### **Question 6**

##### **From Councillor Mullane**

“Can the Cabinet Member explain why councillors’ emails regarding casework are generally being ignored?”

##### **Response**

Councillor Twomey stressed that Members’ casework should not be ignored under any circumstances and should also be dealt with within the stated timescales. He encouraged Members to report any failing directly to the relevant Chief Officer.

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## Labour Group Nominations - May 2015

## Appendix 1

### Main Council Committees

Committee (and typical arrangements)	Positions to be Appointed to	Nominations
<b>Assembly</b>	<b>Chair</b> <b>Deputy Chair</b>	<b>Chair</b> Cllr Ramsay <b>Deputy Chair</b> Cllr Ghani
<b>DCB</b>	<b>Chair</b> <b>Deputy Chair</b> <b>16 other Members</b> Total Membership = 18	<b>Chair</b> Cllr Alasia <b>Deputy Chair</b> Cllr Shaukat Councillors Ahammad, Aziz, Chand, Fergus, Freeborn, Geddes, Ghani, Miah, Ogungbose, Oluwole, C Rice, Turner, Wade, Phil Waker, White and Young
<b>JNC Panels (various)</b>	<b>4 non-Cabinet Members</b>	Cllrs Fergus, Kangethe, Keller, Zanitchkhah
<b>Licensing &amp; Regulatory Board</b>	<b>Chair</b> <b>Deputy Chair</b> <b>8 other Members</b> Total Membership = 10	<b>Chair</b> Cllr Channer <b>Deputy Chair</b> Cllr Oluwole <b>8 other Members</b> Cllrs Ahammad, Chand, Choudhury, Haroon, Hughes, Kangethe, Rai, Lee Waker
<b>Personnel Board</b>	<b>Chair</b> <b>Deputy Chair</b> <b>7 other Members</b> Total Membership = 9	<b>Chair</b> Cllr Jones <b>Deputy Chair</b> Cllr Mullane <b>7 other Members</b> Cllrs Alasia, Fergus, Freeborn, Keller, Oluwole, Rai, P Waker
<b>Standards Committee</b>	<b>Chair</b> <b>Deputy Chair</b> <b>4 other Members</b> Total Membership = 6	<b>Chair</b> Cllr Chand <b>Deputy Chair</b> Cllr Miah <b>4 other Members</b> Cllrs Fergus, Freeborn, Shaukat, Worby

## Labour Group Nominations - May 2015

## Appendix 1

Committee (and typical arrangements)	Positions to be Appointed to	Nominations
<b>Children's Services Select Committee</b>	<b>Deputy Lead Member</b> <b>7 other Members</b> Total Membership = 9	<b>Deputy Lead Member</b> Cllr Bartlett <b>7 other Members</b> Cllrs Bremner, Fergus, Freeborn, Kangethe, D Smith (two vacancies)
<b>Health &amp; Adult Services Select Committee</b>	<b>Deputy Lead Member</b> <b>7 other Members</b> Total Membership = 9	<b>Deputy Lead Member</b> Cllr Chand <b>7 other Members</b> Cllrs Alasia, Aziz, Fergus, Oluwole, Rai (two vacancies)
<b>Living &amp; Working Select Committee</b>	<b>Deputy Lead Member</b> <b>7 other Members</b> Total Membership = 9	<b>Deputy Lead Member</b> Cllr McCarthy <b>7 other Members</b> Cllrs Bartlett, Freeborn, Jones, L Smith, Reason, L Waker, Zanitchkhah
<b>Safer and Stronger Select Committee</b>	<b>Deputy Lead Member</b> <b>7 other Members</b> Total Membership = 9	<b>Deputy Lead Member</b> Cllr Lee Waker <b>7 other Members</b> Cllrs Bremner, Choudhury, Haroon, Jones, Rai, Ramsay, D Smith
<b>Public Accounts and Audit Select Committee</b>	<b>Deputy Lead Member</b> <b>3 other Members</b> Total Membership = 9 (Four positions filled by the Lead Members of the other four Select Committees)	<b>Deputy Lead Member</b> Cllr Jamu <b>3 other Members</b> Cllrs Gill, Oluwole, Ramsay.



## Labour Group Nominations - May 2015

## Appendix 1

**Other Internal / Outside Bodies**  
(Appointments are for one year unless otherwise stated)

Organisation	Positions to be Appointed to (annual appointment unless specified)	Nominations
<b>Barking Housing Forum</b>	<b>1 Councillor per Ward</b> (with voting rights) from: Abbey Becontree Eastbury Gascoigne Goresbrook Longbridge Mayesbrook Thames	Cllr Butt Cllr Choudhury Cllr Rai Cllr Aziz Cllr Quadri Cllr L Rice Cllr D Smith Cllr Channer
<b>Dagenham Housing Forum</b>	<b>1 Councillor per Ward</b> (with voting rights) from: Alibon Chadwell Heath Eastbrook Heath Parsloes River Village Valence Whalebone	Cllr Hughes Cllr Bright Cllr Fergus Cllr Miles Cllr C Rice Cllr Keller Cllr Mullane Cllr Jones Cllr L Smith
<b>East London Waste Authority</b>	<b>1 Councillor</b>  (Cabinet Member for Environment automatically a Member)	Cllr Wade

## Labour Group Nominations - May 2015

## Appendix 1

Organisation	Positions to be Appointed to (annual appointment unless specified)	Nominations
<b>Elevate Strategic Partner Board</b>	<b>1 Councillor</b>  (Cabinet Member for Finance and Cabinet Member for Central Services automatically Members)	Cllr Haroon
<b>Employee Joint Consultative Committee</b>	<b>5 Councillors</b>  (Cabinet Member for Central Services automatically a Member)	Cllrs Keller, Miles, Oluwole, Reason, Zanitchkhah
<b>Employee Joint Health, Safety and Wellbeing Committee</b>	<b>3 Councillors</b>  (Cabinet Member for Central Services automatically a Member)	Cllrs Keller, Reason, Zanitchkhah
<b>OFSTED Report Panel</b>	<b>2 Councillors</b> (appointment co-terminus with Borough elections)  (Cabinet Member for Education and Schools automatically a Member, plus up to 9 other Councillors)	Cllrs L Rice and Haroon  <b>Resignations:</b> Cllrs Bright and Mullane
<b>The Kallar Lodge and Few Lodge Trust Fund (formerly Brocklebank Lodge)</b>	<b>2 Councillors</b>	Cllrs Keller and Wade

**COUNCILLOR MEMBERSHIP OF COMMITTEES 2015/16**

**ASSEMBLY**

All 51 Councillors

**CABINET**

Councillors Ashraf, Butt, Carpenter, Geddes, L Rice, Rodwell, Turner, Twomey and Worby

**CEREMONIAL COUNCIL**

All 51 Councillors

**CHILDREN'S SERVICES SELECT COMMITTEE**

Councillors Bartlett, Bremner, Fergus, Freeborn, Kangethe, D Smith and White (two vacancies)

**DEVELOPMENT CONTROL BOARD**

Councillors Ahammad, Alasia, Aziz, Chand, Fergus, Freeborn, Geddes, Ghani, Miah, Ogungbose, Oluwole, C Rice, Shaukat, Turner, Wade, P Waker, White and Young

**HEALTH AND ADULT SERVICES SELECT COMMITTEE**

Councillors Alasia, Aziz, Chand, Fergus, Keller, Oluwole and Rai (two vacancies)

**HEALTH AND WELLBEING BOARD**

Councillors Butt, Carpenter, Turner and Worby

**JNC PANELS (various)**

Councillors Ashraf, Fergus, Kangethe, Keller, Rodwell, Twomey and Zanitchkhah (plus relevant Cabinet Members where appropriate)

**LICENSING AND REGULATORY BOARD**

Councillors Ahammad, Chand, Channer, Choudhury, Haroon, Hughes, Kangethe, Oluwole, Rai and L Waker

**LIVING AND WORKING SELECT COMMITTEE**

Councillors Bartlett, Freeborn, Jones, McCarthy, Reason, L Smith, L Waker, P Waker and Zanitchkhah

**PENSIONS PANEL (four-year appointments to May 2018)**

Councillors Bright, McCarthy, Ogungbose, Quadri, Shaukat, Twomey and Wade

**PERSONNEL BOARD**

Councillors Alasia, Fergus, Freeborn, Jones, Keller, Mullane, Oluwole, Rai and P Waker

**PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE**

Councillors Alexander, Gill, Jamu, Keller, Miles, Oluwole, Ramsay, P Waker and White

**SAFER AND STRONGER COMMUNITY SELECT COMMITTEE**

Councillors Alexander, Bremner, Choudhury, Haroon, Jones, Rai, Ramsay, D Smith and L Waker

**STANDARDS COMMITTEE**

Councillors Chand, Fergus, Freeborn, Miah, Shaukat and Worby

## CHAIRS AND DEPUTY CHAIRS 2015/16

### **ASSEMBLY**

**Chair:** Councillor Ramsay

**Deputy Chair:** Councillor Ghani

### **CEREMONIAL COUNCIL**

**Chair:** The Mayor (Councillor Kangethe)

**Deputy Chair:** Chair of the Assembly (Councillor Ramsay)

### **CABINET**

**Chair:** The Leader of the Council (Councillor Rodwell)

**Deputy Chairs:** The Deputy Leaders of the Council (Councillors Ashraf and Twomey)

### **CHILDREN'S SERVICES SELECT COMMITTEE**

**Chair:** Councillor White (two-year appointment to May 2016)

**Deputy Chair:** Councillor Bartlett

### **DEVELOPMENT CONTROL BOARD**

**Chair:** Councillor Alasia

**Deputy Chair:** Councillor Shaukat

### **HEALTH AND ADULT SERVICES SELECT COMMITTEE**

**Chair:** Councillor Keller (two-year appointment to May 2016)

**Deputy Chair:** Councillor Chand

### **HEALTH AND WELLBEING BOARD**

**Chair:** The Cabinet Member for Adult Social Care & Health (Councillor Worby)

**Deputy Chair:** appointed by the Board from amongst its membership

### **LICENSING AND REGULATORY BOARD**

**Chair:** Councillor Channer

**Deputy Chair:** Councillor Oluwole

### **LIVING AND WORKING SELECT COMMITTEE**

**Chair:** Councillor P Waker (two-year appointment to May 2016)

**Deputy Chair:** Councillor McCarthy

### **PENSIONS PANEL** (four-year appointments to May 2018)

**Chair:** The Cabinet Member for Finance (Councillor Twomey)

**Deputy Chair:** Councillor Shaukat

**PERSONNEL BOARD**

**Chair:** Councillor Jones

**Deputy Chair:** Councillor Mullane

**PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE**

**Chair:** Councillor Miles (two-year appointment to May 2016)

**Deputy Chair:** Councillor Jamu

**SAFER AND STRONGER COMMUNITY SELECT COMMITTEE**

**Chair:** Councillor Alexander (two-year appointment to May 2016)

**Deputy Chair:** Councillor L Waker

**STANDARDS COMMITTEE**

**Chair:** Councillor Chand

**Deputy Chair:** Councillor Miah

**COUNCIL REPRESENTATION ON VARIOUS INTERNAL AND EXTERNAL BODIES**  
**May 2015**

Organisation	Representation required	Representation 2015/16 (1 year unless specified)
<b>Admissions Forum</b>	The Cabinet Member for Education and Schools plus 4 Councillors (4 year appointments)	Cllr Carpenter (June 2014 – May 2018) Cllr Bright (June 2014 – May 2018) Cllr Keller (June 2014 – May 2018) Cllr Oluwole (June 2014 – May 2018) Cllr Shaukat (June 2014 – May 2018)
<b>Barking and Dagenham Adoption and Permanence Panel</b>	1 Councillor (4 year appointment)	Cllr Turner (June 2014 – May 2018)
<b>Barking &amp; Dagenham Citizens' Advice Bureau</b>	2 Councillors (4 year appointments)	Cllr Chand (June 2014 – May 2018) Cllr Ogungbose (June 2014 – May 2018)
<b>Barking and Dagenham Fostering Panel</b>	2 Councillors (4 year appointments)	Cllr Bright (June 2014 – May 2018) Cllr Zanitchkhah (June 2014 – May 2018)
<b>Barking and Dagenham Reside</b>	Relevant Cabinet Members (Finance, Housing and Regeneration)	<b>Cabinet Appointment</b> (13 November 2012) Cllr Twomey Cllr Ashraf Cllr Geddes
<b>Barking and Dagenham Safeguarding Adults Board</b>	Relevant Cabinet Member (Adult Social Care and Health)	Cllr Worby

Organisation	Representation required	Representation 2015/16 (1 year unless specified)	
<b>Barking and Dagenham Safeguarding Children Board</b>	Relevant Cabinet Member <ul style="list-style-type: none"> <li>• Children's Services &amp; Social Care</li> <li>• Education and Schools</li> </ul>	Cllr Turner Cllr Carpenter	
<b>Barking Housing Forum</b>	One Councillor per Ward with voting rights.	Cllr Butt Cllr Choudhury Cllr Rai Cllr Aziz Cllr Quadri Cllr L Rice Cllr D Smith Cllr Channer	Abbey Becontree Eastbury Gascoigne Goresbrook Longbridge Mayesbrook Thames
<b>Barking Riverside Community Interest Company</b>	Relevant Cabinet Member (Regeneration) plus 1 Councillor appointed by Cabinet Member and 1 Thames Ward Councillor as substitute representative	Cllr Geddes Cllr Rodwell Cllr Channer	
<b>Barking Riverside Limited Board</b>	Relevant Cabinet Member (Regeneration) (observer status only)	Cllr Geddes	
<b>Children's Trust</b>	Relevant Cabinet Members <ul style="list-style-type: none"> <li>• Children's Services &amp; Social Care</li> <li>• Education and Schools</li> </ul>	Cllr Turner Cllr Carpenter	
<b>Community Safety Partnership</b>	Relevant Cabinet Member (Crime and Enforcement)	Cllr Butt	



Organisation	Representation required	Representation 2015/16 (1 year unless specified)	
<b>Dagenham Housing Forum</b>	One Councillor per Ward with voting rights.	Cllr Hughes Cllr Bright Cllr Fergus Cllr Miles Cllr C Rice Cllr Keller Cllr Mullane Cllr Jones Cllr L Smith	Alibon Chadwell Heath Eastbrook Heath Parsloes River Village Valence Whalebone
<b>East London Housing Partnership</b>	Relevant Cabinet Member (Housing)	Cllr Ashraf	
<b>East London Solutions Leaders' Group</b>	Leader of the Council	Cllr Rodwell	
<b>East London Waste Authority</b>	Relevant Cabinet Member (Environment) plus 1 Councillor	Cllr L Rice Cllr Wade	
<b>Elevate Limited Liability Partnership Board</b>	Relevant Cabinet Member (Central Services) plus 1 Councillor as deputy to be appointed by the Cabinet Member	Cllr Twomey Cllr Channer	
<b>Elevate Strategic Partner Board</b>	Relevant Cabinet Members (Finance) and (Central Services) and 1 non-cabinet Councillor	Cllr Twomey Cllr Haroon	

Organisation	Representation required	Representation 2015/16 (1 year unless specified)
<b>Employee Joint Consultative Committee</b>	Relevant Cabinet Member (Central Services) plus 5 Councillors	Cllr Twomey Cllr Keller Cllr Oluwole Cllr Miles Cllr Reason Cllr Zanitchkhah
<b>Employee Joint Health, Safety and Wellbeing Committee</b>	Relevant Cabinet Member (Central Services) plus 3 Councillors	Cllr Twomey Cllr Reason Cllr Keller Cllr Zanitchkhah
<b>Greater London Enterprise</b>	Relevant Cabinet Member (Regeneration)	Cllr Geddes
<b>Joint Committee of the Six Growth Boroughs</b> (formerly the Joint Cttee of the London 2012 Olympic and Paralympic Host Boroughs)	Two Cabinet Members	<b>Cabinet Appointment</b> (18 November 2014) Cllr Ashraf Cllr Rodwell
<b>Local Government Association - General Assembly</b>	Leader Deputy Leader (s) plus 1 Councillor appointed by the Leader	Cllr Rodwell Cllr Twomey Cllr Ashraf (1 x vacancy)
<b>Local Plan Steering Group</b>	The Leader of the Council and Relevant Cabinet Member(s): ❖ Regeneration ❖ Central Services ❖ Adult Social Care and Health	Cllr Rodwell Cllr Geddes Cllr Twomey Cllr Worby

Organisation	Representation required	Representation 2015/16 (1 year unless specified)
	(voting Members) plus the Chair and Deputy-Chair of the Development Control Board (non- voting)	Cllr Alasia Cllr Shaukat
<b>London Councils</b>		
<ul style="list-style-type: none"> <li>Children and Young People Forum</li> </ul>	Relevant Cabinet Member (Children's Social Care)	Cllr Turner
<ul style="list-style-type: none"> <li>Crime and Public Protection Forum</li> </ul>	Relevant Cabinet Member (Crime and Enforcement)	Cllr Butt
<ul style="list-style-type: none"> <li>Culture &amp; Tourism Forum</li> </ul>	Relevant Cabinet Member (Leader's portfolio)	Cllr Rodwell
<ul style="list-style-type: none"> <li>Economic Development / Regeneration Forum</li> </ul>	Relevant Cabinet Member (Regeneration)	Cllr Geddes
<ul style="list-style-type: none"> <li>Grants Committee (Associated Joint Committee)</li> </ul>	Relevant Cabinet Member (Leader's Portfolio) plus up to 4 named deputies (who must be Cabinet Members) to be appointed by the relevant Cabinet Member	Cllr Rodwell  (4 x deputy vacancies)
<ul style="list-style-type: none"> <li>Greater London Employment Forum</li> </ul>	Relevant Cabinet Member (Central Services ) plus 1 deputy	Cllr Twomey Cllr Freeborn

Organisation	Representation required	Representation 2015/16 (1 year unless specified)
• Health and Adult Services Forum	Relevant Cabinet Member (Adult Social Care and Health)	Cllr Worby
• Housing Forum	Relevant Cabinet Member - Housing	Cllr Ashraf
• Leaders' Committee	Leader of the Council plus 2 named deputies to be appointed by the Leader	Cllr Rodwell Cllr Twomey Cllr Ashraf
• Planning Forum	Relevant Cabinet Member - Regeneration	Cllr Geddes
• Transport and Environment Committee (Associated Joint Committee)	Relevant Cabinet Member (Environment) plus up to 4 named deputies to be appointed by the Cabinet Member	Cllr L Rice Cllr Alasia Cllr Butt Cllr Geddes
<b>London Road Safety Council</b>	2 Councillors (2 year appointment)	Cllr Rai (June 2014 – May 2016) Cllr White (June 2014 – May 2016)
<b>May &amp; Baker Eastbrook Community Club</b>	3 Eastbrook Ward Councillors (co-terminus with Borough elections)	Cllr Fergus Cllr McCarthy Cllr Ramsay
<b>Members' Corporate Parent Group</b>	1 Councillor (appointed by the Relevant Cabinet Member - Children's Services & Social Care) – co-terminus with Borough elections	Cllr Channer (June 2014-May 2018)

Organisation	Representation required	Representation 2015/16 (1 year unless specified)
<b>OFSTED Report Panel</b>	Relevant Cabinet Member (Education and Schools) plus up to 9 other Councillors, for no longer than term of office as a Councillor.	Cllr Carpenter Cllr Geddes Cllr Haroon Cllr Rai Cllr P Waker Cllr White Cllr Kangethe Cllr L Rice (2 x vacancies)
<b>Public Transport Liaison Group</b>	Relevant Cabinet Member (Regeneration) plus 1 Councillor to be appointed by Cabinet Member	Cllr Geddes Cllr Turner
<b>Registered Provider Forum</b>	Relevant Cabinet Member (Housing) plus 2 Councillors to be appointed by the Cabinet Member	Cllr Ashraf Cllr Ahammad Cllr Fergus
<b>Reserve Forces and Cadets Association for Greater London</b>	The Leader or Deputy Leader(s) of the Council	Cllr Rodwell or Cllr Twomey or Cllr Ashraf
<b>Schools Investment Board</b>	Relevant Cabinet Members: ❖ Finance ❖ Education and Schools ❖ Regeneration	Cllr Twomey Cllr Carpenter Cllr Geddes
<b>Skills, Jobs and Enterprise Board</b>	Relevant Cabinet Member (Regeneration)	Cllr Geddes

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## TRUSTEES OF LOCAL CHARITIES 2015/16

### **Colin Pond Bursaries for Higher Education**

The Colin Pond Bursaries for Higher Education provides students with bursaries to continue into higher education. There is no specific term of office.

Council Appointed Trustees: Cabinet Member for Education and Schools, the Chief Finance Officer, the Corporate Director of Children's Services and the Head of Legal and Democratic Services.

### **Dagenham United Charity**

The Dagenham United Charity gives financial assistance to those in need at Christmas time and the area of benefit is the former Borough of Dagenham as at 1921 to 1924.

There are five trustees, four of whom are appointed by the Council and may be, but do not need to be, elected Members of the Council. They are elected for a four year term of office (June 2014 - May 2018):

Council Appointed Trustees: Councillors Chand, Mullane, Reason and L Waker

### **King George V Silver Jubilee Trust Fund**

This applies the net income from investments for the purpose of relieving cases of need, hardship or distress of children resident in the area.

The Council of the London Borough of Barking and subsequently Barking & Dagenham (being the successors to the said Urban District Council) appointed the Mayor, the Chairman of Social Services Committee (now the Lead Member for Children's Services) and the Director of Social Services (now the Corporate Director of Children's Services) to convene a meeting for the purpose of distribution. There is no specific term of office.

Council Appointed Trustees: The Mayor and the Corporate Director of Children's Services.

### **The Kallar Lodge and Fews Lodge Trust Fund**

This was established some years ago following a bequest to Brocklebank Lodge. Following approval by the Charity Commission in 2008 the Trust Fund was transferred to Lake Rise Residential Home, which is now known as Kallar Lodge, and the Trust Fund was renamed as The Kallar Lodge Trust Fund. The Trust Fund provides extra amenity for Kallar Lodge, over and above that which is provided by the Council.

The Trust usually meets once a year to approve the minutes, accounts and expenditure for the following year. The trustees are the former Directors of Finance and Social Services (both to be replaced at the Trust's Annual General Meeting) and two Member representatives who are nominated annually.

Council Appointed Trustees: Councillors Keller and Wade

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## STATUTORY CO-OPTED MEMBERS 2015/16

### Education co-opted members

Education co-opted members have a statutory right to be involved in the Council's decision making processes. However, under the legislation this only applies to an Overview and Scrutiny committee where their functions relate wholly or partly to educational matters which are the responsibility of the Authority's Cabinet.

The Regulations state that a Local Education Authority shall appoint at least two but not more than five Parent Governor representatives to Overview and Scrutiny and, on the assumption that the Council still maintains Roman Catholic schools, the total number of Church representatives to be appointed shall be one Church of England and one Roman Catholic.

Both Parent Governor and Church representatives, who are elected for a four year period, have the right to vote on education matters and the right to Call-In Cabinet decisions as any other non-Cabinet Member.

The current Church representatives are:-

Church of England	Ms Ingrid Robinson (from 18/7/2013)
Roman Catholic Church	Mrs G Spencer (re-appointed 18/7/2013)

The Parent Governor representatives are elected for a four year period - one representing primary schools, the other representing secondary schools. The current holders of these positions are:-

Primary Schools	Mrs Toluwalope Elizabeth Dahunsi (from 17/09/14)
Secondary Schools	vacant

### Standards Committee Independent Persons – 3 posts

Section 28 (7) of the Localism Act 2011 requires local authorities to appoint at least one Independent Person, who will have an advisory role in the determination of allegations that a Member has not complied with the Members' Code of Conduct.

Mr Michael Carpenter	10 October 2012 to Assembly meeting following the Annual Assembly in 2018
Dr Gurpreet Singh Bhatia	1 March 2015 to Assembly meeting following the Annual Assembly in 2018
Pastor Thomas Aderounmu	1 March 2015 to Assembly meeting following the Annual Assembly in 2018

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## MINUTES OF JNC SALARIES AND CONDITIONS PANEL

Friday, 15 May 2015  
(10:40 - 11:30 am)

**Present:** Cllr Darren Rodwell (Chair), Cllr Saima Ashraf, Cllr Kashif Haroon, Cllr Eileen Keller and Cllr Dominic Twomey

### 7. Declaration of Members' Interests

There were no declarations of interest.

### 8. Minutes (28 January 2015)

The minutes of the meeting held on 28 January 2015 were confirmed as correct.

### 9. Private Business

It was **resolved** to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

### 10. Proposals to Amend the Top Team Structure

The Chief Executive introduced his report on proposed changes to the Council's top-level management structure.

The Chief Executive emphasised that the Borough faced enormous challenges and opportunities over the next five years as a consequence of the squeeze on public finances and the aspirations of this Council. The Council's leadership had established clear priorities and made clear its intention to grasp the opportunities that presented themselves. At the same time, the financial challenge was clear and the recent election of a Conservative Government was likely to accelerate the reduction to the financial resources available to the Council.

To address the challenges and opportunities, the Chief Executive explained that the Council had to continue to seek to get the basics right, to manage demand and drive service and process efficiencies, whilst at the same time look to the longer-term and determine how to drive the growth agenda and fundamentally change the way in which the Council worked. It was clear that savings of the order required could not be driven out of the existing business model.

It was noted that Councillors, managers and staff had all indicated that they did not believe that the Council presently had the senior manager capacity and, in some cases, the skills to drive those agendas forward at the pace required. The Chief Executive suggested, therefore, that it was necessary to change and refocus that capacity for a period of time, adding that the proposed changes to the top team structure would be superseded by a new and reduced senior management structure once a new business model emerged – something envisaged to be

delivered over the next 12-24 months.

Under the immediate restructure plans, five new posts would be created and, with immediate effect, three would be deleted and a further two immediately thereafter. The new posts were:

- Strategic Director - Growth and Homes (grade CO6);
- Strategic Director - Finance and Investment (grade CO6);
- Strategic Director - Service Development and Integration (grade CO6);
- Strategic Director - Customer, Commercial and Service Delivery (grade CO6);
- Divisional Director - Strategy and Programmes (between CO2 – CO4 subject to formal evaluation).

The posts to be deleted from the existing structure were the Chief Finance Officer, the Director of Growth, the Head of Strategy and Communications, one further Corporate Director position and one further divisional director, the latter two to be dependent on the outcome of the recruitment process to the new posts and subject to a separate consultation exercise later in 2015/16.

The Chief Executive outlined the recruitment and selection arrangements and stated that he hoped to have all post-holders in place by Autumn 2015. The new arrangements would be broadly cost neutral in 2015/16, given that a number of the posts to be deleted were currently vacant and additional salary costs for the new posts would only activate on appointment. He stressed that the proposal sought to change the skills mix at the top of the organisation and deliver a different leadership focus. Worst case scenario, financially, the incoming appointees could arrive quickly in the financial year (say before October) and if this were to happen, the additional one-off costs could be up to £75,000 in 2015/16. Best case scenario, there could be a slight under-spend if the new appointees arrived later in the financial year. The Chief Executive also noted that the proposed new top team structure would enable him to review senior management arrangements across the Council as a whole and deliver a saving of £350,000 by the end of the financial year and a further £650,000 saving in 2016/17. Chief Executive's longer-term management plans were projected to deliver savings of circa £1m over the next two years. These additional management savings could not be achieved without a new skill set at the top.

Councillor Keller raised issues concerning the potential and perceived increase in the cost of senior staff particularly at a time when the Council was facing an uncertain financial future and reductions were being made in staff numbers and the terms and conditions of other staff. Councillor Keller also enquired as to why the present management were deemed not capable of performing the new roles. The Chief Executive responded by emphasising that his proposal sought to unlock management savings that would otherwise be unavailable and was also designed to help enable the organisation to respond to the next wave of cuts from the Government in a manner that would enable the Council to realise its priorities – particularly as they relate to growth, increasing income and the integration of services with other parts of the public sector to reduce cost. He reassured Councillor Keller that this was a proposal 'fit for now' and that over the medium term his expectation and plan was that senior management costs would fall. The Chief Executive also clarified that his proposal was in part about different skills, e.g. commercial, but in most other places was about a shift in focus rather a weakness of capability, adding that at least two of the posts were expect to be

filled by internal candidates. Councillor Twomey advised that he would be very focused on ensuring that the Chief Executive delivered the promised savings in management costs over the next few years. Councillor Keller asked that it be noted that she had reservations regarding the new structure.

The Panel **resolved** to approve the changes to the top team structure as detailed in the report.

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**ASSEMBLY****15 July 2015**

<b>Title:</b> Council Constitution - Pensions Panel Terms of Reference	
<b>Report of the Cabinet Member for Central Services</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Alan Dawson, Democratic Services Manager	<b>Contact Details:</b> Tel: 020 8227 2348 E-mail: <a href="mailto:alan.dawson@lbbd.gov.uk">alan.dawson@lbbd.gov.uk</a>
<b>Accountable Divisional Director:</b> Fiona Taylor, Head of Legal and Democratic Services	
<b>Accountable Director:</b> Chris Naylor, Chief Executive	
<p><b>Summary</b></p> <p>This report advises on the Pensions Panel's consideration of a review of its governance arrangements, undertaken by the Panel's Independent Advisor (IA), which has led to revised terms of reference for the Panel being proposed.</p> <p>The review undertaken by the IA concluded that there was an overall high level of governance of the Pension Fund and positive decision-making by the Pensions Panel during 2014/15. The IA made a number of recommendations to enhance the existing arrangements, which included proposed new terms of reference to give greater emphasis to the Panel's administrative and governance responsibilities particularly in view of changes stemming from the Public Service Pensions Act 2012 and the Local Government Pension Scheme (LGPS) Regulations 213 (as amended), which came into effect in April 2015.</p> <p>The existing terms of reference of the Pensions Panel give a great deal of focus to the investment side of the Panel's responsibilities, with only a single line to its administrative responsibilities. The new terms of reference do not vary the Panel's responsibilities but are intended to better reflect the full range of its responsibilities.</p> <p>The Pensions Panel fully endorsed the proposed changes at its meeting on 10 June 2015 and recommend that they be adopted by the Assembly.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to approve the revised terms of reference of the Pensions Panel as set out in Appendix 1 to the report.</p>	
<p><b>Reason(s)</b></p> <p>To accord with the requirements of Part 7 of the Council Constitution.</p>	

## **1. Introduction and Background**

- 1.1 A new Council Constitution was adopted by the Assembly at its meeting on 25 November 2014 (Minute 27 refers) and is kept under continual review by officers within the Legal and Democratic Services division.
- 1.2 Paragraph 2 of Part 7 of the Constitution establishes the rules for making amendments to the Constitution. In summary, the Assembly is responsible for approving all changes except for the following which may be implemented by the Monitoring Officer:
  - changes to give effect to any decisions of the Council;
  - changes in the law;
  - minor amendments such as to correct errors; and
  - to ensure that the Constitution is maintained up-to-date.
- 1.3 The changes proposed in this report require the Assembly's approval.

## **2. Proposal and Issues**

- 2.1 At its meeting on 10 June 2015, the Pensions Panel received a report from its Independent Advisor, John Raisin, on his review of the administration and governance of the Barking and Dagenham Pension Fund.
- 2.2 The review identified an overall high level of governance of the Fund and positive decision making made by the Pensions Panel during the 2014/15 financial year. The IA made a number of recommendations to the Panel on various aspects relating to its role and activities, Panel Member training, business planning, risk management, its approach to investment issues including liability management and administration matters. All of the IA's recommendations were supported by the Panel and officers have been asked to make the necessary arrangements for their implementation.
- 2.3 With regard to the current terms of reference of the Panel, the IA felt that they concentrated on investment matters but did not give adequate attention to the non-investment responsibilities of the Panel. He highlighted issues such as the Panel's responsibilities for approving the various statements and policies required under LGPS regulations as an example. He also suggested that changes stemming from the Public Service Pensions Act 2012 and the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), which came into effect in April 2015, needed to be properly reflected in the terms of reference. The new terms of reference do not vary the Panel's responsibilities but are intended to better clarify the full range of its responsibilities.
- 2.4 The current and proposed terms of reference of the Pensions Panel are set out in **Appendix 1**.



### **3. Financial Implications**

Implications completed by: Kathy Freeman, Finance Group Manager

- 3.1 There are no financial implications associated with this report.

### **4. Legal Implications**

Implications completed by: Paul Feild, Senior Governance Solicitor

- 4.1 The Local Government Act 2000 requires Councils to produce, maintain and review the Constitution document which sets out the rules, codes, protocols and schemes by which the Council operates.

### **Public Background Papers Used in the Preparation of the Report:**

- **Pensions Panel, 10 June 2015** (<http://modern.gov.barking-dagenham.gov.uk/ieListDocuments.aspx?CId=380&MId=8227&Ver=4>)

### **List of appendices:**

- **Appendix 1** – Terms of Reference

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## Pensions Panel Terms of Reference

### Current Wording

The Pensions Panel is responsible for the following Pension Fund related matters, with the exception of those reserved to the Chief Finance Officer and/or the Pension Fund Investment Managers as appropriate:

- (i) Pension Fund Investment Managers as follows:-
  - Appointment, addition, replacement and termination of the Managers.
  - Changes to the terms of existing Managers.
  - Annual review of the Managers' mandate and their adherence to their expected investment process and style in line with the Fund's overall objective which will be appropriately defined in terms of performance target, risk parameters and timescale.
- (ii) Determining the allocation of funding/investments to Managers. Similarly, in the event that assets need to be realised in order to meet the Fund's liabilities, to determine the source of this funding.
- (iii) Appointment and termination of providers of Custodian services, investment and actuarial advice.
- (iv) Selection, appointment and termination of External Additional Voluntary Contribution (AVC) providers and reviewing performance.
- (v) Monitoring all aspects relating to the investment of the assets of the Fund as follows:-
  - Formally reviewing the Fund's asset allocation at least annually, taking account of any changes in the profile of Fund liabilities and any guidance from the investment adviser regarding tolerance of risk.
  - Rebalancing strategy between different portfolios when asset allocations change due to different assets with the Investment Managers and implementing any changes to the asset allocation.
  - Ensuring that the Fund investments are sufficiently diversified and that the Fund is investing in suitable investments.
  - Considering and monitoring the Quarterly Reports produced by the Investment Managers, including risk analysis, transaction costs, and details of corporate governance (including Statement of Reporting Investment, voting activity and engagement with management).
- (vi) Monitoring the investment advice from the investment consultant and investment services obtained from other providers (e.g. custodian) at least annually.
- (vii) Promoting the Fund within the Authority.
- (viii) Ensuring that the administration of the Fund is appropriately resourced, effective and meets performance standards.

## **New Wording**

To exercise on behalf of the Council all the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Barking and Dagenham Pension Fund, and in particular the following:

- (i) To approve all policy statements required or prepared under the LGPS Regulations;
- (ii) To be responsible for the overall investment policy, strategy and operation of the Fund and its overall performance, including taking into account the profile of Fund liabilities;
- (iii) To appoint and terminate the appointments of the Fund Actuary, Custodian, professional advisors to, and external managers of, the Fund and agree the basis of their remuneration;
- (iv) To monitor and review the performance of the Fund's investments including receiving a quarterly report from the Chief Finance Officer;
- (v) To receive actuarial valuations of the Fund;
- (vi) To monitor the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme Advisory Board as they apply to pension benefits and the payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme;
- (vii) Selection, appointment and termination of external Additional Voluntary Contribution (AVC) providers and reviewing performance;
- (viii) To consider any recommendations made or views expressed by the London Borough of Barking and Dagenham Pension Board.

**ASSEMBLY****15 July 2015**

<b>Title:</b> Treasury Management Annual Report 2014/15	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open</b>	<b>For Decision</b>
<b>Wards Affected: All</b>	<b>Key Decision: Yes</b>
<b>Report Author:</b> David Dickinson, Group Manager Pensions and Treasury	<b>Contact Details:</b> Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
<b>Accountable Director:</b> Jonathan Bunt, Chief Finance Officer	
<p><b>Summary</b></p> <p>Changes in the regulatory environment now place a greater onus on Elected Members for the review and scrutiny of treasury management policy and activities. This report (the Treasury Management Annual Report) is important in that respect, as it provides details of the outturn position for treasury activities, significant new borrowing proposed, and highlights compliance with the Council's policies previously approved by the Assembly prior to the start of each financial year.</p> <p>This report presents the Council's outturn position in respect of its treasury management activities during 2014/15. The key points to note are as follows:</p> <ul style="list-style-type: none"> <li>➤ Investment income for the year was £1.6m (2013/14: £1.3m);</li> <li>➤ £89m was borrowed from the European Investment Bank to fund the urban regeneration and economic growth programme of Gascoigne Estate (East) Phase 1 and Abbey Road 2;</li> <li>➤ There was no further General Fund borrowing in 2014/15 to finance the capital programme as the Council utilised internal borrowing;</li> <li>➤ A £10m Public Works Loan Board was repaid during the year and was not replaced;</li> <li>➤ The Council did not breach its 2014/15 authorised borrowing limit of £650m or its Operational Boundary limit of £500m; and</li> <li>➤ The Council complied with all other set treasury and prudential limits.</li> </ul> <p>This report was considered and endorsed by the Cabinet at its meeting on 23 June 2015.</p>	
<b>Recommendation(s)</b>	
The Assembly is recommended to:	

<ul style="list-style-type: none"> <li>(i) Note the Treasury Management Annual Report for 2014/15;</li> <li>(ii) Note that the Council complied with all 2014/15 treasury management indicators;</li> <li>(iii) Note £89m was borrowed from the European Investment Bank to fund an urban regeneration and economic growth programme of Gascoigne Estate (East) Phase 1 and Abbey Road 2;</li> <li>(iv) Approve the actual Prudential and Treasury Indicators for 2014/15; and</li> <li>(v) Agree to maintain the delegated authority given to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to take into account the additional cash holdings resulting from the £89m borrowed from the European Investment Bank.</li> </ul>
<p><b>Reason(s)</b></p> <p>This report is required to be presented to the Assembly in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services.</p>

## **1. Introduction and Background**

1.1. The Council is required by regulations issued under the Local Government Act 2003 (as amended 2010) to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15.

1.2 The report has been produced in accordance with the Revised CIPFA Code of Practice for Treasury Management in the Public Services 2009 adopted by this Council on 16 February 2010 and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.3 For the 2014/15 period Assembly received the following reports:

- an annual treasury strategy in advance of the year (Assembly 19/02/2014);
- a mid-year (minimum) treasury update report (Assembly 25/11/2014); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.4 This Annual Treasury Report covers:

- The Council's treasury position as at 31 March 2015;
- Economic Factors and Interest rates in 2014/15;
- Investment Strategy and Performance in 2014/15;
- Borrowing Outturn;
- Treasury Management costs in 2014/15;
- Compliance with Treasury limits and Prudential indicators;
- Lending to Commercial and External Organisations; and
- Prudential Indicators for 2014/15.

## 2. Treasury Position as at 31 March 2015

2.1 The Council's treasury position at the start and end of 2014/15 can be found in Table 1:

**Table 1: Council's treasury position at the start and end of 2014/15**

	31-Mar-2014	Average Return	Average Life	31-Mar-2015	Average Return	Average Life
	£'000	%	Yrs	£'000	%	Yrs
<b>Fixed Rate Debt</b>						
PWLB	275,912	3.52	37.68	265,912	3.50	40.81
Market	40,000	4.01	54.61	40,000	4.02	53.61
EIB				<b>89,000</b>	<b>2.21</b>	<b>29.83</b>
<b>Total Debt</b>	<b>315,912</b>	<b>3.59</b>	<b>39.45</b>	<b>394,912</b>	<b>3.26</b>	<b>39.34</b>
<b>Investments</b>						
In-House*	121,258			217,926	1.08	
<b>Total Investments</b>	<b>121,258</b>	<b>0.98</b>		<b>217,926</b>	<b>1.08</b>	

\* excludes a prepayment made to Elevate and external school cash balances.

2.2 The Council manages its debt and investment positions through its in-house treasury section in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

2.3 Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

## 3. The Economy and Interest rate in 2014/15

### 3.1 Economic Outlook

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in Q1 2015 as the unemployment rate had fallen faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore receded as growth remained dependent on consumer demand.

During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly turn negative. This made it clear that the MPC would have great difficulty in raising the Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

### 3.2 Interest Rate Forecast

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity

parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved.

Another downward pressure on gilt yields was the announcement in January that the ECB would start quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth in 2013 and 2014 and good prospects for a continuation into 2015/16.

#### **4. Investment Strategy and Performance in 2014/15**

##### **4.1 Annual Investment Strategy 2014/15**

4.1.1 All investments were managed in-house and were invested with institutions of high credit standing listed in the Council's approved lending list and specified limits. The Council invested over a range of periods from overnight to two years and in some cases over two years dependent on the Council's cash flows, its treasury management adviser's view, its interest rate view and the interest rates on offer.

4.1.2 The Council meet quarterly with its Investment Adviser to discuss financial performance, objectives and targets in relation to the investments and borrowing managed on behalf of the Council. A monthly treasury meeting was held between the Chief Finance Officer (CFO) and the treasury section to discuss strategy and to ensure close monitoring of investment decisions.

4.1.3 The Council's investment policy is governed by CLG guidance, which was implemented in the annual investment strategy for 2014/15, approved by the Assembly on 19 February 2014. The policy sets out the Council's approach for choosing investment counterparties.

4.1.4 The key points relating to the annual investment strategy were:

- Eurozone sovereign debt difficulties remain, with concerns as to how these will be managed over the next few years. Counterparty risks remain elevated and as a result the Council's strategy of using higher quality UK Bank and Building Societies for shorter time periods will remain in place during 2014/15.
- Investment returns are forecast to remain low during 2014/15, with an average target return of 1% for the in-house Treasury section.

##### **4.2 Investments decisions during 2014/15**

4.2.1 When making investment decisions the Council must have regard to its investment priorities being:

- (a) The **security** of capital;
- (b) The **liquidity** of its investments; and



(c) **Yield** (after ensuring the above are met).

4.2.2 Using the above as the basis for investment decisions does mean that investment returns will be lower than would be possible were yield the only consideration. During 2014/15 the Council ensured that all investments were made with appropriately rated counterparties and that liquidity was maintained. On occasion short term borrowing was also used to allow the Council to take advantage of investment opportunities.

4.2.3 During 2014/15 rates of return offered by financial institutions continued to decline for the first part of the year. However as economic conditions improved, rates picked up towards the end of the year, presenting opportunities for the Council to invest over a longer duration at much improved rates.

4.2.4 For 2014/15 an investment return target of 1% was used by the treasury section.

4.2.5 The 2014/15 cash flow ended over £97m higher (£218m) than the 2013/14 closing cash balance of £121m. During the year £18m was transferred out of the Council's bank account and into the newly created pension fund bank account. As a result of this transfer, the Council no longer holds the pension fund cash but the treasury functions remain with the in-house treasury team.

4.2.6 The main reasons for the increase in the cash balance include:

- i. £89m of EIB borrowing;
- ii. a reduced pre-payment to Elevate; and
- iii. delays in capital expenditure.

4.2.7 During the year amounts available for investment varied due to:

- Investment maturity dates;
- Profile for the receipt of grants;
- Temporary use of internal cash to fund new capital projects rather than borrowing at periods of high borrowing interest rates; and
- Cash flow management.

Cash flow forecasts for 2015/16 indicate a more even distribution of income compared to previous years but also an increase in expenditure as the EIB borrowing is spent.

### 4.3 Strategy Changes in 2014/15

4.3.1 The Council's investment policy was agreed in the annual investment strategy approved by the Assembly on 19 February 2014. During the year Members agreed the following changes to the investment strategy:

- to increase the period the Council can invest with the Royal Bank of Scotland (RBS) from one year to a maximum of two years;
- approve the borrowing of up to £150m through a loan facility from the European Investment Bank (EIB) to fund the urban regeneration and economic growth programme described below; and

- To prevent the need to return to Assembly to agree the increase and to ensure any increase in counterparty limits are linked to the increase cash available to invest, delegated authority was given to the Chief Finance Officer in consultation with the Cabinet Member for Finance to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to take into account the potential additional £150m from the EIB.

#### 4.3.2 Medium and long term investments

In relation to long term investments (investment over one year), the treasury strategy during 2014/15 was to take advantage of periods where rates were higher due to improved market sentiment regarding rate increases. This strategy resulted in a number of two years investments being made at rates between 1.1% and 1.5%.

As UK Government Gilts yields continued to fall throughout the year the Council sold its £5.8m holding in a 5 year Gilt, which it transferred from its external fund manager when the Council's investments were withdrawn towards the end of 2013. As a result as at 31 March 2015 the Council did not hold any UK government debt.

#### 4.3.3 Short Term investments

To ensure that the Council maintained sufficient liquidity a number of investments were made in overnight and one year deposits. Returns over the shorter durations were low throughout the year and varied between 0.46 and 1.00%.

The Council holds a high percentage of its investments with the two part government owned banks, Lloyds and RBS. Both banks provided competitive returns throughout the year. It is likely that during 2015/16 the government will sell its remaining holdings in Lloyds of approximately 20% and as it is likely that the Council's total exposure to Lloyds will be reduced accordingly.

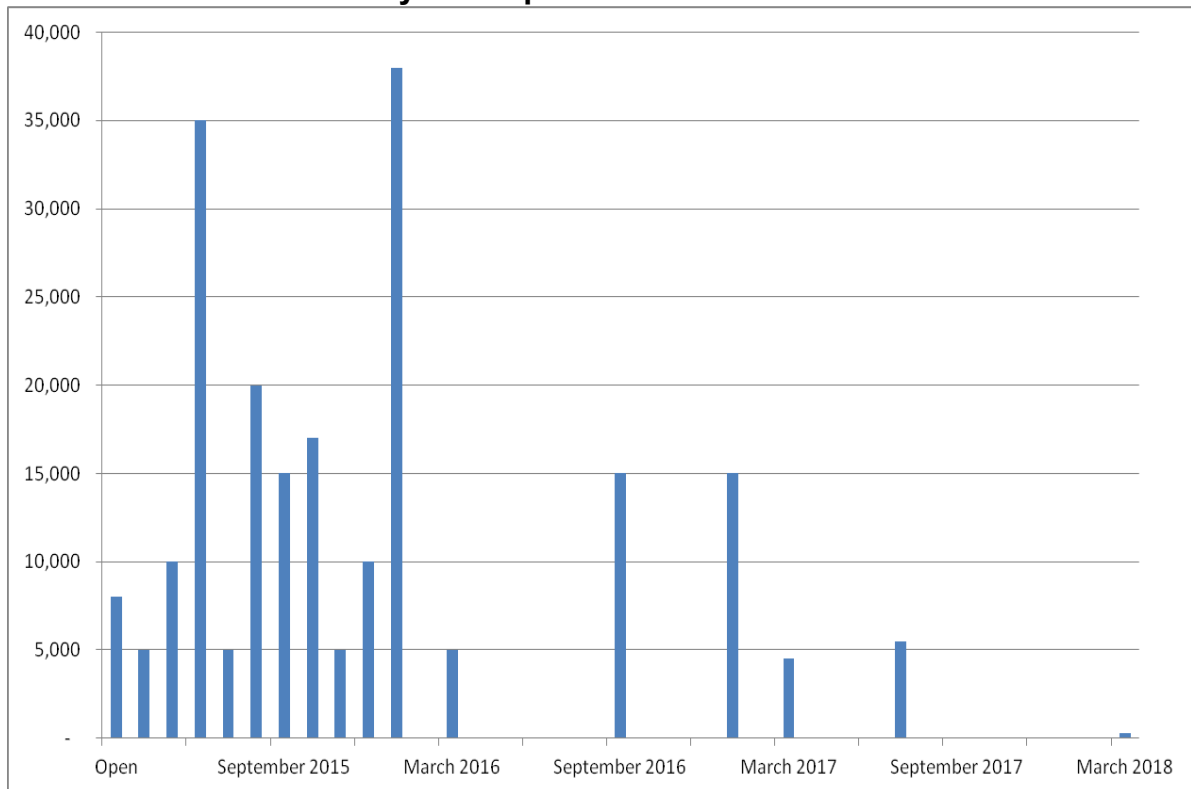
#### 4.4 Performance Measurement in 2014/15

The interest return for the year was 1.08% on an average cash balance of £150m resulting in gross interest of £1.60m, £0.5m higher than budget. The increase in interest income was negated by the increase in borrowing costs from the £89m borrowed from the EIB. The interest earned was distributed as follows:

- £920k to the General Fund;
- £593k to the Housing Revenue Account; and
- £100k to Schools.

4.5 The maturity profile of the Council's investments is shown in the chart below. Some longer term investments at higher rates of return were made in 2014/15. The higher rates achieved with these longer dated investments will support treasury to achieve the more challenging return target for 2015/16. There is an expectation that rates will start to increase in the coming months and the reinvestment rates of maturing investments should improve.

## Investment Profile for the year 1 April 2015



### 4.6 Investments Held as at 31 March 2015

A schedule of the investments held by the Council as at 31 March 2015 as set out at **Appendix 1**.

## 5. **Borrowing Outturn**

5.1 The key points relating to the 2014/15 borrowing strategy, as agreed within the TMSS, were:

- To set an authorised borrowing limit of £650m for 2014/15;
- The Council will borrow up to £89m from the EIB to fund the urban regeneration and economic growth programme of Gascoigne Estate (East) Phase 1 and Abbey Road 2;
- The Council's borrowing strategy, excluding EIB borrowing, will give consideration to the following when deciding to take-up new loans:
  - Use internal cash balances, while the current rate of interest on investments remain low, with consideration given to weighing the short term advantage of internal borrowing against potential long term costs if long term borrowing rates begin to increase more than forecast;
  - Using a range of durations for long term fixed rate market loans where rates were significantly less than PWLB rates for the equivalent maturity period;
  - Use short dated PWLB variable rate loans where rates are expected to be significantly lower than rates for longer period;

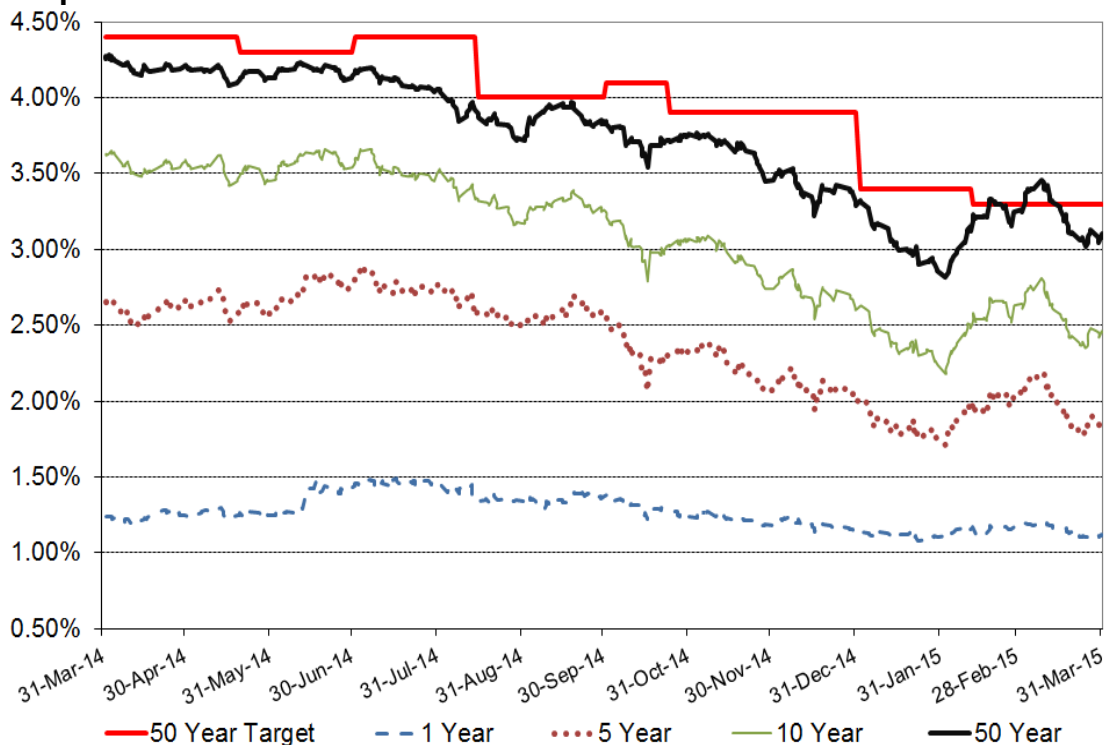
- Ensure that new borrowing, if required, is timed at periods when rates are expected to be low; and
- Consider the issue of stocks and bonds if appropriate.
- The Council will continue to utilise internal borrowing rather than external borrowing as the opportunity arises.

## 5.2 PWLB borrowing rates

**PWLB borrowing rates** - the graph below shows how PWLB certainty rates have fallen to historically very low levels during the year.

The Council borrowed £89m from the EIB, with a duration of 30 years, in January 2015. As outlined in the graph below, January 2015 was a period when longer term rates were particularly competitive.

**Graph 1: PWLB rates 2014/15**



## 5.3 Debt Rescheduling, Repayment and New Borrowing

On 28 April 2014 a £10m PWLB loan at an average rate of 4.25% was repaid and was not refinanced. This helped reduce the borrowing costs by £393k for the year.

On 15 January 2015 the Council entered into a contractual agreement with the EIB to borrow £89m at a rate of 2.207%, with first and full distribution received on 30 January 2015.

## 5.4 Borrowing Owed as at 31 March 2015

The Council held the following loans as at 31 March 2015

Counterparty	Loan Type	Start Date	Maturity Date	Principal	Interest Rate (%)
Barclays	LOBO loan - Fixed	30-May-08	30-May-78	10,000,000	3.98
Dexia	LOBO loan - Fixed	30-Jun-08	30-Jun-77	10,000,000	3.98
RBS	LOBO loan - Fixed	26-Mar-10	27-Feb-60	10,000,000	4.07
RBS	LOBO loan - Fixed	26-Mar-10	26-Mar-59	10,000,000	4.05
PWLB	PWLB loan - Maturity	28-Mar-12	28-Mar-42	50,000,000	3.50
PWLB	PWLB loan - Maturity	28-Mar-12	28-Mar-62	65,912,000	3.48
PWLB	PWLB loan - Maturity	28-Mar-12	28-Mar-61	50,000,000	3.49
PWLB	PWLB loan - Maturity	28-Mar-12	28-Mar-52	50,000,000	3.52
PWLB	PWLB loan - Maturity	28-Mar-12	28-Mar-60	50,000,000	3.49
European Investment Bank	Loan - Fixed	30-Jan-15	31-Mar-44	89,000,000	2.21
				394,912,000	

## 6. Treasury Management Costs

- 6.1 The costs associated with the Treasury Management function comprise of a recharge of a proportion of the internal team's salary, software, treasury management advisers fees and external managers fees.
- 6.2 A one off cost of £120k was paid in fees to complete the EIB borrowing.
- 6.3 Treasury management costs are summarised in table 2 below:

**Table 2: Treasury Management costs for 2014/15**

Salary Recharge	30,800
Software and other costs	8,245
Capita Treasury Limited	17,000
EIB Charges	120,000
	<b>176,045</b>

## 7. Compliance with Treasury limits and Prudential Indicators

- 7.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordable limits) are included in the approved Treasury Management Strategy (TMSS).
- 7.2 During the financial year to date the Council has operated within and complied with the treasury limits and Prudential Indicators set out in the Council's annual TMSS. The Council's prudential indicators are set out in **Appendix 2** to this report. In 2014/15, the Council did not breach its authorised limit on borrowing of £650m.
- 7.3 The Operational limit set in the 2014/15 TMSS was £500m, which was not breached.

## **8. Lending to commercial and external organisations**

- 8.1 As part of the Council's mitigation of risk strategies around delivering and continued value for money services with external organisations, the Council should from time to time have the ability to make loans to external organisations.
- 8.2 Section 2 of the Local Government Act 2000 (power of well-being) gives authorities the power to lend as part of promotion or improvement of economic /social wellbeing of the Borough. The guidance encourages local authorities to use the well-being power as the power of first resort removing the need to look for powers in other legislation. Further the power provides a strong basis on which to deliver many of the priorities identified by local communities and embodies in community strategies. The Chief Finance Officer determines the rates and terms of such loans.

## **9. Conclusions**

- 9.1 The key conclusions to draw from this report are as follows:
- a) That the Council complied with prudential and treasury indicators in 2014/15;
  - b) That the value of investments as at 31 March 2015 totalled £217.9 million; and
  - c) That value of long term borrowing as at 31 March 2015 totalled £394.9m. This comprised market, PWLB and EIB loans.

## **10. Options Appraisal**

- 10.1 There is no legal requirement to prepare a Treasury Management Annual Report, however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

## **11. Consultation**

- 11.1 The Chief Finance Officer has been informed of the approach, data and commentary in this report.
- 11.2 This report was considered and endorsed by the Cabinet at its meeting on 23 June 2015.

## **12. Financial Implications**

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 12.1 This report sets out the outturn position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short and long term borrowing positions.

### **13. Legal Implications**

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 13.1 The legal and governance provisions have been incorporated in the body of this report. There are no further legal implications to highlight.

### **14. Risk Management**

- 14.1 The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income throughout the past year.

- 14.2 EIB funded urban regeneration programme - The urban regeneration programme will be governed by a programme delivery board established in the Regeneration department. A programme manager will be identified within the Council who will be responsible for delivering each scheme within the investment programme.

### **Background Papers Used in the Preparation of the Report:**

- Treasury Management Strategy Statement - Assembly Report 19 February 2014 and 24 February 2015
- Capita Asset Management Economic and Interest Rate Report
- CIPFA – Revised Treasury Management in the Public Sector
- CIPFA – Revised Prudential Code for Capital Finance in Local Authorities

### **List of appendices:**

- **Appendix 1** – Investments Held as at 31 March 2015
- **Appendix 2** - Treasury Management Outturn Report 2014/15: Prudential Code
- **Appendix 3** - Glossary of Terms

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## Investments Held as at 31 March 2015

Investments Held	Lowest Long Term Rating	Interest Rate	Call A/C	Principle £000s	Issue Date	Repayment Date
Federated MMF	AAA	0.46%	Variable	8,000.00		
Lloyds Bank	A	0.95%	Fixed	5,000.00	13/04/2014	13/04/2015
Goldman Sachs Interna.	A	0.53%	Fixed	10,000.00	19/02/2015	19/05/2015
Lloyds Bank	A	0.95%	Fixed	5,000.00	05/06/2014	05/06/2015
City of Glasgow	AA+ Equivalent	1.00%	Fixed	5,000.00	17/12/2013	17/06/2015
RBS	BBB+	0.95%	Fixed	20,000.00	27/06/2014	26/06/2015
Lloyds Bank	A	0.95%	Fixed	5,000.00	04/07/2014	03/07/2015
Nationwide Building Society	A	0.66%	Fixed	10,000.00	05/02/2015	05/08/2015
Standard Chartered Bank	A+	0.95%	Fixed	10,000.00	22/08/2014	21/08/2015
Nationwide Building Society	A	0.66%	Fixed	10,000.00	04/03/2015	04/09/2015
Standard Chartered Bank	A+	0.67%	Fixed	5,000.00	18/03/2015	18/09/2015
Lloyds Bank	A	1.00%	Fixed	5,000.00	03/10/2014	02/10/2015
Greater London Authority	AA+ Equivalent	1.03%	Fixed	2,000.00	06/01/2014	06/10/2015
Doncaster MBC	AA+ Equivalent	1.07%	Fixed	5,000.00	10/10/2014	09/10/2015
GatesHead Council	AA+ Equivalent	1.05%	Fixed	5,000.00	09/10/2014	09/10/2015
Lloyds Bank	A	1.00%	Fixed	5,000.00	28/11/2014	27/11/2015
Aylesbury Vale District	AA+ Equivalent	1.03%	Fixed	5,000.00	02/12/2013	02/12/2015
Lloyds Bank	A	1.00%	Fixed	5,000.00	09/12/2014	09/12/2015
Lloyds Bank	A	1.00%	Fixed	5,000.00	08/01/2015	08/01/2016
Staffordshire Moorlands	AA+ Equivalent	1.10%	Fixed	3,000.00	24/01/2014	22/01/2016
Lloyds Bank	A	1.00%	Fixed	30,000.00	30/01/2015	29/01/2016
Lloyds Bank	A	1.00%	Fixed	5,000.00	03/03/2015	01/03/2016
Lloyds Bank	A	1.00%	Fixed	5,000.00	13/04/2015	13/04/2016
RBS	BBB+	1.85%	Fixed	15,000.00	19/09/2014	19/09/2016
RBS	BBB+	1.32%	Fixed	15,000.00	30/01/2015	30/01/2017
Lloyds Bank	A/F1	1.15%	Fixed	4,500.00	31/03/2015	31/03/2017
Newport City Council	AA+ Equivalent	1.50%	Fixed	2,000.00	10/11/2014	11/05/2017
Newport City Council	AA+ Equivalent	1.10%	Fixed	2,000.00	09/02/2015	10/07/2017
Newport City Council	AA+ Equivalent	1.10%	Fixed	1,500.00	09/03/2015	10/07/2017
Valence School	Not on Credit List	3.00%	Variable	300.00	12/02/2015	31/03/2018
BRL	Not on Credit List	3.50%	Variable	4,625.63	15/10/2014	01/04/2020
			<b>Total</b>	<b>217,926</b>		
			<b>Average Return</b>	<b>1.08%</b>		
			<b>Average excluding short term cash</b>	<b>1.11%</b>		

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## The Prudential Code for Capital Investment in Local Authorities

### Treasury Management Outturn Report 2014/15

#### 1. Introduction

1.1 There are a number of treasury indicators which previously formed part of the Prudential Code, but which are now more appropriately linked to the Revised Treasury Management Code and guidance 2009. Local authorities are still required to “have regard” to these treasury indicators.

1.2 The key treasury indicators which are still part of the Prudential Code are:

- Authorised limit for external debt;
- Operational boundary for external debt; and
- Actual external debt.

#### 2. Net borrowing and the Capital Financing Requirement

2.1 To ensure that borrowing levels are prudent over the medium term the Council’s external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.

2.2 Net borrowing should not therefore, except in the short term, have exceeded the Capital Financing Requirement (“CFR”) for 2014/15 plus the expected changes to the CFR over 2014/15 and 2015/16 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15.

2.3 **The authorised limit** – This sets the maximum level of external borrowing on a gross basis (i.e. Not net of investments) and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003 (referred to in the legislation as Affordable Limit).

2.4 **The operational limit** – This links directly to the Council’s estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limits reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit for future known capital needs now. It should act as a monitor indicator to ensure the authorised limit is not breached.

2.5 The total CFR as at 31 March 2015 was £493.25m, which is lower than the Approved Authorised Limit of £650m set for 2014/15.

2.6 The Operational and Authorised Limit relates to external borrowing only and Council’s CFR has large internal borrowing element. Total external borrowing as at 31 March 2015 was £394.9m which was inside the Operational and Authorised Limit.

- 2.7 The actual 2014/15 borrowing requirements and estimates for authorised limits and operational boundary limit set out in Table 1. Capital Programme Borrowing Requirement increases significantly in 2015/16 and 2016/17 as a result of the urban regeneration and economic growth programme of Gascoigne Estate (East) Phase 1 and Abbey Road 2.

**Table 1: Operational Limit and Authorised Borrowing Limits**

	2014/15 Estimate	2014/15 Actual	2015/16 Estimate	2016/17 Estimate
	£'000	£'000	£'000	£'000
Capital Programme Borrowing Requirement (Cumulative)	187,867	167,450	185,072	203,966
HRA Self Financing Debt	267,722	267,722	270,922	281,672
Alternative Financing Arrangements:				
- PFI Schemes on Balance Sheet	53,781	53,781	52,427	50,969
- Finance Leases	4,411	4,297	2,818	1,339
Total Alternative Financing	58,192	58,078	55,245	52,308
<b>Total CFR</b>	<b>513,780</b>	<b>493,250</b>	<b>511,239</b>	<b>537,946</b>
External Borrowing (Cumulative)	394,912	394,912	394,912	394,912
Operational Boundary on Borrowing	500,000	500,000	500,000	500,000
Authorised Limit (affordable limit)	650,000	650,000	650,000	650,000

### 3. Limits for Fixed and Variable Interest Exposure

The following prudential indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%. The high fixed interest rate is as a result of locking in low long-term rates for the HRA borrowing. The table 2 below shows the fixed and variable interest rate exposure.

**Table 2: Fixed and variable rate exposure 2014/15 to 2017/18**

Interest Rate Exposures	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %	2016/17 Estimate %
Upper limit for fixed interest rate exposure	100.0	100.0	100.0	100.0
Upper limit for variable interest rate exposure	70.0	70.0	70.0	70.0

#### 4. Maturity Structure of Fixed Rate Borrowing

This prudential indicator deals with projected borrowing over the period and the rates that they will mature over the period, as summarised in table 3.

**Table 3: Borrowing as at 31 March 2015**

<b>Maturity structure of fixed interest rate borrowing 2014/15</b>			
	<b>Actual Position</b>	<b>Lower</b>	<b>Upper</b>
<b>Under 12 months</b>	0%	0%	20%
<b>12 months to 2 years</b>	0%	0%	40%
<b>2 years to 5 years</b>	0%	0%	70%
<b>5 years to 10 years</b>	0%	0%	70%
<b>10 years and above</b>	100%	0%	100%

The fixed rate borrowing over 10 years was 100.00%, which is within the limits outlined below:

**Table 4: Maturity Structure of Borrowing for 2013/14**

	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	70%	0%
5 years and within 10 years	70%	0%
10 years and above	100%	0%

#### 5. Investments over 364 days

- 5.1 The overriding objective of the investment strategy is to ensure that funds are available on a daily basis to meet the Council's liabilities. Taking into account the current level of investments, and future projections of capital expenditure, the following limits will be applied to sums invested:

<b>Maximum principal sums invested &gt; 364 days £'000s</b>	<b>2014/15 £000's Actual</b>	<b>2015/16 £000's Estimate</b>	<b>2016/17 £000's Estimate</b>	<b>2017/18 £000's Estimate</b>
<b>Principal sums invested &gt; 364 days</b>	44,926	120,000	120,000	120,000

#### 6. Summary Assessment

- 6.1 The outturn position is set out above in respect of the Prudential Indicators approved by Assembly in February 2014.
- 6.2 The outturn figures confirm that the limits and controls set for 2014/15 were applied throughout the year, and that the treasury management function adhered to the key principles of the CIPFA Prudential Code of prudence, affordability and sustainability. The treasury management indicators were regularly monitored throughout 2014/15.

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## Glossary of Terms

1. **Authorised Limit** –represents the limit beyond which borrowing is prohibited, and needs to be set and revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.
2. **Bank Rate** – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.
3. **Counterparty** – the other party involved in a borrowing or investment transaction.
4. **Capital Financing Requirement (CFR)** – the level of capital expenditure to be financed from borrowing.
5. **Liquidity** – The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short term financial obligations.
6. **LIBID** – London Interbank Bid Rate - The interest rate at which London banks ask to pay for borrowing Eurocurrencies from other banks. Unlike LIBOR, which is the rate at which banks lend money, LIBID is the rate at which banks ask to borrow. It is not set by anybody or organisation, but is calculated as the average of the interest rates at which London banks bid for borrowed Eurocurrency funds from other banks. It is also the interest rate London banks pay for deposits from other banks.
7. **LOBO** (Lenders Option Borrowers Option) - Long term borrowing deals structured which usually has a short, initial period (anything from 1 year to 7 years), followed by a “step rate” to a higher rate of interest (the “back end” interest rate), which is to be charged for the remainder of the loan period.  
  
The overall length of LOBO’s is usually 50 or 60 years but can be shorter or longer periods. After the “step up” date, and at set intervals thereafter, the lender (the bank) has the option of increasing the “back end” interest rate. Whenever this option is exercised, if the proposed new rate is unacceptable, the borrower (The Council) can redeem the loan without penalty.
8. **Monetary Policy Committee** – independent body which determines the Bank Rate.
9. **Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an early warning indicator to ensure the Authorised Limit is not breached.
10. **Prudential Code** – The Local Government Act 2003 requires the Council to ‘have due regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

**11. PWLB** – Public Works Loan Board. An institution managed by the Government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell gilts.