

## Notice of Meeting of the

# ASSEMBLY

to be held on Tuesday, 24 February 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: 16 February 2015

Chris Naylor  
Chief Executive

Councillors and senior officers are also invited to attend a presentation by the Cabinet Member for Housing, the Director of Housing and the Group Manager for Housing Localities on the subject of “**New Deal for Tenants**”, 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's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting. Members are reminded that the provisions of paragraph 9.3 of Chapter 1, Part 5 of the Constitution in relation to Council Tax arrears applies to agenda item 8 "Budget Framework 2015/16".

**3. Minutes - To confirm as correct the minutes of the meeting held on 21 January 2015 (Pages 3 - 10)**

**4. Sub-Committees - To receive and note the minutes of the JNC Salaries and Conditions Panel held on 28 January 2015 (Pages 11 - 12)**

**5. Leader's Statement**

**6. Appointments**

**7. BAD Youth Forum Annual Report 2014 (Pages 13 - 21)**

**8. Budget Framework 2015/16 (Pages 23 - 51)**

**9. Treasury Management Strategy Statement 2015/16 (Pages 53 - 89)**

**10. Pay Policy Statement 2015/16 (Pages 91 - 102)**

**11. Establishment of Pension Board (Pages 103 - 115)**

**12. Community Infrastructure Levy - Change of Implementation Date (Pages 117 - 120)**

**13. Council Constitution - Updates (Pages 121 - 129)**

**14. Appointment of Independent Persons - The Localism Act 2011 (Pages 131 - 135)**

**15. Motions**

No motions have been received.

**16. Questions With Notice**

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

18. **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.**

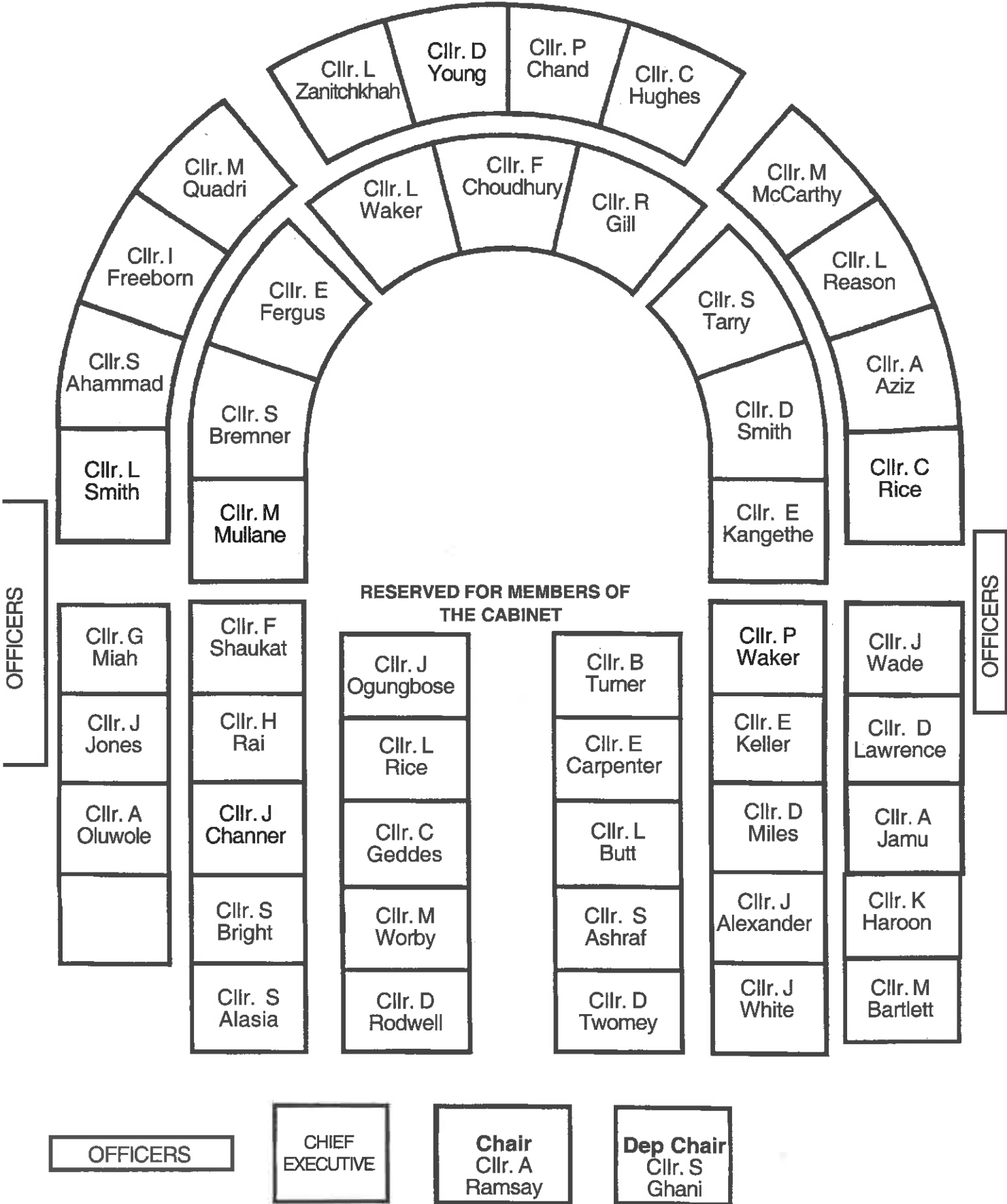
#### **Private Business**

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. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). ***There are no such items at the time of preparing this agenda.***

19. **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, 21 January 2015  
(7:00 - 7:59 pm)

### PRESENT

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

Cllr Saima Ashraf	Cllr Simon Bremner	Cllr Sade Bright
Cllr Laila Butt	Cllr Evelyn Carpenter	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 Elizabeth Kangethe	Cllr Eileen Keller	Cllr Mick McCarthy
Cllr Giasuddin Miah	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 Sam Tarry	Cllr Bill Turner
Cllr Dominic Twomey	Cllr Jeff Wade	Cllr Phil Waker
Cllr John White	Cllr Maureen Worby	Cllr Linda Zanitchkhah

### APOLOGIES FOR ABSENCE

Cllr Syed Ahammad	Cllr Sanchia Alasia	Cllr Jeanne Alexander
Cllr Abdul Aziz	Cllr Melanie Bartlett	Cllr Peter Chand
Cllr Danielle Lawrence	Cllr Dave Miles	Cllr Lee Waker
Cllr Dan Young		

#### **36. Declaration of Members' Interests**

There were no declarations of interest.

#### **37. Minutes (25 November)**

The minutes of the extraordinary and ordinary meetings held on 25 November 2014 were confirmed as correct.

#### **38. Minutes of JNC Appointments Panel (25 November 2014)**

The minutes of the JNC Appointments Panel held on 25 November 2014 were noted.

#### **39. Leader's Statement**

Councillor Rodwell presented a verbal statement updating the Assembly on the arrangements being put in place to celebrate the 50th anniversary of becoming a London Borough. This was kick started with the raising of a new celebratory flag

designed by a local student at both the Town Hall and Civic Centre. The flag will fly throughout 2015 and will act as a symbol of being one Borough and one Community.

Councillor Rodwell referred to the varied programme of activities and events that will be taking place across the borough over the year. He emphasised that residents will be leading on many of the projects championed through former councillor Milton McKenzie, the aim being to showcase to everyone that this is the growth borough in London to do business with. The Council is anticipating local businesses will sponsor many of the events. Councillor Rodwell concluded his statement that despite the challenges facing this Council he is confident that the collaboration of the Council facilitating, the community leading and local business sponsoring will engender a sense of Borough pride and create social responsibility towards each other in Barking and Dagenham over the coming year.

#### **40. Death of Former Councillor Val Rush**

The Assembly noted with deep regret that former Councillor Val Rush had passed away on 22 December 2014 following a long illness. Her funeral took place on 10 January 2015 at Forest Park Crematorium in Hainault and was attended by a number of councillors.

Councillor Rodwell led the tributes to Val with further reflections from the Chair and other Councillors who all commented on her hard work and dedication both to the Council and her constituents, as well as being a tireless political campaigner.

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

#### **41. Appointments**

The Assembly **resolved** to appoint Councillors Fergus, Haroon, Keller and Kangethe to make up a pool of four non-Cabinet Members to serve on various JNC Panels.

#### **42. Proposed Changes to the Council Tax Support Scheme 2015/16**

The Assembly received a report from the Cabinet Member for Finance setting out proposals to establish a revised Local Council Tax Support Scheme (LCTSS) from April 2015.

The Cabinet Member explained that the LCTSS was introduced from April 2013 following the abolition of Council Tax benefit as a consequence of the Welfare Act 2012. Support through the local scheme attracted central funding by way of a fixed two year grant, based on prevailing expenditure set in 2012/13 but with a factored reduction of 10%. The existing local scheme had included and replicated annual uprating of social security rates for housing benefit and it was proposed that this would continue in 2015/16. In addition, the new scheme would continue to include many of the features of the existing scheme including those discretionary elements as detailed in the report.

The proposed changes to the current scheme were summarised as:



- Support for working age recipients would be capped at 75% as opposed to 85% under the current scheme meaning that, as a minimum, recipients would need to make a 25% contribution of their Council Tax charge;
- Removal of the second Adult rebate scheme as an alternative award of support;
- Removal of backdated claims for working age residents;
- Reducing the maximum capital threshold for working age residents for CTSS eligibility from £16,000 to £6,000.

The Cabinet Member explained that as there were proposed changes to the existing LCTSS an extensive consultation exercise was carried out. Disappointingly, of the 16,000 residents who were written to only 147 responses were received and there was a relatively low turnout at two public meetings. A full report on the consultation was appended to the report together with a detailed equalities impact assessment that was undertaken in the light of the public consultation.

It was noted that the Public Accounts and Audit Select Committee had also considered the changes to the scheme as part of the budget savings exercise. The Committee had supported the proposals subject to a review as to whether any additional funds could be made available to top up the Discretionary Housing Payments scheme in order to provide support to those most vulnerable sections of the community. The Cabinet Member confirmed that some funding had been identified which would act as a financial safety net and this would be closely monitored, as would the collection rates which had proved higher than was expected.

In response to the report Councillor Gill asked the Cabinet Member to clarify:

- (a) The criteria that would be applied to the use of the discretionary monies and the estimated cost of administering the scheme; and
- (b) How the changes would affect the most vulnerable, also bearing in mind a possible Council Tax increase in the coming year.

The Cabinet Member explained the approach that would be adopted, including a close alignment to the discretionary housing support policy criteria but added that the amount of discretionary funding that would be available would be limited and therefore it was important to ensure that the available funding was used to support those most in need. He stated that, as with any policy, it would be kept under review as it developed.

The Assembly, taking into account the response to the consultation, **resolved** to:

- (i) Approve a revised LCTSS for 2015/16 for working aged residents based on:
  - Amending the maximum liability level for assessment from 85% to 75%;
  - Withdrawing the Second Adult Rebate Scheme;
  - Reducing the capital threshold for working age claimants to £6,000;
  - Removing the provision to backdate claims from the amended scheme for working age claimants.

- (ii) Retain the following discretionary areas:
- To continue to disregard War Widows and War Disablement income from income assessment for the scheme;
  - To continue the extended payment scheme in line with the Housing Benefit scheme;
  - To replicate the annual uprating of social security rates for Housing benefit in the 2015/16 LCTSS.
- (iii) Approve the creation of a discretionary exceptional hardship fund from additional income generated across all savings proposals related to Council Tax for 2015/16.

#### **43. Questions With Notice**

##### **Question 1**

###### **From Councillor McCarthy**

“The Cabinet Member for Regeneration stated at the last Assembly meeting on 25 November 2014 that £190m had been brought in for the London Overground extension to Barking Riverside. However, the Chancellor George Osborne only announced a government loan of £55m to support the scheme at the last Autumn Statement. Could the Cabinet Member for Regeneration please explain the shortfall in funding and how the financial gap will be addressed?”

###### **Response from Councillor Geddes, Cabinet Member for Regeneration**

“Cllr. McCarthy is correct in that, when the Chancellor announced in the Autumn Statement that he was providing funding for the project, it was on the basis of providing a loan for only £55m of the project's total costs of around £190m. Nevertheless, this sum bridges the remaining funding gap and means that progress can take place.

The Government contribution constitutes roughly 30% of the total project costs. The GLA via TfL are contributing about 45% of the costs, Barking Riverside Ltd. are putting in another 20%, whilst Barking and Dagenham's loan of £9m provides the remaining 5%.”

###### **Supplementary question from Councillor McCarthy**

“What written guarantees does the Cabinet Member have that the £55m will be forthcoming?”

###### **Response from Councillor Geddes**

“Although there is not to my knowledge any formal sign off of the monies from the GLA to which I will seek to secure, I am confident they will honour the funding commitment they have made. Furthermore I and officers are continuing to make representations to attract more funding for Barking Riverside for a range of new facilities such as health as the housing development grows apace.”

## **Question 2**

### **From Councillor P Waker**

“Could the relevant Cabinet Member tell the Assembly if Council officers have been given delegated powers that allow officer bodies such as Departmental Management Teams etc. to set new fees and charges for residents?”

### **Response from Councillor Twomey, Cabinet Member for Finance**

“Not to my knowledge nor approved at any Cabinet meeting I am aware of.”

### **Supplementary question from Councillor Waker**

“I have been told that a Divisional Management Team has set charges for car parking for flatted communal areas. Can I ask that going forward where such considerations arise that the views of ward councillors be taken into account?”

### **Response from Councillor Twomey**

“I am happy to look into the specifics of the issue highlighted by Councillor Waker.”

## **Question 3**

### **From Councillor Gill**

“What actions is the Cabinet Member for Housing taking to deal with the urgent problems such as the deteriorating condition of the service roads and continuous daily fly-tipping at the Council owned Longbridge Road flats?”

### **Response from Councillor Ashraf Cabinet Member for Housing**

“Following a visit by the Interim Director of Housing to Longbridge Estate in December Housing have commissioned a survey from Highways that will provide up to date condition information on estate service roads across the Borough The Highways report will assess roads and pavements on housing land and submit recommendations on what works are needed and the priority in which they should be addressed. Once the list is confirmed, I will share it with colleagues.

Some funds have been allocated to a newly established budget for 2015/16 that will fund estate service roads renewal. This will be allocated in accordance with the condition information as revealed in the survey that is being conducted by engineers in Highways.

It should be noted, however, that tenant priorities for stock investment are focused upon kitchen and bathroom renewal and major block and property modernization rather than on the resurfacing of estate roads and our resources for other works are inevitably quite limited.

Regarding the fly tips, as part of the Caretaking service returning to Housing Management, we now have two crews who, on a daily basis, visit housing estates to collect bulk items from agreed points. Having said that, fly tipping is a borough wide issue which we all need to tackle together with a combination of policy, education and enforcement.

I have confidence that my colleagues, the lead members for Environment and Enforcement are looking at addressing this.”

### **Supplementary question from Councillor Gill**

“Just today I walked one of the service roads that prompted my question and

noted that although repairs to pot holes had been undertaken, the standard is very poor. Seeing that the Council has secured European investment funding of £150m of which approximately £89m is being invested in the Gascoigne ward surely the Council can find of the order of £100k to repair the service roads in Longbridge ward?"

**Response from Councillor Ashraf**

"My understanding is the road to which Councillor Gill refers is possibly private and that the repairs may have been undertaken on behalf of leaseholders. I am asking the officers to investigate it, in the light of which I will respond to Councillor Gill."

**Question 4**

**From Councillor Gill**

"The failure to install the traditional Christmas tree and decorations over the festive period in Longbridge Ward that have been present for over 5 years was upsetting too many local residents. Could the Leader of the Council please explain who made this decision and what consultation took place?"

**Response from Councillor Rodwell, Leader of the Council**

"I am a bit surprised to receive this question seeing Councillor Gill made the same enquiry to officers before Christmas and he will be aware that a response was sent in a letter dated 31 December 2014. That said I am happy to answer his question. With the significant pressure placed on already stretched budgets and taking into account the freeze on all but essential in year spend, and bearing in mind that the Council has no budget set aside for any Christmas decorations, the decision was taken to maintain at the Town Hall and Civic Centre and in Barking Town Centre. Putting that in to context are Christmas decorations and trees more important than our children's safety and welfare? I do not think so.

Going forward I am more than happy to meet with local shop owners and other local businesses to find ways to share the cost of Christmas decorations/trees so that in future years displays are not limited to only that the Council can fund."

**Supplementary question from Councillor Gill**

"I raised the question here because it was similarly raised with me by residents from the Leftley Estate. Is the Leader saying that despite the significant budget pressures on the council he is able to find an additional £100K to fund the cost of a full time Chief Executive but not a small amount of money to pay for an additional Christmas tree?"

**Response from Councillor Rodwell**

"The decision to appoint a full time Chief Executive is an invest to save initiative seeing one of his key objectives will be to attract significant inward investment in the borough which in turn will create new employment opportunities for our communities. That I suggest cannot be compared to spending money for a Christmas tree in the Longbridge ward."

## **Question 5**

### **From Councillor Reason**

“Could the relevant Cabinet Member assure the Assembly that the proposed Council closure of Roycraft House will mean that no Council services, whether supplied directly or through joint ventures such as Elevate, will be operated from that building?”

### **Response from Councillor Twomey, Cabinet Member for Finance**

“I cannot give that assurance to the Assembly.”

### **Supplementary question from Councillor Reason**

“Why?”

### **Response from Councillor Twomey**

“The Cabinet at the meeting on 16 December 2014 agreed to dispose of Roycraft House to Agilisys with leaseback of two floors for Council office use. In so doing it will secure necessary office accommodation but remove the running costs of the building from the Council”.

## **44. Chief Executive**

The Chair announced that this would be the last meeting of the Assembly of the Chief Executive, Graham Farrant, before he returned to his full-time position as Chief Executive of Thurrock Council, having held the position of Chief Executive of the two Councils since July 2012.

The Chair thanked Graham on behalf of the Council for leading Barking and Dagenham for a second time, having previously served as Chief Executive between 2000 and 2004. The Chair commented that during his second term, Graham had brought stability to the Council during a period of financial uncertainty.

The Leader of the Council added that it was with sadness but respect that the Council bid farewell to Graham, praising him on his achievements and, in particular, the support and guidance Graham had provided to the new leadership.

Other Members paid their own tributes and reflected on Graham’s time with the Council, expressing their thanks, both personally and on behalf of residents, for his kindness, resilience, support, openness, honesty and straightforward approach.

In response, Graham stated that he had been privileged to serve Barking and Dagenham as its Chief Executive for a second time. He added that the Council had successfully dealt with significant change and challenge and he expressed his thanks for the support he had received from Members, fellow officers and the trade unions. He acknowledged that the Council had significant financial challenges ahead and extended his best wishes to the Council and its new Chief Executive, Chris Naylor.



## MINUTES OF JNC SALARIES AND CONDITIONS PANEL

Wednesday, 28 January 2015  
(2:10 - 2:27 pm)

**Present:** Cllr Darren Rodwell (Chair), Cllr Saima Ashraf, Cllr James Ogungbose, Cllr Edna Fergus and Cllr Kashif Haroon

**Apologies:** Cllr Dominic Twomey

#### 4. Declaration of Members' Interests

There were no declarations of interest.

#### 5. 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).

#### 6. Senior Management Changes

The Divisional Director of Human Resources and Organisational Development (DDHROD) presented a report proposing the payment of honoraria to the Chief Finance Officer (CFO) and Head of Legal and Democratic Services (HLDS) in recognition of the additional responsibilities and workloads each was currently undertaking.

The Panel noted that following the resignation in September 2012 of the former Corporate Director of Finance and Resources, the deputy to that post assumed the Chief Financial Officer responsibilities under Section 151 of the Local Government Act 1972. That deputy post was subsequently designated as CFO and although a proposal was considered by the JNC Appointments Panel on 17 July 2013 to increase the salary, to date it had remained at the same salary level.

The report presented at the meeting sought to make the case to now review that decision and increase the salary by way of paying a monthly honorarium totalling £8,002 per year, which would make the post equivalent to CO5 grade and bring it broadly in to line with comparable salaries for the post in London.

In response to a question regarding the change in circumstances since the decision by the JNC Appointments Panel on 17 July 2013 not to increase the salary, the Corporate Director of Adult and Community Services advised that although the responsibilities of the post had not fundamentally changed, the overall financial position of the Council had shifted which brought greater challenges in terms of both setting and achieving a balanced budget for the next two years and beyond. On that basis, it was considered extremely important to have continuity and retain strong officer leadership in the Finance teams, particularly given that the current budget savings would mean a reduction of

approximately £400,000 in the Finance Service budget and with the loss of a number of senior posts in that area. The DDHROD also confirmed that there was now clearer market evidence amongst other local authorities which supported the level of salary being proposed for the post.

With regard to the post of HLDS, the report explained that since the original job evaluation in 2012 a shared service arrangement for Legal Services had been established with Thurrock Council. More recently, traded services had been established with Brentwood Borough Council as well as a number of other authorities including Newham, Westminster and Havering Councils, the East London Waste Authority and the Lea Valley Regional Authority.

Whilst the complexity of the role had not changed the scope and responsibilities across a number of different providers, as well as the need to operate in an increasingly competitive market, added a new dimension to the role. It was proposed, therefore, to increase the salary by way of a monthly honorarium totalling £9,449 per year which would make the post equivalent to CO3 grade. It was noted that the additional cost would be met from the additional income generated through the traded service.

Having considered the justifications for the salary increases for both posts and taking into account that the payment of temporary honoraria would not inhibit the flexibility of the new Chief Executive to review the senior management structure, the Panel **resolved to approve** the payment of honoraria to the Chief Finance Officer and Head of Legal and Democratic Services as proposed in the report, to be effective from 15 January 2015.



## ASSEMBLY

24 February 2015

<b>Title:</b> Barking and Dagenham Youth Forum Annual Report 2014	
<b>Report of the Divisional Director of Education</b>	
<b>Open Report</b>	<b>For Information</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Sally Allen-Clarke, Senior Youth Worker, Integrated Youth Service	<b>Contact Details:</b> Tel: 020 227 3297 E-mail: sally.allen-clarke@lbbd.gov.uk
<b>Accountable Divisional Director:</b> Jane Hargreaves, Divisional Director of Education	
<b>Accountable Director:</b> Helen Jenner, Corporate Director of Children's Services	
<p><b>Summary</b></p> <p>This report is a summary of the work and achievements of the Barking and Dagenham Youth Forum during its January to December 2014 sitting.</p> <p>The Barking and Dagenham Youth Forum is a borough-wide platform for young people to express their views and help shape services. Members of the Barking &amp; Dagenham Youth Forum are democratically elected each January through schools and youth groups to represent their peers. Through their participation, young people develop youth-focussed campaigns based on topics most important to young people in Barking and Dagenham. The campaigns aim to raise awareness of the issues being tackled and to bring about change that will positively impact young people's lives. Through regular consultations, Council officers and partner agencies have the opportunity to promote services, gather feedback about policies, strategies and services as well as gaining a youth perspective on how services can be improved and promoted to young people locally. In addition, a single member of the Forum sits on the Children's Services Select Committee as a co-opted member.</p> <p>The Barking and Dagenham Youth Forum Young Inspectors sub-group provides local services with the opportunity to have their services inspected by trained, experienced youth inspectors. In 2014, the Young Inspectors sub-group were commissioned to carry out inspections of local pharmacies distributing free condoms to young people aged 13-24 years old under the pan-London C-Card Scheme and local sexual health clinics also offering sexual health advice and services to young people. The Young Inspectors underwent training with youth workers and a representative from Terence Higgins Trust and completed a total of 52 pharmacy inspections and 2 sexual health clinic inspections. A representative of Young Inspectors attends the local Patient Engagement Forum meetings, feeding back the progress and outcomes from the group and offering a youth perspective relevant to agenda items being discussed.</p> <p>The Barking and Dagenham Youth Forum members have gained many skills through their participation in the forum, including communication, leadership, negotiation,</p>	

presentation and social skills. These are essential life skills which young people can utilise in a variety of settings. In addition, they represent a very positive image of young people in the borough, and support the Council's objectives to enable social responsibility and encouraging civic pride. The Forum was rewarded with a Youth On Board award from the British Youth Council this year, as well as successfully submitting a funding bid to O<sup>2</sup>.

### **Recommendation(s)**

The Assembly is recommended to note the Barking and Dagenham Youth Forum Annual Report for 2014 and in doing so:

- (i) Agree to continue to provide Member support for the Forum and its associated campaigns and utilise the Forum to deliver against the Council priorities of enable social responsibility, encourage civic pride and growing the borough;
- (ii) Agree that Members who are School Governors should continue to encourage their schools to work in partnership with the BAD Youth Forum and aid schools to promote pupil voice through the provision of a robust school council;
- (iii) Support the Forum's aim for greater consistency in sexual health lessons in schools and that schools be encouraged to utilise the resources and lesson plans created and supplied by the BAD Youth Forum;
- (iv) Agree that Members should continue to raise a positive profile of young people throughout the borough through the work of the Forum and support recommendations made by Young Inspectors through inspections;
- (v) Support the proposal that regular newsletters with updates about the work of the BAD Youth Forum and UK Youth Parliament representatives be sent to school council leads; and
- (vi) Agree that the Children's Services Select Committee receive a report from officers on the Council's response to recommendations made by the BAD Youth Forum.

### **Reason(s)**

To receive the BAD Youth Forum Annual report in accordance with the Council Constitution.

## **1. Introduction and Background**

- 1.1 In January 2014, 65 young people were elected to the Barking and Dagenham Youth Forum. The young people were elected from all secondary schools and Trinity Special School, which has two representatives and a key worker who supports the young people during sessions.
- 1.2 At the beginning of the forum year, all members attended two full forum sessions and debated current youth issues that the forum might tackle in 2014. As a result of this meeting two sub-groups were chosen, '**Raising a positive image of young people**' and '**Health**' - focussing on Teenage pregnancy and Sexual Health. One subsequent full forum meeting took place later in the year in the Council Chamber.

A question and answer session was held with senior council officers, Police and Health officials giving young people the opportunity to challenge them about current policies or issues that young people face.

- 1.3 The **Young Inspectors** have continued as a sub group of the forum in order to sustain the programme from its funded pilot phase in 2011-12. The programme continues to be effective, surpassing expectations this year with regards to the number of inspections and the standard of qualitative data gathered.
- 1.4 To further support the Youth Forum's drive to reach and engage a wider range of young people a promotional DVD has been developed by the Forum this year and recently used in school assemblies. Youth Workers visited schools three times to gather nominations, instead of the usual once, offering young people more opportunities to speak to youth workers and put their name forward. This places the Forum in a strong position to work effectively in 2015.

## **2. Proposal and Issues**

### **Sub-groups' work outline**

#### **2.1 Raising a Positive Profile of Young People**

- 2.1.1 The sub-group felt it was important to raise a positive profile of young people in the Borough, acknowledging young people's commitment to their borough and encouraging other young people to take pride. The young people planned and organised a range of events to achieve this.
- 2.1.2 The first event took place at Bennetts Castle Lane Care Home in the Easter holidays. Young people expressed an interest in helping elderly residents in their local community and learning more about what it was like to be a teenager years ago. The care home was contacted and arrangements were made to paint the dining hall. Young people also prepared some musical entertainment for the care home residents and spent time with them talking about their experiences of being a teenager.
- 2.1.3 The second event was a charity car wash. Young people researched local and national charities and opted to support the Mayor's chosen charity - Teenage Cancer Trust. The young people designed leaflets and hand delivered them to homes and businesses in the local area. Young people created a list of the resources they needed and ensured enough members were able to attend the event. The young people raised a total of £73.00 for the charity, including washing the Mayor's car.
- 2.1.4 The third event was a litter pick at Pondfield Park and painting the teenage seating shelter. Young people felt that parks could be better used by young people and that in some cases the parks could be cleaner and in better condition. The young people created a list of parks to clear up and then consulted more than 200 young people to ask their views. The top two parks were visited by the Forum members and Pondfield Park was chosen. The group cleared six bags of rubbish and painted the seating shelter, improving the look and cleanliness of the park. The Leader of the Council visited the sub-group in action.

2.1.5 The group also worked on a short presentation to raise awareness of World AIDS Day and created some information cards to be distributed in schools by Forum members. Each Forum member took the information and resources in to schools and acted as World AIDS Day ambassadors. The group raised close to £100 by selling World AIDS Day ribbons in schools.

## 2.2 **Health: Teenage pregnancy and sexual health**

2.2.1 The sub-group had various discussions about the importance of sexual health education in schools and felt that in recent years the numbers of lessons have reduced. Some young people expressed concerns that some schools as an alternative now hold a day once or twice a year where topics such as this are discussed with students. For those who are absent that day, they miss any opportunity to receive this vital information. There was a mixture of positive and negative experiences of sex and relationship education in schools amongst the members, depending on what school they attended. The group felt this was also an issue and that education should be more consistent across the borough. Some young people feel the lessons are taught to the wrong year group, which runs the risk of young people being poorly educated until, in some cases, it is too late. With high numbers of teenage pregnancy and STI's among 16-24 year olds, the group opted to tackle the issue.

2.2.2 The group devised a range of activities, short films and exercises for students to participate in. These include:

- A filmed appointment at a sexual health clinic to help dispel any fears young people may have about visiting a clinic to get condoms or sexual health advice
- An interactive and visually appealing quiz
- A short film introducing contraception methods
- An 'unlucky dip' exercise
- A short film about STI's
- Condom demonstration
- Beer goggles to help simulate the difficulties young people could face when attempting to correctly use a condom when under the influence of alcohol

2.2.3 The group have worked with Jo Caswell, Health and Personal Development Advisor, to develop lesson plans that can be used by teachers along with these resources. This will be delivered to schools early 2015.

2.2.4 In order to purchase some of the resources given to schools the young people successfully bid for a Think Big grant from O2 for the bid limit of £300.

## 2.3 **Young Inspectors**

2.3.1 Funding was received from the Public Health grant to support the Young Inspectors and focus their inspections on sexual health services in 2014 in order to contribute to reducing the borough's teenage pregnancy rate. The group underwent a range of training which taught them how to be effective Young Inspectors and how to specifically inspect sexual health services offering condoms, in particular pharmacies and sexual health clinics. The Young Inspectors were taught about the detailed process they should be taken through each time they carry out an inspection, which includes use of the Frasier guidelines (where appropriate), a

condom demonstration, mention of the pharmacy/clinics confidentiality policy, being offered a Chlamydia test and explaining other tests on offer to young people. The group developed close links with the Terence Higgins Trust and used this relationship to continually update their training and feed back their findings directly to commissioners of the service as well as at the Integrated Reproductive and Sexual Health Board and Patient Engagement Forum.

2.3.2 Having been trained, the Young Inspectors completed a range of supported and independent inspections. A total of 52 inspections were completed from April to December, greatly surpassing the target set by Public Health. Young people completed a detailed report for each inspection highlighting their opinions of their experience, the staff they encountered and whether they met the standards expected by commissioners e.g. Frasier guidelines, offering a condom demonstration.

## 2.4 Consultation

2.4.1 Youth forum members participated in a range of one-off consultations facilitated by council officers and external partners. These include:

- Emma Roebuck- Parks Consultation. Young people were asked to give their views on Parsloes, Eastbrookend and Central Park looking at what improvements could be made in each park, what is already good about them and what could be better.
- Alex Perry- Flipside LGBT promotional event consultation
- Helen Jenner/Erik Stein- School council consultation looking at how effective schools are and if they have improved since the school council review commissioned by CSSC
- Young NCB- an online survey looking at whether school is preparing young people for life
- British Youth Council- survey on engagement with European politics
- Joe Aguis, Area Manager, Catering & Hospitality Services - changes to school dinner menu, gathering young people's views about current school meals and what they think needs to be improved and also telling the young people about changes happening in the near future
- Local Government Association and British Youth Council: Have your say on local services for children and young people
- Joe Agius, Area Manager, Catering & Hospitality Services - to get views about the new menu and to learn whether their ideas are along the right track and get suggestions for a new name for the catering service. A further consultation was carried out to discuss the final name for the service.
- NWG Network- Youth Participation Questionnaire- tackling child sexual exploitation
- Developing a Youth Manifesto on Rights and Advice Services- a questionnaire for young people aged 15-25 to give us their views on what should be in a youth manifesto on rights and advice services.
- Anna Freud Centre- Online mental health resource consultation
- Boba Rangelov, NHS Trust - What does a good/bad health service look like?
- Arc Theatre and Jenny Bastock, DV Coordinator- Raised Voices and development of ideas for newsletter raising awareness of Child Sexual Exploitation

- Public Health consultancy agency- Mental Health Needs Assessment
- Healthwatch consultation

2.4.2 The results of each consultation have helped to shape service delivery in each case.

## 2.5 **UK Youth Parliament (UKYP)**

2.5.1 In February 2014 two young people were elected (through the BAD Youth Forum) to represent Barking and Dagenham on a regional and national level. Stephen Abordo was elected as Member of Youth Parliament (MYP) and Faraz Hanif was elected as Deputy Member of Youth Parliament (DMYP). Following their election both young people attended an induction residential which taught them how to effectively represent other young people, how to plan and deliver a successful campaign and other more general skills such as public speaking and being confident to express your views. Both young people gained a great deal of skills from this experience and formed good relationships with other MYP's/DMYP's.

2.5.2 During their term both representatives attended three British Youth Council conventions which brings youth representatives together from across the region. At these conventions young people have contributed to regional debates and participated in training and consultations.

2.5.3 In July the MYP attended an Annual Sitting which offers young people another residential experience focussing on developing youth focussed issues to put out for consultation. The aim of the consultation was to find out what the top 5 issues are for young people in the UK so that these could be discussed at an event for you UKYP representatives at the House of Commons. Ten issues were chosen and the MYP and DMYP then focussed on getting as many votes as possible. Members of the BAD Youth Forum supported this process and successfully obtained 3053 votes. This is an increase of 753 votes from last year, the most ever achieved by Barking and Dagenham representatives.

2.5.4 In November, the MYP attended the House of Commons debate and sat amongst youth representatives from across the UK. The five topics were discussed and from them two campaigns were chosen, a Living Wage for All and Mental Health. These campaigns will be worked on in 2015.

2.5.5 Barking and Dagenham UKYP representatives have contributed to 'Positive Stories', which is a monthly publication by the British Youth Council outlining youth representatives achievements across the UK.

## 2.6 **Children's Service Select Committee (CSSC)**

2.6.1 The Chair and Deputy Chair of the forum have attended all formal and informal meetings arranged by the CSSC. The representatives have contributed ideas for the CSSC's current workplan focussing on supporting more primary schools to become outstanding, as well as giving their views around the Council's saving proposals.

## 2.7 Other events BAD Youth Forum have participated in

- Consultation with Council Leader, Deputy Leader and and Lead Members for Children's Services around savings proposals.
- Borough's inaugural Youth Parade.
- Stonewall Education For All Conference, with Flipside LGBT project.
- Chief Executive interviews.
- Planning meeting for the boroughs 50th Anniversary celebrations.
- Attended #talking youth event- an event for 18-24 year olds to discuss employment opportunities in London.

## 2.8 Other achievements

2.8.1 In 2014, Adam Kaspar, an ex pupil of Trinity School, took on the role of volunteering with the sub-groups. Adam has been an active member for 4 years and at 21 needed extra responsibility within the project. Adam has spent his time in sub-groups planning sessions, supporting Trinity School members, writing evaluations and contributing to the monitoring of sessions with youth workers. Adam has been working through his Silver Youth Achievement Award as recognition of the extra effort and hard work he has put in to his role.

2.8.2 The BAD Youth Forum were submitted by youth workers for a British Youth Council Youth On Board Awards and were successful in the Inspiring Project Award category. The award recognises efforts made by projects to engage young people and give them a voice.

2.8.3 All Forum members have been given the opportunity to work towards the Youth Achievement Awards, mostly at Bronze level. Adam Kaspar, volunteer, has been working towards his Silver award and Paul Cox was awarded his Gold Youth Achievement Award this year, this is the first Youth Achievement Award at Gold level awarded to a young person working with the Integrated Youth Service.

## 2.9 Forward plan

2.9.1 A detailed workplan for the BAD Youth Forum is devised each year upon election of new representatives. However, there are a number priorities for the Forum in 2015.

- To better integrate the work of the Forum with the Council's overall objectives, and use it to enable social responsibility, encourage civic pride and grow the borough.
- Use the Forum to support the borough's 50th anniversary celebrations.
- Use the Forum to support the borough's objectives to reduce childhood obesity.

## 3. Financial Issues

Implications completed by: Patricia Harvey, Interim Group Manager, Children's Finance

3.1 There are no direct financial implications for future years arising from this report.

- 3.2 Resources for the period of January to December 2014 have been supported from the Public Health Grant attributable to Children's Services of a total £1.6m and £30k earmarked towards the BAD Youth Forum.

#### 4. Other Issues

- 4.1 **Corporate Policy and Customer Impact** - The work of the BAD Youth Forum contributes to the achievement of the Council's vision and priorities. Both the encouraging civic pride and the social responsibility priorities have sub priorities which relate to raising attainment, and ensuring young people realise their full potential. The work of the forum set out in this report demonstrates this contribution and the important role the forum has played for members as well as in representing the youth across the borough.

As this report is for noting, there are no customer impacts.

- 4.2 **Safeguarding Children** - The work of the Forum in 2014 has contributed to the safeguarding of children and young people in a number of ways. The work to improve Pondfield Park has contributed to improving it's image as a safe environment for young people. The work of the Young Inspectors, particularly in testing Fraser guidelines about when it is and isn't appropriate to distribute contraception to young people, have done an enormous of amount work to test the safeguarding policies of sexual health services, resulting in improvements to the service. Similarly, the short film developed by the Forum to show what it is like to visit a sexual health clinic is designed to demsontrate services as being safe and secure to young people.
- 4.3 **Health Issues** - The Teenage Pregnancy and Sexual Health sub-group have highlighted that there is an inconsistency in the amount of time allocated in schools to educate young people about relationships, contraception, STI's and general awareness of the consequences of unprotected sex is having a detrimental impact on the current rates of teenage pregnancy and STI's which are extremely high in Barking and Dagenham in comparison to London and England. The resources the young people have developed are in response to this and aim to educate young people and give schools simple and easy to use tools to lessen the workload for teachers in this particular area.

The Young Inspectors have inspected the 17 pharmacies that offer the Come Correct condom distribution scheme and have given feedback about their findings to Terence Higgins Trust, the Integrated Sexual Health and Reproductive Board, directly to Matthew Cole during a full forum meeting and managers within Public Health. Young people have raised a range of positive and negative practice that came to light as a result of the inspections which will help to strengthen training for staff within the pharmacies who distribute the condoms. Young people have regularly raised the issue of needing ID in some pharmacies which is limiting for young people who cannot supply the required ID. This issue is being looked in to by Public Health with an aim to breaking down this barrier and offering young people a more young people friendly service.

The Young Inspectors have also completed 2 sexual health clinic inspections: Outpatients East, which showed a vast improvement from their last inspection in 2012, and Youth Zone @ St Kilda's. Although situated outside of the borders of the



borough, data shows that many young residents of Barking and Dagenham utilise this service. The feedback from both of these inspections have been given to BHRUT who take responsibility for reviewing the recommendations and implementing them.

The young people met with Cllr Worby to discuss health issues and also raised these with a representative from leisure. Young people have raised concerns about obesity, smoking and under-age drug use. Obesity will be addressed by a future forum sub-group as it continues to be an issue they feel needs addressing and is a major council priority.

- 4.4 **Crime and Disorder Issues** - The Forum's work to redecorate a shelter in Pondfield Park, and their wider work to promote a positive image of young people, is designed to combat the fear of crime in the borough from all communities. The Forum has demonstrated that young people can and should promote social responsibility and take pride in their local area.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None

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## ASSEMBLY

24 February 2015

<b>Title:</b> Budget Framework 2015/16	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Chris Leslie, Group Accountant	<b>Contact Details:</b> Tel: 020 227 2271 E-mail: <a href="mailto:chris.leslie@lbbd.gov.uk">chris.leslie@lbbd.gov.uk</a>
<b>Accountable Director:</b> Jonathan Bunt, Chief Finance Officer	
<b>Summary:</b>	
<p>This report sets out the:</p> <ul style="list-style-type: none"> <li>• Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19;</li> <li>• Proposed General Fund budget for 2015/16;</li> <li>• Proposed level of Council Tax for 2015/16;</li> <li>• Financial outlook for 2016/17 onwards;</li> <li>• Draft capital investment programme 2014/15 to 2016/17.</li> </ul> <p>The General Fund net budget for 2014/15 is £165.320m and the proposed net budget for 2015/16 is £151.444m. The budget for 2015/16 incorporates changes in government grants, decisions previously approved by Members in the Medium Term Financial Strategy, savings approved by the Cabinet in October and December 2014 and other financial adjustments.</p> <p>Council Tax for 2015/16 is proposed to increase by £20.27 (1.99%) to £1,036.67 from its current level of £1,016.40 for a Band D property. This would be the first increase in seven years.</p> <p>The proposed draft capital programme is £398m for 2014/15 to 2016/17, including £236m for proposed HRA schemes. Details of the schemes included in the draft capital programme are at Appendix E.</p> <p>The Greater London Authority has reduced its Council Tax by 1.3% for a Band D property, reducing the charge from £299.00 in 2014/15 to £295.00 in 2015/16.</p> <p>The Cabinet is to consider this report at its meeting on 16 February 2015. Any issues arising from the Cabinet's consideration will be reported at the meeting.</p>	

## **Recommendation(s)**

The Assembly is recommended to:

- (i) Approve a base revenue budget for 2015/16 of £151.444m, as detailed in Appendix A to the report;
- (ii) Approve the adjusted Medium Term Financial Strategy (MTFS) position for 2015/16 to 2018/19 allowing for other known pressures and risks at this time, as detailed in Appendix B to the report;
- (iii) Delegate authority to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to finalise any contribution required from reserves in respect of the 2015/16 budget, pending confirmation of levies and further changes to Government grants prior to 1 April 2015;
- (iv) Approve the Statutory Budget Determination for 2015/16 as set out at Appendix C, which reflects an increase of 1.99% on the amount of Council Tax levied by the Council, plus the Council Tax agreed by the Greater London Assembly (1.3% reduction), as detailed in Appendix D to the report;
- (v) Approve the Council's draft Capital Programme for 2014/15 to 2016/17 as detailed in Appendix E to the report; and
- (vi) Agree that the full economic cost be levied as a charge on fees paid by credit cards for Council Tax, as detailed in paragraph 7 of the report.

## **Reason(s)**

The setting of a robust and balanced budget for 2015/16 will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; London's growth opportunity and delivery of the priorities within available resources.

## **1.0 Introduction and Background**

- 1.1 The purpose of this report is to seek agreement to the revenue budget for 2015/16 of £151.444m (£165.320m in 2014/15).
- 1.2 The report also sets out the Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19 and the Council Tax level for 2015/16.
- 1.3 As part of the budget setting process consideration has been given to the priorities set out in the existing Corporate Delivery Plan and how best these can be achieved with the resources available.

The vision is 'One borough; one community; London's growth opportunity'.

The three corporate priorities that support the vision are:

1. Encourage Civic Pride;
2. Enabling social responsibility;
3. Growing the borough.

## 2.0 Medium Term Financial Strategy (MTFS)

- 2.1 In February 2014, Assembly approved the budget for 2014/15 which included a £1m contribution from reserves. This gap is carried forward into 2015/16.
- 2.2 Provisional funding allocations for 2015/16 were announced in the Local Government Finance Settlement by DCLG (Department for Communities and Local Government) on 18 December 2014. The final settlement was announced on Tuesday 3 February 2015 and this has been included in the MTFS.
- 2.3 Unlike other settlements no information was provided past 2015/16. This creates uncertainty regarding the funding for future years.
- 2.4 Following the final settlement an additional £74m was added to the Revenue Support Grant nationally to assist Councils in dealing with pressures on local welfare, health and social care. This provided an additional £415k for the Council of which £300k will be used for the Local Emergency Support Service and £115k will support the Community Development Area initiative.
- 2.5 The Council has an additional £3.7m more funding than estimated in February 2014. An analysis of this difference is shown in the table below.

**Table 1 – Changes to funding estimated in February 2014 vs final 2015/16 Settlement**

Funding Source	2015/16 Original £000	2015/16 Revised £000	Variance £000
Revenue Support Grant	(45,007)	(45,401)	(394)
Education Services Grant	(3,671)	(3,300)	371
New Homes Bonus Grant	(4,098)	(2,700)	1,398
NHB Returned Funding	-	(171)	(171)
LCTS Administration Grant	(300)	(346)	(46)
HB Administration Grant	(135)	(1,349)	(1,214)
<b>Change in Government Funding</b>			<b>(56)</b>
Council Tax Precept	(41,987)	(44,188)	(2,201)
Retained NNDR Income	(16,942)	(15,521)	1,421
NNDR Compensation Grants	(546)	(1,419)	(873)
NNDR Pooling Gains	-	(300)	(300)
Council Tax Surplus	-	(1,404)	(1,404)
Business Rates Surplus	-	(314)	(314)
<b>Change in Local Funding</b>			<b>(3,671)</b>
<b>Total Change in Funding</b>			<b>(3,727)</b>

- 2.6 The increase is mainly due to higher Council Tax receipts of £3.6m, including the £1.4m surplus accumulated from previous years. There are two main causes for this, which are the reduction in demand for Council Tax Support and a higher than anticipated number of properties entering the valuation list.
- 2.7 In addition to funding, other changes have occurred since February 2014 that have impacted on the MTFS. These changes are detailed in the following paragraphs and summarised in table 2.
- 2.8 Local Emergency Support and Community Development – Additional funding was made available by government to support local welfare, health and social care. This funding has been allocated to the Local Emergency Support Service (£300k) and the Community Development Area initiative (£115K).
- 2.9 Income pressures in Revenues – Due to higher collection rates for Council Tax and NNDR, the income received by the Council in relation to court costs has fallen creating a pressure of £150k. Additionally, following the end of a business rates shared service arrangement with Havering a £138k shortfall has arisen. This separation has enabled the creation of a new team with greater capacity for the collection of debts within the Borough and the collection rate has improved in 2014/15 which will partially offset the pressure.
- 2.10 East London Waste Authority (ELWA) Levy – Latest projections from ELWA show a higher levy than previously estimated due to increased insurance costs following a fire at a waste facility and increases in the costs of disposal.
- 2.11 Increase in London Living Wage – This reflects the increased salary costs as a result of the rise in the London Living Wage and the wage the Council has elected to pay.
- 2.12 Additional cost of full time Chief Executive – Previously the costs of the Chief Executive were shared with Thurrock Council.
- 2.13 Investment in the capital strategy – By minimising borrowing and utilising other sources of funding for the capital programme the level of revenue investment required has been reduced in 2016/17. There remains provision for a small level of borrowing in 2015/16 and 2016/17 and recommendations on how this will be allocated will be made in a future report to Cabinet.
- 2.14 Elevate contractual savings – More precise savings figures have become available closer to the start of 2015/16.
- 2.15 Income from investment properties previously in the HRA – Properties that no longer meet the criteria to be included in the HRA will be appropriated by the General Fund and are expected to generate a surplus.
- 2.16 Contingency – Due to the current level of the General Fund reserve, contingency has been removed from the budget as reserves can be used to mitigate budget risk instead.

- 2.17 Implication of the Care Act 2014 – Following Government announcements that funding will be made available for the Act and further financial modelling work the pressure in the MTFS has been reduced. However this still remains a significant budget risk.
- 2.18 Delaying of interest costs to 2017/18 – The Council can use its projected cash position to postpone the need to borrow in the short term. This position will need to be reconsidered in 2017/18 as the long term need to borrow remains.
- 2.19 Funding changes – The impact of the provisional finance settlement is detailed in table 1. No details of the 2016/17 settlement were released but funding assumptions are detailed in table 3.
- 2.20 Increase in employer’s National Insurance contributions – As these costs will be shared by the HRA and schools the General Fund cost has been reduced.
- 2.21 The complete MTFS is available at appendix B.

**Table 2 – MTFS Changes since February 2014**

Medium Term Financial Strategy Pressures and Adjustments	2015/16 £000	2016/17 £000
<b>MTFS Budget Gap – Feb 2014</b>	<b>32,289</b>	<b>22,165</b>
Local Emergency Support and Community Development	415	-
Income pressures in Revenues	288	-
East London Waste Authority Levy	246	-
Increase in London Living Wage	110	-
Additional cost of full time Chief Executive	100	-
Investment in the capital strategy	27	(750)
Elevate contractual savings	16	-
Income from investment properties previously in the HRA	(310)	-
Contingency	(2,000)	(2,000)
Implication of the Care Act 2014	(2,500)	(1,500)
Delaying of interest costs until 2017/18	(3,000)	-
Funding changes	(3,727)	(1,343)
Increase in employer’s National Insurance contributions	-	(1,000)
<b>MTFS Budget Gap – Feb 2015</b>	<b>21,954</b>	<b>15,572</b>

- 2.22 A significant proportion of the budget gap is due to reductions in government funding. Table 3 shows that government funding has reduced by 18% (£19.6m) in 2015/16 then by a further estimated 9% (£8.8m) in 2016/17.

**Table 3 - Sources of funding 2014/15 to 2016/17**

Funding Source	2014/15 £000	2015/16 £000	2016/17 £000
Revenue Support Grant	(62,855)	(45,401)	(36,701)
Top Up Grant	(34,346)	(35,003)	(35,003)
Education Services Grant	(4,871)	(3,300)	(3,000)
New Homes Bonus Grant	(3,234)	(2,700)	(3,221)
HB Administration Grant	(1,460)	(1,349)	(1,246)
Specific Grants	(689)	-	-
LCTS Administration Grant	(375)	(346)	(319)
Lead Local Flood Authorities	(41)	(28)	(28)
NHB Returned Funding	-	(171)	-
<b>Government Funding</b>	<b>(107,871)</b>	<b>(88,298)</b>	<b>(79,518)</b>
Council Tax Precept	(41,187)	(44,188)	(45,628)
Retained NNDR Income	(16,472)	(15,521)	(15,521)
Council Tax Surplus	(1,067)	(1,404)	-
NNDR Compensation Grants	(546)	(1,419)	(1,419)
NNDR Pooling Gains	-	(300)	(700)
Business Rates Surplus/(Deficit)	1,823	(314)	-
<b>Local Funding</b>	<b>(57,449)</b>	<b>(63,146)</b>	<b>(63,268)</b>
<b>Total Funding</b>	<b>(165,320)</b>	<b>(151,444)</b>	<b>(142,786)</b>

2.23 No further information has been announced beyond 2015/16 in regards to individual Local Authority funding allocations. This gives a high degree of uncertainty around future funding levels and a 19% reduction in Revenue Support Grant has been assumed for 2016/17 based on previous trends.

### 3.0 General Fund Revenue Budget 2015/16

- 3.1 The proposed budget for 2015/16 has been set starting with the original 2014/15 budget approved by Assembly in February 2014. This was then adjusted for items detailed in the approved MTFs and other adjustments made in accordance with financial regulations during 2014/15.
- 3.2 The Chief Finance Officer has advised that in order to ensure the Council's financial base is not eroded that Council Tax levels should increase. A 1.99% increase in Council Tax is proposed which will increase the current band D charge of £1,016.40 by £20.27 to £1,036.67.
- 3.3 Proposed Directorate budgets are provided in Appendix A and the Statutory Budget Determination for 2015/16 is set out in Appendix C of this report.
- 3.4 In order to address the funding reductions as well as other service pressures outlined in the MTFs, Cabinet in October and December 2014 approved total savings of £23.519m in respect of 2015/16 and £12.855m for 2016/17. Details of the individual savings are provided as appendices to those reports.



- 3.5 The proposed net budget requirement for 2015/16 is £151.444m and the details of how this is funded are set out in Table 3 of this report.

**Table 4 – Budget position 2015/16 and 2016/17**

	2015/16 £000	2016/17 £000
Budget Gap (Table 2)	21,954	15,572
Savings (Paragraph 3.4)	(23,519)	(12,855)
Savings relating to CTAX included in funding	1,000	-
<b>Budget Gap / (Surplus)</b>	<b>(565)</b>	<b>2,717</b>
2015/16 Surplus bought forward	-	(565)
<b>Cumulative Budget Gap / (Surplus)</b>	<b>(565)</b>	<b>2,152</b>

- 3.6 Details of the levies (Environment Agency, East London Waste Authority, Lee Valley Park, London Pension Fund Authority) the Council is required to pay in 2015/16 have yet to be confirmed. The budget includes an increased provision for the cost of levies of £946k for 2015/16 which, based on current information provided by the levying authorities, is expected to be sufficient.
- 3.7 If there are no other significant changes in funding or levies, the Council would have a surplus of £565k in 2015/16 but it is not intended for this to lead to an increase in reserves. Instead, the Council will seek to identify one off opportunities to utilise the funds through the financial year and these will be reported back to Cabinet. The spend can only be one off so that the £565k can reduce the budget gap in 2016/17 as shown in Table 4 above.

#### **4.0 Council Tax Requirement**

- 4.1 The Council proposes to increase Council Tax by 1.99% (£20.27) from £1,016.40 to £1,036.67 for a band D. This will be the first increase in seven years.
- 4.2 The Greater London Authority has agreed a 1.3% reduction in its charge for 2015/16. The Council Tax charge will be reduced from the 2014/15 amount of £299.00 to £295.00 (Band D property).
- 4.3 Councils who opt to freeze their Council Tax will receive a grant from the government. However the grant is only worth an equivalent of a 1% increase in Council Tax and is not guaranteed after 2015/16.
- 4.4 The calculation of the proposed Council Tax for 2015/16 is shown in Appendix D.
- 4.5 Under the Local Government Finance Act 1992, Council Tax must be set before 11 March of the preceding year.

#### **5.0 Financial Outlook**

- 5.1 The Chancellor's Autumn Statement made on 3 December 2014 estimated the economy was expected to grow faster than forecast last year in both 2014 and 2015. However projections for the following two years have been revised down.

**Table 5 – Forecast increase in Gross Domestic Product (GDP)**

	GDP 2014	GDP 2015	GDP 2016	GDP 2017
Autumn Statement 2014	3.0%	2.4%	2.2%	2.4%
Autumn Statement 2013	2.4%	2.2%	2.6%	2.7%

- 5.2 Future year's public sector expenditure was set out at a high level in the Statement that showed a significant reduction in the Resource Departmental Expenditure Limit (RDEL) which funds local authorities.

**Table 6 – Change in Resource Departmental Expenditure Limit (RDEL) projected in the autumn statement**

	2014/15 £bn	2015/16 £bn	2016/17 £bn	2017/18 £bn
RDEL	337.4	339.1	321.8	310.6

- 5.3 There is not a direct relationship between RDEL and local government funding due to how it is distributed between departments but the figures do demonstrate the current government's commitment to further reduce expenditure in future years.
- 5.4 As no indication of local government funding beyond 2015/16 has been announced an estimated level of reduction has been included in the MTFs. For 2016/17 a reduction of 19% in Revenue Support Grant has been included based on previous trends but this could be significantly different depending on the decisions of a new government following the elections in May 2015.

## 6.0 Capital Programme

- 6.1 The Council is required to review its capital spending plans each year and set a capital programme. A key consideration when setting the programme is the projected level of available capital resources and the affordability of the overall programme, including the revenue cost of financing any debt.
- 6.2 The level of existing internal resources has been reviewed during the year and where relevant capital receipts and other capital reserves are being used to reduce the borrowing requirement of the approved programme in order to reduce debt charges on the Council's revenue budget. Officers will continue to review the level of borrowing and to identify further reductions that can be made. The Chief Finance Officer will review the funding of every scheme at the end of the financial year to identify opportunities to reduce the level of borrowing required by the Council and ensure that the capital programme is financed in the optimum way.
- 6.3 New schemes that have external funding (e.g. government grants) are added to the capital programme during the year and are appraised internally as and when the development arises. Further borrowing will only be possible for new schemes where the expenditure is essential or where the completed project generates an income stream that will enable the financing of the incurred debt.

## Current capital programme

- 6.4 The Council's current approved capital budget for 2014/15 as at the end of December 2014 is £143.1m; and Directorates are currently forecasting to underspend against this by £8.5m. In addition to this there is spending in relation to finance lease and PFI additions and the Abbey Road and Gascoigne new housing developments, which involve the creation of a Special Purpose Vehicle (SPV) and borrowing from the European Investment Bank (EIB). These elements have been presented separately from the main capital programme, but are included within the overall financing requirements within the table below.
- 6.5 The budgets for the following three years are draft and will still be subject to change as a result of budget roll-forwards from this year, accelerated spend from next year, potential new funding, and further re-profiling. A summary of these budgets is shown in the table below.

**Table 7 – Capital programme 2013/14 to 2017/18**

Capital Expenditure	2013/14 Actual £'000	2014/15 Approved £'000	2015/16 Proposed £'000	2016/17 Proposed £'000	2017/18 Proposed £'000
General Fund Capital Programme	48,271	52,714	78,292	30,740	1,000
HRA Capital Programme	71,087	90,439	81,041	64,933	57,003
<b>Sub-Total</b>	<b>119,358</b>	<b>143,153</b>	<b>159,333</b>	<b>95,673</b>	<b>67,003</b>
Finance Lease & PFI Additions	3,455	25	54	69	88
EIB Projects: Abbey Road / Gascoigne	-	34,200	21,100	20,000	12,000
<b>Total</b>	<b>122,813</b>	<b>177,378</b>	<b>180,487</b>	<b>115,742</b>	<b>79,091</b>
<b>Financed by:</b>					
Capital Grant	50,604	51,772	90,444	26,540	0
Section 106	889	1,074	0	0	0
Revenue Contributions	9,249	4,703	400	0	0
Capital Receipts	15,960	26,352	21,195	19,530	14,830
MRR & HRA funding	42,656	55,209	43,161	35,853	42,173
<b>Sub-Total</b>	<b>119,358</b>	<b>139,110</b>	<b>155,200</b>	<b>81,923</b>	<b>57,003</b>
<b>Net financing need*</b>	<b>3,455</b>	<b>38,268</b>	<b>25,287</b>	<b>33,819</b>	<b>13,088</b>

\* **Borrowing requirement**

- 6.6 Inclusive of the finance lease / PFI additions and the EIB projects, the 2014/15 capital programme will be funded by £51.7m worth of capital grants and contributions, £1.0m of Section 106 funding, £4.7 of revenue contributions, £26.3m of capital receipts, £55.2m of HRA resources (including the Major Repairs Allowance - MRA), with the remaining £38.2m funding requirement met from borrowing.
- 6.7 The full list of approved schemes is included at Appendix E. Future capital scheme proposals will be considered as and when new funding streams are identified, or where there are major Council developments which will require capital investment to meet strategic objectives. Essential remedial works for health and safety or statutory reasons will be met, however it is planned that further borrowing will be kept to an absolute minimum.
- 6.8 A small provision has been made for borrowing in 2015/16 and 2016/17 and the allocation of this will be considered at a future meeting of Cabinet. In addition the Council is also considering the sale of various sites and properties (as presented to Cabinet in January 2015) in order to generate capital receipts that can be used to fund future capital schemes. Therefore Directorates will be invited to bid for available funding (and subject to Cabinet approval) as these future receipts are generated. This additional provision is not currently included in table 7, which represents agreed capital schemes to date. Once proposals have been put forward they will be presented for approval to Cabinet and added to the capital programme accordingly.
- 6.9 To meet the statutory demand for school places, the Council will continue to lobby for additional funds from central Government, as it has achieved some success at this in the past.
- 6.10 Officers are also currently working on proposals for the redevelopment of the Council's corporate buildings, in line with the proposals agreed by Cabinet under Minute 78 (16 December 2014) relating to the Rationalisation of Corporate Office Portfolio. The Council is looking to spend approximately £11m over the next three years on this. The project will also generate capital receipts from the sale of surplus council properties, which will bring the net cost and overall borrowing requirement of the project down to £4m.
- 6.11 A draft capital programme is presented for approval as amendments will be required before 1 April 2015 when further information becomes available.

### **Capital appraisal and monitoring arrangements**

- 6.12 The Council has in place a capital appraisal process for new capital schemes. The appraisal process includes an analysis of the strategic fit of the scheme, options appraisal and key risks, financial implications, a detailed risk register, health and safety issues, and deliverability and key milestone issues. Only once a scheme successfully meets all these criteria can works commence.
- 6.13 The Council also has a capital monitoring system, which is primarily designed to ensure that projects are delivered within the timescales and within the budget approved by Cabinet. The capital programme is supported by the Capital Delivery Team and is monitored by Project Managers in consultation with the Finance Service.

- 6.14 An upgrade to the financial system ('Oracle R12') was implemented in July 2014, enabling improvements in the way officers are able to manage and report on capital projects. Project Managers are now able to view the live financial performance of their schemes on their personalised 'dashboards'. Financial forecasts are also now uploaded directly into Oracle each month, such that all officers managing a capital scheme are able to see the most current year-end forecast. These changes have made managing and reporting on capital schemes a more timely and efficient process.
- 6.15 **Table 8:** Impact on the Councils revenue budget of the proposed borrowing for the capital programme.

	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Minimum Revenue Provision (MRP)	10,290	9,230	9,643	8,553	8,475
Interest Payable	2,205	1,700	1,700	1,750	1,800
Interest Receivable	(1,471)	(1,688)	(1,580)	(1,955)	(2,247)
<b>Total</b>	<b>11,024</b>	<b>9,242</b>	<b>9,763</b>	<b>8,348</b>	<b>8,028</b>

- 6.15 There will also be additional financing costs associated with the EIB loan for the Abbey Road and Gascoigne Housing developments. However this will be self financed through the rent model with the SPV – and therefore will not be a pressure on the Councils MRP budget.

## 7.0 Credit Card Charges on Council Tax Bill

- 7.1 At the Cabinet meeting of 7 October 2014, Members agreed to the passing of transaction cost for credit cards on to users, with a savings estimate of £40,000 calculated on a 1% credit charge cost to the Council. Cabinet agreed that the Council would add a recovery of costs charge to payments made via credit card so as to allow the Council to recover the costs it currently incurs for each credit card transaction. It is expected that some of the savings will not be made through charging for credit card transactions but from reducing the cost to the Council by payments methods moving from credit cards to debit cards or other methods of payment.
- 7.2 Officers are currently working on the implementation of this charge but have been advised by Legal Services that to add a credit card charge on Council Tax requires the Assembly's approval as Council Tax is a statutory legal liability charge not a fee. Credit card charges on Council Tax form a significant portion of the total credit card charges incurred by the Council. To meet the savings estimate agreed by Cabinet the charge would need to be levied on Council Tax payments by credit card from 1 April 2015.
- 7.3 It is proposed, therefore, that to be consistent the cost also be levied as a charge on fees paid by credit cards for Council Tax.

## **8.0 Consultation**

- 8.1 A consultation on the 2015/16 and 2016/17 savings was carried out in the autumn of 2014. Details of the consultation are included in paragraph 5 of the Budget Strategy 2015/16 report that was presented to Cabinet on 16 December 2014.
- 8.2 The proposals within this report were also considered by the Cabinet at its meeting on 16 February 2015.

## **9.0 Financial Implication**

- 9.1 Financial Implications have been covered throughout the report.

## **10.0 Legal Implications**

Implications completed by Paul Feild, Corporate Governance Lawyer

- 10.1 A local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The current budget setting takes place in the context of significant and widely known reductions in public funding to local authorities. Where there are reductions or changes in service provision as a result of changes in the financial position the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of agreed savings options. Relevant legal considerations are identified below:
- 10.2 Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, so for example if savings proposals will affect staffing then it will require consultation with Unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet.
- 10.3 If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. In particular the Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
  - any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
  - any rights which statute may have conferred on individuals and as a result of which the council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
  - the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments;
  - to any responses from stakeholders to consultation undertaken.

- 10.4 In relation to the impact on different groups, it should be noted that the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate discrimination and to advance equality of opportunity between persons who do and those who do not share a relevant 'protected characteristic'. This means an assessment needs to be carried out of the impact and a decision taken in the light of such information.
- 10.5 As mentioned in the main body of this report, to implement the Cabinet decision to recover the transaction cost of payments by credit card the Assembly will need to resolve that for the purposes of payment of Council Tax, as it is a statutory requirement, it be paid rather than a charge for services.

## **11.0 Equalities Impact Assessment**

11.1 In order to set a balanced budget, the Council has been required to agree a large number of savings options for 2015/16. For each saving option put forward the Council requires that an assessment is carried out of the likely particular impacts of the proposal on residents and staff from the eight protected equality categories. Equality Impact Assessments (EIAs) for all savings options were presented to Cabinet for consideration along with the savings proposals in October and December 2014.

11.2 Carrying out impact assessments helps to:

- Ensure our services are accessible to all and meet the needs of our customers
- Ensure that we deliver our policies and strategies in a practical way
- Ensure that reasonable account is taken of the impacts of decisions, changes and new strategies and policies on service users and staff from the equalities categories laid out in the Equalities Act 2010. The need for effective equalities analysis has been highlighted by recent judicial reviews of decisions made by other local authorities on the grounds of alleged inadequate analysis of proposed savings.

The protected characteristics are:

- Men, women and transgender people
- People from black and minority ethnic groups
- Disabled people
- Old and young people
- Lesbian, gay and bisexual people
- People with different religions and beliefs and those of no belief
- Pregnant women and new mothers
- People who are socio-economically disadvantaged

11.3 Each saving proposal was assessed to establish whether there would be particular positive or negative impact on residents from each of the equalities categories, over and above the impact that there would be on all residents, and what mitigations had been made in developing the proposal, or would be put in place if adopted, to reduce any negative impacts identified.

11.4 All the Equality Impact Assessments (EIAs) were collated centrally and each service completed a cumulative impact assessment that has informed an overarching

analysis of the potential impact of all the savings proposals on the community. In summary, the negative impacts are:

	<b>Negative Impact</b>
Staff	39
Disability	23
Age (young people)	22 (+ * 4)
Other, including socio-economic	21
Age (older people)	18
Race	15
Gender	12
Pregnant and nursing mothers	10
Religion and Belief	9
Sexual Orientation	8
* Care leavers (young people)	* 4
<b>TOTAL</b>	<b>181</b>

11.5 Along with staff, the overall impact of the proposed savings may have a disproportionately negative impact on younger and older people as well as residents with disabilities. These are the equality groups who would experience cuts to services explicitly provided for them. The other equality categories would in a number of cases be affected, because they use a specific service more than the wider community. To some extent this is to be predicted as many Council services focus on serving the most vulnerable residents, and a large part of some areas of the Council's work, and largest proportion of the budget, does focus on younger and older people, so when the Council has to make significant savings, it is likely that services for those groups will be particularly affected. Due to the scale of the saving required this is unavoidable, however, of the proposals where there is a negative impact, 29 have identified actions that would mitigate this, Work is continuing within services to identify other ways of reducing any negative impacts.

## 12.0 Other Implications

12.1 **Staffing Implications** – Through the budget planning process for 2015/16 and beyond there has been extensive consultation with staff. The Council has tried where possible to respond positively to the ideas staff have made. Many of the savings proposals agreed however do have significant impacts on staff. Consultation has taken place with those staff affected by specific proposals. The Council has sought to avoid compulsory redundancies and an extensive programme of support is available to staff who may be at risk of redundancy.

12.2 **Customer Impact** – The saving options have been subject to an assessment of equalities and diversity implications and consideration given to the cumulative extent of adverse impact on customers. Extensive consultation has also taken place. Front line services have been protected as far as possible, but some cuts to front line services have been unavoidable.



12.3 **Risk Management** - This report concerns financial risks carried by the Council. The report sets out how the Council will manage and minimise these financial risks.

Each savings option agreed will have its own implementation risk and these will need to be monitored by the relevant Departments and budget managers. As has previously occurred, the delivery of savings will be included in the budget monitoring reports to Cabinet and the expectation is that, where a saving cannot be achieved, an offsetting reduction elsewhere is found within, in order, either that service area, that department or the wider Council.

**Background Papers Used in the Preparation of the Report:** None

**List of appendices**

**Appendix A** – Revenue Budget 2015/16

**Appendix B** – MTFS 2015/16 to 2017/18

**Appendix C** – The Statutory Budget Determination

**Appendix D** – Calculation of the Council Tax Requirement

**Appendix E** – Draft Capital Programme 2014/15 – 2016/17

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**2015/16 Details of Directorate Gross and Net Budgets Including Recharges**

Directorate	Gross Expenditure £'000	Support Costs £'000	Depreciation £'000	Recharge Income £'000	Income £'000	Net Budget £'000
Adults & Community Services	75,228	4,337	2,586	(965)	(31,470)	49,716
Children's Services	76,492	5,525	10,074	(22)	(29,913)	62,156
Housing & Environment	54,945	6,320	10,888	(10,586)	(41,399)	20,168
Chief Executive's Directorate	197,695	6,270	1,525	(17,785)	(169,630)	18,075
General Finance	28,641	-	(25,073)	-	(2,239)	1,329
Dedicated Schools Grant	229,323	4,005	-	-	(233,328)	-
<b>TOTAL</b>	<b>662,324</b>	<b>26,457</b>	<b>-</b>	<b>(29,358)</b>	<b>(507,979)</b>	<b>151,444</b>

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**Medium Term Financial Strategy - Summary Position 2015/16 - 2018/19**

Appendix B

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
<b>Prior Year (Surplus) / Deficit</b>	<b>1,044</b>	<b>(565)</b>	<b>2,152</b>	<b>17,002</b>
<b>Budget Increases</b>				
Investment in the capital programme	1,527	500	500	500
Staff pay award	1,000	1,000	1,000	1,000
ELWA levy increase	946	400	400	400
Increased contribution to Pension Fund deficit	650	650	650	650
Additional Cost of single Chief Executive	100	-	-	-
Increase in London Living Wage	500	-	-	-
Implications of the Children and Families Bill	1,250	-	-	-
Children's placement pressures	3,000	-	-	-
Local Emergency Support and Community Development	415	-	-	-
Income from investment properties	(700)	-	-	-
Implications of the Care Bill 2014	-	2,500	-	-
Increase in employers' NI contributions	-	2,000	-	-
Contribution to Collection Fund Reserve	1,143	-	-	-
Delaying of Interest Costs	(3,000)	-	3,000	-
Potential Impact of Parking CCTV Changes	-	-	1,500	-
End of ELWA Waste Reduction Initiative	-	(135)	-	-
Elevate contractual savings	(84)	-	-	-
NNDR & Court Cost pressure	288	-	-	-
<b>Total Additional Costs</b>	<b>7,035</b>	<b>6,915</b>	<b>7,050</b>	<b>2,550</b>
<b>Changes in Income &amp; Funding</b>				
Formula & Specific Grant	16,372	9,000	8,545	5,155
Collection Fund surplus from prior years	(1,718)	1,718	-	-
Education Services Grant	1,571	300	-	-
New Homes Bonus Grant	534	(521)	355	-
Increase in the Council Tax base	-	-	-	-
Weekly Collection Grant (Refuse)	417	-	-	-
2% increase in Council Tax	(800)	(800)	(800)	(800)
Increase in Council Tax Base	(2,201)	(640)	-	-
Income from Business Rates Pooling	(300)	(400)	(300)	-
<b>Total Changes in Income</b>	<b>13,875</b>	<b>8,657</b>	<b>7,800</b>	<b>4,355</b>
<b>Cumulative Budget Gap</b>	<b>21,954</b>	<b>15,007</b>	<b>17,002</b>	<b>23,907</b>
<b>Savings</b>				
Savings approved by Cabinet Dec 2014	(23,519)	(12,855)	-	-
Savings relating to Increased CTAX reflected in funding	1,000	-	-	-
<b>Total Savings</b>	<b>(22,519)</b>	<b>(12,855)</b>	<b>-</b>	<b>-</b>
<b>Cumulative Budget Gap Including Savings</b>	<b>(565)</b>	<b>2,152</b>	<b>17,002</b>	<b>23,907</b>

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## STATUTORY BUDGET DETERMINATIONS

### SETTING THE AMOUNT OF COUNCIL TAX FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM

1. At its meeting on 27 January 2015 the Cabinet approved the Council Tax Base 2015/16 calculation for the whole Council area as 42,624.64 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended (“the Act”)]

2. The following amounts have been calculated by the Council for the year 2015/16 in accordance with Sections 31 to 36 of the Act:-

(a)	£662,324,625	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£618,136,939	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£44,187,686	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£1,036.67	being the amount at 2(c) above (i.e. “Item R”), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

#### Valuation Bands

A	B	C	D	E	F	G	H
£691.11	£806.30	£921.48	£1,036.67	£1,267.04	£1,497.41	£1,727.78	£2,073.34

being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(2) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2015/16 the Greater London Authority has agreed the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-

Precepting Authority: Greater London Authority

#### Valuation Bands

A	B	C	D	E	F	G	H
£196.67	£229.44	£262.22	£295.00	£360.56	£426.11	£491.67	£590.00

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992,

hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwellings shown below:-

## Valuation Bands

A	B	C	D	E	F	G	H
£887.78	£1,035.74	£1,183.70	£1,331.67	£1,627.60	£1,923.52	£2,219.45	£2,663.34



## Calculation of the Proposed Council Tax for 2015/16

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£000

<b>Revised 2014/15 Budget</b>		<b>165,320</b>
Contribution to General Fund Reserve (Surplus)	565	
New MTFs Items	8,162	
Savings Approved by Cabinet - October & December 2014	<u>(22,603)</u>	
Total Adjustments		<b>(13,876)</b>
<b>Base Budget Requirement for 2015/16</b>		<b>151,444</b>
Funded By:		
Formula & Specific Grant	(95,262)	
Education Services Grant	(3,300)	
New Homes Bonus Grant	(2,871)	
Council Tax Freeze Grants	(2,410)	
Benefits Administration Grant	(1,695)	
Collection Fund (Surplus)/Deficit	<u>(1,718)</u>	
Total Funding		<b>(107,256)</b>
<b>Council Tax Requirement</b>		<b>44,188</b>
Council Tax Base (Equivalent Band D properties)		42,624.64
Council Tax:		
London Borough of Barking & Dagenham		£1,036.67
Greater London Authority		<u>£295.00</u>
<b>Overall Council Tax - Band D equivalent</b>		<b>£1,331.67</b>

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CAPITAL PROGRAMME 2014/15 - 2016/17

APPENDIX E

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
<b>Adult &amp; Community Services</b>													
<b>Adult Social Care</b>													
FC00106	Private Sector Households	573,715	671,682		1,245,397	1,245,397							1,245,397
FC02888	Direct Pymt Adaptations	385,333	400,000		785,333					785,333			785,333
FC02913	80 Gascoigne Road Care Home	3,672			3,672	3,672							3,672
FC02976	Community Capacity Grant	991,908			991,908	991,908							991,908
<b>Culture &amp; Sport</b>													
FC02855	Maysbrook Park Athletics Arena	212,220			212,220	46,640		150,000	15,580				212,220
FC02870	Barking Leisure Centre 12-14	7,988,877	170,000		8,158,877	100,000		400,000				7,658,877	8,158,877
FC02266	PGSS - Barking Park	295,373			295,373					295,373			295,373
FC02603	BECONTREE HEATH LEISURE CENTRE												
<b>Total For Adult &amp; Community Services</b>		<b>10,451,098</b>	<b>1,241,682</b>		<b>11,692,780</b>	<b>2,387,617</b>		<b>550,000</b>	<b>15,580</b>	<b>1,080,706</b>		<b>7,658,877</b>	<b>11,692,780</b>

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
<b>Children's Services</b>													
<b>Primary Schools</b>													
FC02736	Roding Primary School - Cannington Road Annex	136,939			136,939	136,939							136,939
FC02745	George Carey CE Primary School (formerly Barking Riverside Primary)	250,000			250,000	250,000							250,000
FC02759	Beam Primary Expansion	81,231			81,231	81,231							81,231
FC02784	Manor Longbridge (Former UEL Site)	320,416			320,416	320,416							320,416
FC02786	Thames View Juniors - Expansion & Refurb	28,592	200,000		228,592	228,592							228,592
FC02787	Cambell Junior - Expansion & Refurb	17,626			17,626	17,626							17,626
FC02790	St Georges - New Primary School	25,385			25,385	25,385							25,385
FC02799	St Joseph's Primary - expansion	20,601			20,601	20,601							20,601
FC02800	St Peter's Primary - expansion	33,869			33,869	33,869							33,869
FC02860	Monteagle Primary (Quadrangle Infill)	80,549			80,549	80,549							80,549
FC02861	Eastbury Primary (Expansion)	375,000	497,868		872,868	872,868							872,868
FC02862	Gascoigne Primary (Expansion)	44,756			44,756	44,756							44,756
FC02863	Parsloes Primary (Expansion)	34,972			34,972	34,972							34,972
FC02864	Godwin Primary - Exp	3,331			3,331	3,331							3,331
FC02865	William Bellamy Infants/Juniors (Expansion)	2,600,000	173,800		2,673,800	2,673,800							2,673,800
FC02867	Southwood Primary (Expansion)	1,060			1,060	1,060							1,060
FC02900	Becontree Primary Expansion	24,347			24,347	24,347							24,347
FC02918	Roding Cannington 2013-15	38,642			38,642	38,642							38,642
FC02919	Richard Alibon Expansion	971,769	141,133		1,112,902	1,112,902							1,112,902
FC02920	Warren/Furze Expansion	25,026	511,000		536,026	536,026							536,026
FC02921	Manor Infant Jnr Expansion	1,850,000	292,469		2,142,469	2,142,469							2,142,469
FC02922	Valence Halbutt Expansion	15,000			15,000	15,000							15,000
FC02923	Rush Green Expansion	30,000	137,648		167,648	167,648							167,648
FC02924	St Josephs Primary Extn	94,985			94,985	94,985							94,985
FC02955	Barking Riverside City Farm	25,000			25,000	25,000							25,000
FC02956	Marsh Green Primary 13-15	2,000,000	1,800,000		2,000,000	2,000,000							2,000,000
FC02957	John Perry School Expansion 13-15	1,420,320			1,420,320	1,420,320							1,420,320
FC02960	Parsloes Fanshawe Primary Expansion 13-15	750,000	864,132		1,614,132	1,614,132							1,614,132
FC02979	Gascoigne Primary Abbey Road Depot	100,000	12,398,398		12,498,398	12,498,398							12,498,398
FC02998	Marks Gate Junior	100,000	446,750		546,750	546,750							546,750
FC03014	Barking Riverside City Farm Phase II	750,000	4,750,000		5,500,000	5,500,000							5,500,000
<b>Other Schemes</b>													
FC02723	Advanced Skills Centre	170,000			170,000				170,000				170,000
FC02724	Basic Needs Projects (formerly Additional School Places)2011/12	5,615			5,615	5,615							5,615
FC02751	School's Kitchen Extension/Refurbishment 10/11	10,826			10,826	10,826							10,826
FC02826	512a Heathway - Conversion to a Family Resource	69,948			69,948	69,948							69,948
FC02878	512a Heathway (phase 2)- Conversion to a Family Resource with additional teach	7,222			7,222	7,222							7,222
FC02906	School Expansion SEN Projects	500,000	828,456		1,328,456	1,328,456							1,328,456
FC02909	School Expansion Minor Projects	500,000	870,892		1,370,892	1,370,892							1,370,892
FC02929	SMF 2012/13	968,394			968,394	968,394							968,394
FC02958	Fanshawe Adult College Refurb 13-15	144,053			144,053	144,053							144,053
FC02972	Implementation of early education for 2 year olds	1,304,806			1,304,806	1,304,806							1,304,806
FC02974	Robert Clack Artificial Football Pitch	283,329			283,329					50,000			283,329
FC02975	Barking Abbey Artificial Football Pitch	629,797			629,797					50,000			629,797
FC02978	SMF - School Modernisation Fund 13/14	1,554,260	250,000		1,804,260	1,804,260							1,804,260
FC03010	SMF 2014-16	300,000	3,257,629		3,557,629	3,557,629							3,557,629
FC03013	UIFSM Project (Free School Meals)	708,101			708,101	708,101							708,101
9999	Devolved Capital Formula	1,096,721			1,096,721	622,486				474,235			1,096,721
1	Feasibility & Design Site Set up		1,677,956		1,677,956	1,677,956							1,677,956
<b>Secondary Schools</b>													
FC02932	Trinity 6th Form Provision	30,000			30,000	30,000							30,000
FC02953	All Saints Expansion 13-15	3,383,568	439,294		4,322,862	4,322,862							4,322,862
FC02954	Jo Richardson Expansion 13-15	1,000,000	1,945,573		2,945,573	2,945,573							2,945,573
FC02959	Robert Clack Expansion 13-15	100,000	13,540,373	13,540,374	27,180,747	27,180,747							27,180,747
FC02977	Barking Riverside Secondary Free School	4,000,000	13,000,000	13,000,000	30,000,000	30,000,000							30,000,000
FC03018	Eastbury Secondary		480,000		480,000	480,000							480,000
FC03019	Eastbrook School		600,000		600,000	600,000							600,000
FC03020	Dagenham Park		2,000,000		2,000,000	2,000,000							2,000,000
FC03021	Abbey Retail Park - New Primary		2,000,000		2,000,000	2,000,000							2,000,000
FC03022	New Gascoigne Secondary School		4,420,000		4,420,000	4,420,000							4,420,000
<b>Children Centres</b>													
FC02217	John Perry Childrens	9,619			9,619	9,619							9,619
FC02310	William Bellamy Childrens Centre	6,458			6,458	6,458							6,458
<b>Total For Children's Services</b>		<b>27,632,133</b>	<b>67,523,371</b>	<b>26,540,374</b>	<b>121,695,878</b>	<b>120,951,643</b>			<b>170,000</b>	<b>574,235</b>			<b>121,695,878</b>

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
<b>Housing and Environment</b>													
<b>Environment &amp; Enforcement</b>													
FC02764	Street Light Replacing	1,417,969			1,417,969			200,000	469			1,217,500	1,417,969
FC02873	Environmental Improvements and Enhancements	28,950	65,813		94,763				94,763				94,763
FC02886	Parking Strategy Imp	91,245			91,245				91,245				91,245
FC02887	Frizlands Wkshp Major Wks												
FC02930	Highways Improvement Programme	2,617,708			2,617,708			167,537				2,450,171	2,617,708
FC02964	Road Safety Improvement 2013-14 (TIL)	328,475			328,475	228,475						100,000	328,475
FC02981	Parkmap scheme (Traffic Mangement Orders)	57,126			57,126				57,126				57,126
FC02982	Controlled Parking Zones (CPZ's)	255,155	170,000		425,155				425,155				425,155
FC02999	Rippleside Cmtry Prov 2014-15	63,000			63,000						63,000		63,000
FC03011	Structural Repairs & Bridge Maintenance	250,000			250,000							250,000	250,000
FC03012	Environmental Asset Database Exp	306,428			306,428					306,428			306,428
<b>PGSS</b>													
FC02567	Abbey Green Park Development	9,093			9,093	4,493				4,600			9,093
FC02817	Maysbrook Park Improvements (Phase 1)	10,926			10,926	10,926							10,926
FC02911	Quaker Burial Ground	48,312			48,312			18,312	30,000				48,312
FC02912	Barking Park Tennis Project	7,397			7,397	7,397							7,397
<b>Total For Housing and Environment</b>		<b>5,491,784</b>	<b>235,813</b>		<b>5,727,597</b>	<b>251,291</b>		<b>385,849</b>	<b>698,758</b>	<b>311,028</b>	<b>63,000</b>	<b>4,017,671</b>	<b>5,727,597</b>

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
<b>Chief Executive (CEO)</b>													
<b>Asset Strategy</b>													
FC02542	Backlog Capital Improvements	600,000	390,442		990,442				990,442				990,442
FC02565	Implement Corporate Accommodation Strategy	900,000	6,260,842	4,200,000	11,360,842				4,160,842			7,200,000	11,360,842
FC02578	Asbestos (Public Buildings)	15,916	15,000		30,916							30,916	30,916
FC02587	Energy Efficiency Programme	150,000			150,000				150,000				150,000
FC02771	Automatic Meter Reading Equipment	19,952			19,952				19,952				19,952
FC02577	Legionella Works (Public Buildings)												
<b>ICT</b>													
FC02738	Modemisation & Improvement Capital Fund	2,040,814			2,040,814				415,458	765,000	860,356		2,040,814
FC02877	Oracle R12 Joint Services	1,584,196			1,584,196				1,145,842		438,354		1,584,196
FC03016	Aqilisys Connect Website Development	283,450			283,450					283,450			283,450
<b>Regeneration</b>													
FC02458	New Dagenham Library & One Stop Shop	73,666			73,666				73,666				73,666
FC02596	Legl Business Centres	113,000			113,000	113,000							113,000
FC02821	Shopping Parade Enhancements	151,032			151,032	50,000		16,213	84,819				151,032
FC02891	Merry Fiddlers Junction Year 2												
FC02898	Local Transport Plan (TFL)	66,500	46,000		112,500	112,500							112,500
FC02901	Creekmouth Arts & Heritage Trail	170,550			170,550	170,550							170,550
FC02902	Short Blue Place (New Market Square Barkin - Phase II)	100,491	46,000		146,491			49,616	50,819	17,685			146,491
FC02914	Barking Job Shop Relocation	12,504			12,504	12,504							12,504
FC02928	Captain Cook Site Acquisition and Public Realm Works (Abbey Leisure Centre)	388,500			388,500	316,109		72,391					388,500
FC02962	Principal Road Resurfacing 2013-14 (TfL)	532,000	529,000		1,061,000	1,061,000							1,061,000
FC02963	Maysbrook Neighbourhood Improvements (DIY Streets) 2013-14	47,500	232,000		279,500	279,500							279,500
FC02969	Barking Bathouse (formerly Economic Development Growth Fund)	33,000	291,775		324,775	324,775							324,775
FC02994	Renwick Road/ Choats Road 2014/15 (TfL)	412,500	279,000		691,500	691,500							691,500
FC02995	Ballards Road / New Road 2014/15 (TfL)	95,000	372,000		467,000	467,000							467,000
FC02996	Barking Town Centre 2014/15 (TfL)	549,500	232,000		781,500	781,500							781,500
FC02997	A12 / Whalebone Lane (TfL)	47,500	232,000		279,500	279,500							279,500
FC03000	MAQF Green Wall (TfL)	42,000			42,000	42,000							42,000
FC03015	Demolition of Former Remploy Site	709,000			709,000					709,000			709,000
FC02819	London Road/North Street Site Acquisitions		180,000		180,000							180,000	180,000
	Road Safety		186,000		186,000	186,000							186,000
<b>Total For Chief Executive (CEO)</b>		<b>9,138,571</b>	<b>9,292,059</b>	<b>4,200,000</b>	<b>22,630,630</b>	<b>4,915,809</b>		<b>138,220</b>	<b>7,091,840</b>	<b>1,775,135</b>	<b>1,298,710</b>	<b>7,410,916</b>	<b>22,630,630</b>
<b>Grand Total General Fund</b>		<b>52,713,586</b>	<b>78,292,925</b>	<b>30,740,374</b>	<b>161,746,885</b>	<b>128,506,360</b>		<b>1,074,069</b>	<b>7,976,178</b>	<b>3,741,104</b>	<b>1,361,710</b>	<b>19,087,464</b>	<b>161,746,885</b>

Project No.	Project Name	Revised Budget 2014/15	Draft Budget 2015/16	Draft Budget 2016/17	Total	Government Grants	MRA & HRA Revenue Contributions	Section 106	Borrowing	GF Revenue Cont	Reserves (Invest to Save)	Capital Receipts	Total Funding
<b>HRA</b>													
<b>Investment In Own Stock</b>													
FC00100	Aids And Adaptions	450,000	800,000	800,000	2,050,000		2,050,000						2,050,000
FC02943	Asbestos Removal	420,000	725,000	725,000	1,870,000		1,870,000						1,870,000
FC02950	Central Heating	2,400,000	1,770,000	1,700,000	5,870,000		5,870,000						5,870,000
FC02983	Decent Homes Central	6,950,000	7,400,000	8,000,000	22,350,000	5,540,000	8,160,000					8,650,000	22,350,000
FC03001	Decent Homes (North)	10,543,956	7,400,000	8,000,000	25,943,956	5,540,000	20,403,956						25,943,956
FC03002	Decent Homes (South)	8,746,176	7,400,000	8,000,000	24,146,176	5,540,000	9,956,176					8,650,000	24,146,176
FC03003	Decent Homes (Blocks)	3,087,914	2,800,000		5,887,914		5,887,914						5,887,914
FC03004	Decent Homes (Sheltered)	1,800,000	1,400,000	1,500,000	4,700,000		4,700,000						4,700,000
FC03005	Decent Homes Small Contractors	275,000	678,000	328,000	1,281,000		1,281,000						1,281,000
FC02984	Block & Estate Modernisation	2,440,000	1,000,000	3,000,000	6,440,000		6,440,000						6,440,000
FC02939	Conversions	270,000	50,000	300,000	620,000		620,000						620,000
FC02938	Fire Safety Improvements	1,600,000	2,000,000	2,000,000	5,600,000		5,600,000						5,600,000
FC03006	In Year Priorities												
FC02811	Members Budget	324,000			324,000		324,000						324,000
FC02934	Roofs	1,900,000	2,000,000	2,000,000	5,900,000		5,900,000						5,900,000
FC03007	Windows	250,000	650,000	1,000,000	1,900,000		1,900,000						1,900,000
FC02933	Voids	6,352,000	950,000	950,000	8,252,000		8,252,000						8,252,000
FC03008	R&M Capitalisation/Boiler Replacement	1,000,000			1,000,000		1,000,000						1,000,000
TBC	Energy Efficiency		100,000	500,000	600,000		600,000						600,000
TBC	Garages		300,000	300,000	600,000		600,000						600,000
TBC	Estate Roads & Environmental		150,000	400,000	550,000		550,000						550,000
TBC	Communal Repairs & Upgrades		1,050,000	1,800,000	2,850,000		2,850,000						2,850,000
	<b>Sub-Total: Investment in Own Stock</b>	<b>48,809,046</b>	<b>38,623,000</b>	<b>41,303,000</b>	<b>128,735,046</b>								
<b>Estate Renewal</b>													
FC02820	Boroughwide Estate Renewal - All (Decants, Buybacks & Demolition)	6,680,000	6,400,000	6,000,000	19,080,000		19,080,000						19,080,000
<b>New Builds</b>													
FC02945	Street Purchases	400,000			400,000		146,611					253,389	400,000
FC02823	Council Housing Phase 3	300,000			300,000		109,958					190,042	300,000
FC02916	Lawns & Wood Lane	2,039,158			2,039,158		747,406					1,291,752	2,039,158
FC02917	Abbey Phase 1	5,458,000			5,458,000		2,000,503					3,457,497	5,458,000
FC02990	Abbey Phase 2 (this scheme is funded by GF)												
FC02931	Leys Phase 1	6,745,276	11,885,000	232,000	18,862,276	7,797,263	4,055,617					7,009,376	18,862,276
FC03009	Leys Phase 2		9,700,000	3,200,000	12,900,000	5,559,486			3,200,000			4,140,514	12,900,000
FC02961	Goresbrook	7,684,000	179,000		7,863,000	1,714,934	2,253,431					3,894,635	7,863,000
FC02970	Marks Gate	10,023,750	2,512,000		12,535,750	2,452,328	3,186,339					6,897,083	12,535,750
FC02988	Bungalows (Stansgate 1 Mrgt Bon)	1,500,000	5,707,000	112,000	7,319,000	3,744,139	1,310,282					2,264,579	7,319,000
FC02989	Ilchester Road	500,000	1,300,000		1,800,000	852,879	347,145					599,976	1,800,000
FC02991	North St	300,000	2,300,000		2,600,000	1,508,939	399,903					691,158	2,600,000
FC02992	Eyesore Sites												
FC02986	Gascoigne Estate 1												
	<i>To be allocated</i>		2,435,000	14,086,000	16,521,000		5,771,000		10,750,000				16,521,000
	<b>Sub-Total: New Builds</b>	<b>34,950,184</b>	<b>36,018,000</b>	<b>17,630,000</b>	<b>88,598,184</b>								
<b>Grand Total HRA</b>		<b>90,439,230</b>	<b>81,041,000</b>	<b>64,933,000</b>	<b>236,413,230</b>	<b>40,249,988</b>	<b>134,223,242</b>		<b>13,950,000</b>			<b>47,990,000</b>	<b>236,413,230</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>143,152,816</b>	<b>159,333,925</b>	<b>95,673,374</b>	<b>398,160,115</b>	<b>168,756,348</b>	<b>134,223,242</b>	<b>1,074,069</b>	<b>21,926,178</b>	<b>3,741,104</b>	<b>1,361,710</b>	<b>67,077,464</b>	<b>398,160,115</b>

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## ASSEMBLY

24 February 2015

<b>Title:</b> Treasury Management Strategy Statement 2015/16	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
<b>Report Author:</b> David Dickinson, Group Manager Pensions and Treasury	<b>Contact Details:</b> Tel: 020 8227 2722 E-mail: <a href="mailto:david.dickinson@lbbd.gov.uk">david.dickinson@lbbd.gov.uk</a>
<b>Accountable Director:</b> Jonathan Bunt, Chief Finance Officer	
<p><b>Summary</b></p> <p>This report deals with the Treasury Management Annual Strategy Statement, Treasury and Prudential Indicators, Annual Investment Strategy and borrowing limits, in compliance with Section 15(1)(a) of the Local Government Act 2003.</p> <p>The production and approval of a Treasury Management Annual Strategy Statement and Annual Investment Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year.</p> <p>The Local Government Act 2003 also requires the Council to have regard to the Prudential Code, and to set prudential indicators which take into account the Council's capital investment plans for the next three years.</p> <p>The Cabinet is to consider this report at its meeting on 16 February 2015. Any issues arising from the Cabinet's consideration will be reported at the meeting.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to:</p> <ul style="list-style-type: none"> <li>(i) Note that on 15 January 2015 the Council borrowed £89 million from the European Investment Bank as outlined in section 4.5 of the report;</li> <li>(ii) Adopt the Treasury Management Strategy Statement for 2015/16 as set out in the report and in doing so: <ul style="list-style-type: none"> <li>(a) Note the current treasury position for 2015/16 and prospects for interest rates, as referred to in sections 4 and 7 of the report;</li> <li>(b) Approve the Council's Borrowing Strategy, Debt Rescheduling Strategy and Policy on borrowing in advance of need for 2015/16 as referred to in section 9 of the report;</li> </ul> </li> </ul>	

- (c) Approve the Annual Investment Strategy and Creditworthiness Policy for 2015/16 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;
- (d) Approve the Authorised Borrowing Limit of £800m for 2015/16, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as set out in Appendix 3 to the report;
- (e) Approve the Treasury Management Indicators and Prudential Indicators for 2015/16, as set out in Appendix 3 to the report;
- (f) Approve the Minimum Revenue Policy Statement for 2015/16, representing the Council's policy on repayment of debt, as set out in Appendix 4 to the report;
- (g) Maintain the authority delegated to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to proportionally amend the counterparty lending limits agreed within the TMSS to take into account the initial increase in cash from the EIB but also the subsequent decrease in cash balances as payments are made to the SPV; and
- (h) Agree that the delegated responsibility be reviewed as part of the 2014/15 Treasury Management Outturn Report to Assembly in July 2015.

**Reason(s)**

To enable the Council to accord with the requirements of the Local Government Act 2003.

**1. Introduction and Background**

- 1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity before considering an investment return.
- 1.2 A second function of treasury management is funding the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.
- 1.3 The Council is responsible for its treasury decisions, activity and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the TMSS prior to the new financial year.

## 2. Reporting Requirements

- 2.1 The Council is also required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Committee before being recommended to the Council. The three main treasury reports are:
- i. **The Treasury Management Strategy Statement (TMSS)** is the most important report and takes into account the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators (PIs) and the outlook for interest rates. In addition the current market conditions are factored into any decision making process.
  - ii. **An Annual Treasury Report** which outlines the actual PIs, treasury indicators and treasury operations compared to the estimates within the strategy.
  - iii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.
- 2.2 As the Council is responsible for housing, PIs relating to capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the Housing Revenue Account (HRA) and the General Fund (GF). The impact of new capital investment decisions on housing rents will also need to be considered.
- 2.3 This report provides an explanation of the key elements of the Council's Treasury Management Strategy, its Minimum Revenue Provision (MRP) Strategy, the Annual Investment Strategy (AIS) for 2015/16 and the borrowing strategy, which are set out in detail in the appendices attached to this report.

## 3. Treasury Management Strategy for 2015/16

- 3.1 The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years and ensure the Council's capital programme is affordable, prudent and sustainable.
- 3.2 The Act requires councils to set out their treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 3.3 The Department of Communities and Local Government (DCLG) has issued revised investment guidance that came into effect from 1 April 2010, and the Council has adopted the recommendations of the guidance. The strategy for 2015/16 covers two main areas:

### Treasury Management Issues

- Treasury Management Advisors;
- Current Portfolio Position;

- The use of the Council's Resources and expected investment balances;
- Economic Update;
- The Annual Investment Strategy and Investment Policies;
- The Capital Expenditure Plans 2015/16 – 2017/18;
- The Council's Borrowing Strategy and Borrowing Requirement; and
- Treasury indicators which limit the treasury risk and activities of the Council.

### Capital Issues

- The capital plans and the prudential indicators; and
- The minimum revenue provision (MRP) strategy.

## 4. Current Treasury Position

4.1 The Council holds cash balances arising from its operational activities, including income such as grants and Council Tax, which are offset by daily expenditure to run services. Due to the timing of these cash flows, a surplus of cash is available at any point in time for investing. This is because, in general, significant sources of income for the year such as grants are received in advance of expenditure and as the Council holds specific reserves for future expenditure plans. Cash balances are also affected by "working capital", which relates to amounts of outstanding payments to be made to suppliers offset by amounts owed to the Council.

4.2 The Council's year-end (31 March) cash balances since 2012/13 are shown below:

2014/15 - £210m\*

2013/14 - £120m

2012/13 - £110m

\* estimate includes £89m European Investment Bank Borrowing.

4.3 These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, Housing Revenue Account and School cash balances;
- Earmarked Reserves and provisions;
- Capital Receipts and working Capital; and
- Public Works Loan Board and bank loans to fund capital expenditure.

4.4 Table 1 below shows the Council's investments and borrowing balances as at 31 December 2014, including the average life and the Rate of Return.

**Table 1: Council's treasury position at 31 December 2014**

	Principal Outstanding 31/12/14 £'000s	Average Rate of Return 31/12/14 %	Average Life as at 31/12/14 (yrs)
<b>Fixed Rate Funding</b>			
PWLB	265,912	3.50	41.06
Market	40,000	4.00	53.86
Short Term Borrowing	19,800	0.43	0.07
<b>Total Debt</b>	<b>325,712</b>	<b>3.37</b>	<b>40.14</b>

<b>Investments (In-House)</b>			
Federated Money Market Fund	2,000	0.45	N/A
Goldman Sachs Bank	10,000	0.77	0.14
Standard Chartered Bank	10,000	0.95	0.64
Lloyds Banking Group	49,500	0.97	0.47
Local Authorities	27,000	1.08	0.90
Royal Bank of Scotland	35,000	1.34	1.34
Barking Riverside Limited	4,626	3.50	5.25
<b>Total Investments</b>	<b>138,126</b>	<b>1.15</b>	<b>0.92</b>
<b>Net Borrowing</b>	<b>219,912</b>		

#### 4.5 European Investment Bank

- 4.5.1 At the Cabinet Meeting of 4 August 2014 and the Assembly meeting of 17 September 2014, Members agreed to fund the regeneration of Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 using borrowing from the European Investment Bank (EIB) as the rates offered were significantly below rates that could be obtained from other sources including banks and the Public Works Loan Board (PWLB).
- 4.5.2 Members also agreed to delegate authority to the Head of Legal Democratic Services, or an authorised delegate, to execute all legal agreements, contracts and other documents on behalf of the Council in relation to Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 Funding Proposals and the borrowing of £89 million from EIB.
- 4.5.3 On 15 January, following a large drop in the 30 Year UK Gilt rate, the Chief Finance Officer (CFO) agreed to fix the full £89 million borrowing with the EIB over a 30 year period. The rate agreed was 2.207%, which is significantly below the rates originally modelled that made the regeneration of Gascoigne Estate (East) Phase 1 and Abbey Road Phase 2 a viable option.
- 4.5.4 The full £89 million was paid across to the Council by the EIB on 30 January 2015. To accommodate the increased borrowing and the increase in cash available to invest, Members agreed to delegate authority to the CFO, in consultation with the Cabinet Member for Finance, to approve appropriate amendments to the authorised and operational borrowing limits and proportionally amend the counterparty lending limits within the TMSS. The amended TMSS counterparty limits are reflected in this report.

#### 4.6 Treasury Position at 31 March 2014

- 4.6.1 The Council's treasury portfolio position at 31 March 2014, with forward projections are summarised in table 2. The table shows the actual external debt against the underlying capital borrowing need (CFR), highlighting any over or under borrowing.
- 4.6.2 The CFR in table 2 does not contain the costs for Reside. The accounting requirements for Reside are in the process of being finalised but the initial view is that Reside will reported separately from the Council's main accounts and will not be included within the Council's CFR.

**Table 2: Treasury Position at 31 March 2014, with forward projections**

<b>£'000s</b>	<b>2013/14 Actual</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>External Debt</b>					
Debt at 1 April	325,912	315,912	394,912	404,912	404,912
Expected change in Debt	(10,000)	79,000	10,000	0	0
Other long-term liabilities	60,844	58,192	55,473	52,650	49,723
<b>Gross debt at 31 March</b>	<b>376,756</b>	<b>453,104</b>	<b>460,385</b>	<b>457,562</b>	<b>454,635</b>
<b>CFR</b>	<b>484,743</b>	<b>513,780</b>	<b>529,424</b>	<b>551,690</b>	<b>555,303</b>
<b>Under / (over) borrowing</b>	<b>107,987</b>	<b>60,676</b>	<b>69,039</b>	<b>94,128</b>	<b>100,668</b>

#### 4.7 Medium term capital finance budget

- 4.7.1 A key part of the Council's budget strategy is the medium term capital finance budget shown as Table 3. It is a statutory requirement that the level of borrowing is kept under review and is affordable.

**Table 3: Medium term capital finance budget**

<b>£'000s</b>	<b>2014/15 Budget</b>	<b>2015/16 Budget</b>	<b>2016/17 Budget</b>	<b>2017/18 Budget</b>
Interest Payable and MRP	14,731	11,893	10,803	13,725
Investment Income	(647)	(1,539)	(1,997)	(2,247)
<b>Net Cost</b>	<b>14,232</b>	<b>11,310</b>	<b>9,735</b>	<b>12,684</b>

#### 5. Treasury Management Advisors

- 5.1 The Council uses Capita Asset Services (CAS) for external treasury advice. However the Council recognises that it is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors.
- 5.2 The Council recognises that there is some value in receiving advice from external treasury advisor in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are documented, and subjected to regular review. For its cash flow generated balances, the Council will utilise a range of investment instruments, as agreed within the Annual Investment Strategy restrictions (appendix 1) in order to benefit from the compounding of interest.

#### 6. Economic Update

- 6.1 In the **United Kingdom** the strong GDP growth experienced in 2013 continued into 2014, with quarterly growth of 0.7% in Q1, 0.9% in Q2 and 0.7% in Q3 2014. Forecasts indicate growth will continue into 2015, with encouraging forward surveys for the services, manufacturing and construction sector and also for business investment. For this recovery to become more balanced and sustainable the recovery needs to move away from dependence on consumer expenditure and the

housing market to exporting and the manufacture of goods, both of which need to substantially improve on their recent lacklustre performance.

**Unemployment** fell to 6% in November 2014 and is expected to continue its downward trend. This may feed through to increases in pay rates at some point over the next three years, although the effect future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence are areas that need to be regularly reviewed. Consumer Price Index (CPI) fell to 1% in November 2014 following four years of being above the MPC's 2% target.

Overall markets expect the MPC will be cautious in raising rates to protect indebted consumers at a time when inflationary pressures are weak. An increase in Base Rate of 0.25% is forecast for Q2 2015, with subsequent increases likely to be small.

- 6.2 The **Eurozone (EZ)** continues to experience weak growth and the potential of deflation, with a November's inflation rate of 0.3% and with some EU countries experiencing negative inflation rates. The European Central Bank (ECB) initially took limited action to loosen monetary policy to promote growth, including cutting its benchmark rate to 0.05% and its deposit rate to (0.2%) and started a programme of purchasing corporate debt. On 22 January the ECB announced that it would introduce Quantitative Easing (purchase of sovereign debt) but it is too early to tell what effect this will have on the Euro and borrowing costs of the smaller EU countries. There remain concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. Any loss of market confidence in the two largest Eurozone economies, after Germany, would present a huge challenge to the resources of the ECB.
- 6.3 In the **USA** the Federal Reserve (the Fed) ended its asset purchase programme in October 2014 signalling confidence in the US economic recovery. Poor first quarter 2014 GDP figures were due to bad winter weather but were followed by strong Q2 and Q3 growth figures. As a result of consistent growth, cuts in government expenditure and tax rises, the annual US government deficit has been halved from its peak without appearing to do too much damage to growth. However weak labour force participation remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions. It is currently expected that the Fed will start increasing rates in mid 2015.

## **7. The Annual Investment Strategy and Investment Policies**

- 7.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 7.2 These guidelines do not apply to either trust funds or pension funds, which operate under a different regulatory regime. The key intention of the guidance is to maintain the current requirement for councils to invest prudently. The Council's investment priorities are:
- i. **Security** of the investment capital: Minimising the risk of losing cash arising from a bank failure and consequent default (as occurred with Icelandic Banks in 2008).

- ii. **liquidity** of the investment capital: Ensuring the Council will have access to cash as required to meet daily expenditure obligations.
- iii. **An optimum yield** which is commensurate with security and liquidity: After ensuring the security and liquidity priorities are met, the Council will aim to maximise interest earnings on cash invested.

7.3 The Annual Investment Strategy (AIS) is attached Appendix 1 of this report. It is the Council's responsibility to agree an appropriate minimum acceptable credit quality of counterparties for inclusion on the lending list in the AIS in accordance with the above principles. A creditworthiness methodology has been used to create the counterparty list, which takes into account the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the CAS ratings service, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

### **Withdrawal of Implied Sovereign Support**

7.4 As part of regulation changes within the banking sector the UK Government will remove the expectation that governments will support financial institutions in the event of an institution fail. This move is to set aside a structure that will be followed should a financial institution fail. To do this the UK Government has agreed a process to deal with a financial institution failure, which includes the option for institutional investors to lose part of their invested cash as part of a "bail in".

7.5 It could be argued that the potential for institutional investors to lose part of their investment has always been there and is the main driver behind the rates "rewarded" when an investment is made. The structure to be adopted does still keep the equity investor and bond holders at the top with Institutional Investors after these. Therefore there is a significant buffer before the Council's cash holdings would be affected.

7.6 One area of concern is the potential for the rating agencies to downgrade the banks the Council currently is invested with due to the loss of the implied government support. This potentially would bring them below the minimum credit rating agreed by the Council in the 2014/15 TMSS. As a result, where the credit rating is taken into account, it is recommended that the minimum credit rating criteria be revised from A / F1 to A- F2. This change is reflected in the Annual Investment Strategy (Appendix 1).

7.7 The Council recognises that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment takes account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as Credit Default Swaps and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by the advisors, CAS.



- 7.8 Other information sources used will include the financial press and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 7.9 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and to minimise risk.
- 7.10 Historically the Council has maintained a prudent and low risk treasury investment strategy. This approach has ensured that the Council has not lost money from any of its investments, while achieving a return commensurate with the risk taken. This approach has led to treasury having a significant impact on the Council's overall funding requirements, both in terms of generating income from investments and from reducing the costs of borrowing to support the Council's capital programme.
- 7.11 In order for Treasury to support the significant savings target the Council has for 2015/16 to 2017/18, Members have agreed a number of savings targets for treasury as outlined in table 4 below:

**Table 4: Treasury Savings Targets for 2015/16 to 2017/18**

<b>Saving Reference</b>	<b>Savings Proposal</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>Total £000</b>
CEX/SAV/27	Increase in Average Return as Rates Rise	500	500	250	1,250
CEX/SAV/29	Increase Counterparty Risk	250	-	-	250
CEX/SAV/54e	Increase Duration Risk	100	-	-	100
	<b>Total Savings</b>	<b>850</b>	<b>500</b>	<b>250</b>	<b>1,600</b>

- 7.12 To achieve the interest target the treasury section needs to achieve the following average returns on an estimated average cash balance of £140m:

2015/16	1.25%
2016/17	1.70%
2017/18	1.90%

- 7.13 The increased return is heavily reliant on interest rates increasing from their current near historic lows. The increase does not need to occur in the first half of 2015 as treasury has secured a return through longer dated investments, which should achieve the 1.25% return for 2015/16. However if rates do not increase in the second half of 2015 then the return targets will be difficult to achieve without significantly increasing either the duration risk and / or the counterparty risk.

#### **Interest Rate Forecast: UK**

- 7.14 Interest rate forecasting remains difficult with many external influences weighing on the UK. The overall longer term trend is for gilt yields to rise as an increase in confidence in world economic recovery encourages investors to switch from bonds to equities. The overall balance of risks to economic recovery in the UK is currently evenly weighted. However time will tell just how long this period of strong economic growth will last. Downside risks currently include:

- i. A weak rebalancing of UK growth to exporting and business investment.
- ii. Weak growth in the UK's main trading partners.
- iii. A resurgence of the Eurozone sovereign debt crisis.
- iv. Heightened political risks.
- v. The reluctance of western central banks to raise interest rates plus the size of the QE stimulus has created potentially unstable flows of liquidity searching for yield (this is similar to one of the issues which led to the 2008 financial crisis).

7.15 The potential for upside risks to UK gilt yields include:

- i. A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities; and
- ii. UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

7.16 Although there are potentially more downside risks compared to upside risks, the generally view among economists is that rates will increase in 2015 and therefore the treasury investment strategy for 2015/16 has been set with only a minimum increase in proposed risk.

7.17 The changes in investment strategy compared to the 2014/15 TMSS include:

- i. **Duration Risk:** Generally the longer the duration of an investment the better the return. There are a number of risks associated with this including:
  - the risk of locking in a low rate for a long period; and
  - liquidity risks as the cash will not be available for the Council to use.

To achieve the interest income budget set, without taking significant risk the treasury section has sought to increase the duration of a number of investments during 2013/14 and 2014/15 where opportunities have arisen to do so. This strategy will continue in 2015/16, although the benefit from higher returns will be weighed against the risk of locking in investments at low rates at a time when there is a view that interest rates will begin to increase. In addition, in order to reduce the liquidity risk a limit of £100m has been set for investments with a duration in excess of one year at any one time.

- ii. **Counterparty Risk:** During 2015/16 the Council will continue to use the creditworthiness service provided by its advisor, Capita Asset Services, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
  - credit watches and credit outlooks from credit rating agencies;
  - Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
  - Sovereign ratings to select counterparties from only creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments and are outlined in detail in Appendix 1 section 16.

The financial institutions the Council invests with all have credit ratings and as a general rule, the lower the credit rating the higher the return. The Council has historically had a prudent, although not completely risk adverse, approach to treasury investments.

The Council has agreed that in order to increase investment income treasury will be able to take additional risk. The additional risk proposed includes:

1. Increase the one year Lloyds limit from £50m to £80m.
2. Increase the RBS limit for deals from £35m to £50m.
3. Increase the bank certificate of deposit (CD) counterparty limit over one year from £20m to £30m.
4. Increase the total Local Authority Limit over one year from £40m to £50m.
5. The minimum credit rating criteria be revised from A / F1 to A- F2.

### **HRA Investments**

7.18 Cash balances held by the HRA will be invested as part of the Council's overall treasury strategy. Cash balances will generally earn the average rate of the Council's investments, which will be calculated at the financial year end.

7.19 Where there is agreement between the CFO and the Director of Housing, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements. Further details are set out in the HRA Business Plan.

### **Derivatives**

7.20 The use of derivative financial products will continue to be excluded from the strategy.

## **8. The Capital Expenditure Plans 2015/16 – 2017/18**

8.1 The Council's Housing and General Fund capital expenditure plans, together with Balances and Reserves, are the key drivers of treasury management activity. The estimates for Capital expenditure, and its funding based on current proposed Revenue Budget and Capital Programmes, are reflected in prudential indicators, which are designed to assist Members overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 1A of this report.

8.2 Table 5 below shows the proposed capital expenditure over the coming three financial years. It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and, in the case of the HRA, housing rent levels.

**Table 5: Proposed Capital Expenditure 2015 to 2018**

<b>Capital expenditure</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Actual £000</b>	<b>Approved £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>
General Fund	51,726	86,939	99,446	50,809	13,088
HRA	71,087	90,439	81,041	64,933	57,003
<b>Total</b>	<b>122,813</b>	<b>177,378</b>	<b>180,487</b>	<b>115,742</b>	<b>70,091</b>
<b>Financed by:</b>					
Capital Grants	50,604	51,772	90,444	26,540	0
Section 106	889	1,074	0	0	0
Revenue Contributions	9,249	4,703	400	0	0
Capital Receipts	15,960	26,352	21,195	19,530	14,830
HRA Contributions	42,656	55,209	43,161	35,853	42,173
<b>Sub-Total</b>	<b>119,358</b>	<b>139,110</b>	<b>155,200</b>	<b>81,923</b>	<b>57,003</b>
<b>Net financing need for the year</b>	<b>3,455</b>	<b>38,268</b>	<b>25,287</b>	<b>33,819</b>	<b>13,088</b>

- 8.3 The estimated financing need for the year in Table 5 represents a shortfall of resources resulting in a requirement to borrow. This underlying need to borrow is the CFR. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 8.4 **Other long term liabilities:** the above financing need excludes other long term liabilities, such as PFI, Reside and leasing arrangements, which already include borrowing instruments. The Abbey Road phase 2 and Gascoigne (East) phase 1 regeneration have been included as the Council borrowed directly from EIB and will manage the funding of the Special Purpose Vehicle used to manage their regeneration.
- 8.5 Sufficient headroom has been provided within the Authorised Limit on external borrowing to ensure that any major capital investment projects where finance has yet to be finalised, are not restricted by this statutory limit. The limit covers any short term borrowing for cash flow purposes as well as long term borrowing for capital projects, finance leases PFI initiatives as well as any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.
- 8.6 In addition sufficient headroom has been included within the Operational Boundary and Authorised Limit if it is necessary for the costs of Reside to be included within the CFR. The estimated additional costs and subsequent increase in the CFR if Reside were included would be an estimated £220m, although the structure would mean that no additional long term borrowing would be required.
- 9. The Council's Borrowing Strategy and Borrowing Requirement**
- 9.1 The decision to borrow is a treasury management decision and is taken by the CFO under delegated powers of the Council's constitution. The key objective of the Council's borrowing strategy is to secure long term funding for capital projects at borrowing rates that are as low as possible. This can result in a trade off of short term returns on deposits to obtain the best possible rate on long term borrowings.

- 9.2 The Council is allowed to borrow funds from the capital markets for two purposes:
- (i) Short term temporary borrowing for day to day cash flow purposes to ensure liquidity. This is likeliest to occur during the midyear period when the Council's cash balances are lowest and Council's own cash may be tied up in longer term investments.
  - (ii) Long term borrowing to finance the capital programme where the Council can demonstrate the borrowing is affordable. The Council receives external funding (e.g. grants, contributions etc) to meet a large proportion of its capital expenditure but some projects do not attract specific funding. These projects have to be funded by the Council from sources such as capital receipts from the sale of property. However in the relatively recent past, the Council has not had these funds available and therefore has had to borrow.
- 9.3 Treasury management, and borrowing strategies in particular, continues to be influenced by the absolute level of borrowing rates and also the relationship between short and long term interest rates. Rate forecasts indicate that interest rates will remain low until 2016 which creates a "cost of carry" between what is paid on the borrowing and what is earned on the investment for any new longer term borrowing. This is because borrowing requirements are generally over a long term period of up to 50 years, while cash is currently being invested for a maximum of a year. As a result the Council will maintain an under-borrowed position throughout 2015/16. This means that the CFR will not be fully funded with loan debt during the year as cash supporting the Council's reserves, balances and cash flow will be used as a temporary measure. This strategy is prudent as it reduces the "cost of carry" while investment returns remain low, as well as reduces the Council's counterparty risk, which continues to be high and is likely to will continue throughout 2015/16.
- 9.4 As circumstances can change during the year, the CFO will monitor interest rates and adopt a flexible approach to any changes. The Council's borrowing strategy will also give consideration to the following when deciding to take-up new loans:
- Use internal cash balances while the current rate of interest on investments remains low and cash flow forecasts indicate that borrowing is not required;
  - 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 PWLB, the EIB or Local Authorities for fixed term and variable rate loans;
  - Maintain an appropriate debt balance between PWLB and market debt;
  - Ensure new borrowings are drawn at suitable rates and periods; and
  - Consider the issue of stocks and bonds if appropriate.
- 9.5 The Council has £40m of fixed rate Lender's Options Borrower's Option (LOBO) loans and all of them will be in their call period during 2015/16. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan at which point the Borrower (the Council) can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the Council since the decision to call a LOBO is entirely at the Lender's discretion. As LOBOs currently make up 10.1% of the total long term external debt portfolio, this is not a

significant risk. Any LOBO called will have the default position of repayment of the LOBO without penalty, i.e. the revised terms will not be accepted.

## 9.6 **European Investment Bank (EIB) Borrowing:**

In 2014/15 Cabinet agreed to borrow £89m from the European Investment Bank (EIB) and £4.5m from the PWLB which will be used as outlined below:

- £66.0m from the EIB to finance the Gascoigne Estate (East) Phase 1;
- £4.5m from the PWLB to fund 50% of 51 private for sale units; and
- £23.0m from the EIB to finance Abbey Road Phase 2.

The EIB borrowing will be a liability for the Council and will be include in the Council's CFR but will then be placed within a Special Purpose Vehicle (SPV), which will then be used to manage the repayment of the borrowing and interest as well as the funding of the regeneration of the Gascoigne Estate (East) Phase 1 and the Abbey Road Phase 2. The SPV will pay for these costs through the rental returns generated.

Although investment decisions will be made on behalf of the SPV, with interest returns paid to the SPV, as the risk will remain with the Council, any investment will need to be made within the parameters set within this report.

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207%. The £4.5m proposed to be borrowed from the PWLB will now be borrowed using internal borrowing.

To allow treasury to maintain flexibility to manage the increase in cash it is recommended that Members agree to maintain the authority delegated to the Chief Finance Officer, in consultation with the Cabinet Member for Finance, to proportionally amend the counterparty lending limits agreed within the TMSS to take into account the initial increase in cash from the EIB but also the subsequent decrease in cash balances as payments are made to the SPV. In November, Assembly agreed that this delegation should be reviewed in each treasury report and therefore it will next be considered as part of the Treasury Management Outturn report later in 2015.

## 9.7 **HRA Self Financing**

Central Government completed the reform of the HRA subsidy system on 28 March 2012. The Council is required to recharge interest expenditure and income attributable to the HRA in accordance with Determination issued by the CLG.

The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual TMSS.

The Council has adopted a two loans pool approach for long term debt.

- The full £265.9m of PWLB long term debt from the HRA reform settlement is allocated to the HRA, with the remaining £129.0m of debt (including EIB borrowing) allocated to the GF; and
- All future long term loans are allocated into either the HRA or GF pool.

A breakdown of the HRA borrowing is provided in table 5 below:

**Table 5: HRA borrowing:**

<b>Loan Type</b>	<b>Loan Amount</b>	<b>Maturity profile</b>	<b>Interest Rate</b>
	<b>£'000s</b>	<b>Yrs</b>	<b>%</b>
<b>PWLB</b>	50,000	26	3.51
<b>PWLB</b>	50,000	36	3.52
<b>PWLB</b>	50,000	44	3.49
<b>PWLB</b>	50,000	45	3.48
<b>PWLB</b>	65,910	46	3.48
<b>Total</b>	<b>265,910</b>		

The HRA debt cap is currently set at £277.65m; however the Council has recently been given approval from the Department for Communities and Local Government, to exceed this by £3.2m in 2015/16 and by a further £10.75m in 2016/17, making the new total cap £280.85 in 2015/16 and £291.60 onwards from 2016/17.

## 9.8 Repayment of Borrowing

As short term borrowing rates are usually cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, any savings will need to be based on the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile).

No loans are proposed to be repaid in 2015/16.

Internal borrowing can be also be reduced by generating capital receipts, which will replenish cash balances and in accounting terms be used for financing historic spend rather than for new capital projects.

## 9.9 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Given that the Council has held a significant under borrowing position over the past years, the borrowing of £89 million from the EIB has not resulted in the Council borrowing in advance of its needs.

Current forecasts indicate that it is unlikely that the Council will seek to borrow in advance in 2015/16.

## **10. Minimum Revenue Provision Policy Statement**

- 10.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual MRP needs to be approved before the start of the financial year.
- 10.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 5.

## **11. Member and Officer Training**

- 11.1 The CIPFA Code requires the responsible officer, the Chief Finance Officer (CFO), to ensure that members with responsibility for treasury management receive adequate training in treasury management. Training will be arranged for Members as required. The training needs of treasury management officers are periodically reviewed.

## **12. Financial Implications**

- 12.1 The financial implications are discussed in detail in this report.

## **13. Legal Implications**

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

- 13.1 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council also has to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.
- 13.2 This report sets out the Councils strategies in accordance with the Act.

## **14. Other Implications**

- 14.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.



**Public Background Papers Used in the Preparation of the Report: None**

**List of appendices:**

- Appendix 1 – Annual Investment Strategy
- Appendix 2 – Interest Rate Forecasts 2015 – 2018
- Appendix 3 – Prudential Indicators 2015/16 – 2017/18
- Appendix 4 – Minimum Revenue Provision Policy Statement
- Appendix 5 – Treasury management scheme of delegation

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## Annual Investment Strategy

### 1. Treasury Management Practice: Credit and Counterparty Risk Management

In 2010 the CLG issued Investment Guidance, which forms the structure of the Council's policy below (please note that these guidelines do not apply to trust funds or pension funds which operate under a different regulatory regime). The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield.

To facilitate this objective the guidance requires this Council to have regard to the 2011 revised CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. In accordance with the Code, the Chief Finance Officer (CFO) has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. The withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions.

This will result in the key ratings used to monitor counterparties being the Short and Long Term ratings only. Viability, financial strength and support ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

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

Investment instruments identified for use in the financial year are listed in this appendix under the 'specified' and 'non-specified' investments categories.

## 1.1 Annual Investment Strategy

The key requirements of the Code and investment guidance are to set an annual investment strategy covering the identification and approval of the following:

1. The strategy guidelines for choosing and placing investments, particularly non-specified investments.
2. The principles to be used to determine the maximum duration for investments.
3. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
4. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

## 1.2 Creditworthiness policy

This Council applies the creditworthiness service provided by CAS. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies (Fitch, Moody's & Standard and Poor's). This approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- **Yellow** 5 years
- **Dark pink** 5 years for enhanced money market fund with a credit score of 1.25
- **Light pink** 5 years for enhanced money market fund with a credit score of 1.50
- **Purple** 2 years
- **Blue** 2 year (only applies to nationalised or semi nationalised UK Banks)
- **Orange** 1 year
- **Red** 6 months
- **Green** 100 days
- **No colour** not to be used

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F2 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The Council is alerted to changes to ratings of all three agencies through its use of our creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

### **1.3 The Monitoring of Investment Counterparties**

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information from its advisor as and when ratings change, and counterparties are checked promptly. Any counterparty failing to meet the criteria will be removed from the list immediately by the CFO, and if required new counterparties which meet the criteria will be added to the list.

During 2015/16 there is the possibility that the UK Government may try and sell its remaining shares in Lloyds Banking Group (Lloyds), thereby removing the support currently provided. To manage this transition it is proposed that the following procedure will be followed should this event occur:

1. As soon as the UK Government announces the sale of its remaining Lloyds holding, future investments will be restricted to those allowable for banks with the same credit rating as Lloyds (currently a Fitch rating of A+). Based on the current investment criteria, this would restrict investments to a maximum of 95 days but this will be subject to the credit ratings in place at this time which will continue to be monitored.
2. All investments held at the time of the sale would be held to maturity, subject to agreement from the CFO, in consultation with external advisors. Whilst the UK Government continues to hold a material (>10%) equity stake in Lloyds Banking Group, Lloyds will continue to be viewed as UK Government risk and the current limits will apply.

### **1.4 Use of External Cash Manager(s)**

The Council no longer uses an external cash manager within its investment portfolio. Were the Council to use an external cash manager in the future there would be a requirement for the Cash Manager to comply with the Annual Investment Strategy. Any agreement between the Council and the cash manager will stipulate guidelines, durations and other limits in order to contain and control risk. The investment restrictions for a cash manager have been included in the Credit Quality Criteria and Allowable Financial Instruments outlined below.

## **1.5 Use of additional information other than credit ratings**

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

This additional market information (for example CDSs, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

## **1.6 Credit Quality Criteria and Allowable Financial Instruments**

The table on the following page sets out the credit quality criteria for counterparties and allowable financial instruments for Council investments. These are split into Specified and Non-specified investments.

### **1.7 Specified Investments** - Sterling investments of less than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months. These are considered low risk assets where the possibility of loss of principal or investment income is small.

These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account Deposit Facility, UK Treasury Bills or Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (PIV) with a high credit rating. This covers PIVs such as money market funds, rated AAA by the rating agencies.
5. A body (i.e. bank or building society), of sufficiently high credit quality.

## 1.8 Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

<b>Non Specified Investment Category (maturity greater than one year)</b>	
<b>a.</b>	<p><b>Supranational Bonds</b></p> <p><b>(a) Multilateral development bank bonds</b> These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the UK Government</b> The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
<b>b.</b>	<p><b>Gilt edged securities.</b> Government bonds which provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>
<b>c.</b>	<p><b>The Council's own bank</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. The Council's current bankers are Lloyds Banking Group which is currently supported by the UK government.</p>
<b>d.</b>	<p><b>Any bank or building society</b> that has a minimum long term credit rating of AA- or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>
<b>e.</b>	<p><b>Share capital or loan capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.</p>
<b>f.</b>	<p><b>Pooled property or bond funds</b>– normally deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.</p>

*Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. This criteria is set out in section 11.3 in the body of the report. In respect of categories e and f, these will only be considered after obtaining external advice and subsequent Member approval.*

**Specified Investments and Non-Specified Investments Limits and Criteria**

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	Counterparty Limit £m	Maximum Duration	Counterparty Limit £m
<b>Government Supported UK Bank</b> <b>Lloyds TSB:</b> SIBA (Call) Accounts, Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£80m	1 to 3 years	£30m
<b>Government Supported UK Bank - RBS</b> SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	Blue	Up to 1 year	£50m	1 to 3 years	£30m
<b>Other UK Banks &amp; Building Societies</b> SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Blue Orange Red Green No Colour	N/A N/A N/A Up to 1 year To 6 Months To 3 months Not for use	£20m	1 to 5 years 1 to 2 years 1 to 3 year N/A N/A N/A N/A	£30m per counterparty
<b>Bond Funds - Corporate Bonds</b>	Short-term F2, Long Term A-	Up to 1 year	£20m	1 to 2 years	£20m
<b>Local Authorities:</b> Term Deposits	Not credit rated	Up to 1 year	£15m per authority	1 to 3 year	£15m per authority
<b>UK Government</b> Treasury Bills Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
<b>Money Market Funds (stable NAV only)</b>	AAA	T+1	£20m per Manager	N/A	N/A
<b>Property Funds</b>	N/A	N/A		N/A	£5m



## 1.9 Use of other Local Authorities

For cash loans the Local Government Act (LGA) 2003 s13 suggests the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one. The Council will limit its lending to local authorities in England, Wales and Scotland.

## 1.10 Use of Multilateral Development Banks

S15 of the LGA Act 2003 SI 2004 no. 534 amended provides regulations to clarify that investments in multilateral development banks were not to be treated as being capital expenditure. Should the Council invest in such institutions then only such institutions with AA+ credit rating and government backing would be invested in consultation with the Council's treasury adviser and the S151 Officer.

## 1.11 Use of Brokers

The Council deals with most of its counterparties directly but from time to time the Council will use the services of brokers to act as agents between the Council and its counterparties when lending or borrowing. However no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers.

## 1.12 Country limits and Use of Foreign Banks

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ (excluding the United Kingdom) from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. This will ensure that the Council's investments are not concentrated in too few counterparties or countries.

Given the strength of some foreign banks the Council will invest in strong non UK foreign banks whose sovereign and individual ratings meet its AA+ minimum criteria.

### Approved countries for investments (Credit Rating as at 20 January 2015)

Country	Rating	Outlook	Country	Rating	Outlook
Australia	AAA	Stable	Norway	AAA	Stable
Austria	AAA	Stable	Singapore	AAA	Stable
Canada	AAA	Stable	Sweden	AAA	Stable
Denmark	AAA	Stable	Switzerland	AAA	Stable
Finland	AAA	Stable	United States	AAA	Stable
Germany	AAA	Stable	Bermuda	AA+	Stable
Luxembourg	AAA	Stable	Hong Kong	AA+	Stable
Netherlands	AAA	Stable	United Kingdom	AA+	Stable

### **1.13 Provisions for Credit-related losses**

If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.

### **1.14 End of year investment report**

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

### **1.15 External cash managers**

In December 2013 the Council recalled its remaining cash managed by an external cash manager, Investec. This was due to the current very low rates of return and the relatively poor return provided net of fees.

The use of external cash managers will be periodically reviewed during the year.

## Interest Rate Forecasts 2014 – 2018

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction.

Capita Asset Services Interest Rate View														
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
<b>Bank Rate View</b>	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
3 Month LIBID	0.50%	0.60%	0.80%	0.90%	1.10%	1.30%	1.40%	1.60%	1.90%	2.10%	2.10%	2.30%	2.40%	2.60%
6 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.80%
12 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.70%	1.80%	2.10%	2.20%	2.30%	2.40%	2.60%	2.80%	3.00%
5yr PWLB Rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB Rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
<b>Bank Rate</b>														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
<b>5yr PWLB Rate</b>														
Capita Asset Services	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
Capital Economics	2.30%	2.60%	2.80%	3.00%	3.20%	3.40%	3.50%	3.60%	3.70%	-	-	-	-	-
<b>10yr PWLB Rate</b>														
Capita Asset Services	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
Capital Economics	3.05%	3.25%	3.45%	3.60%	3.80%	3.85%	3.90%	3.95%	4.05%	-	-	-	-	-
<b>25yr PWLB Rate</b>														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.70%	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%	4.60%	-	-	-	-	-
<b>50yr PWLB Rate</b>														
Capita Asset Services	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
Capital Economics	3.80%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	-	-	-	-	-

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## Prudential Indicators 2015/16 – 2017/18

1. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the PIs, which are designed to assist members overview and confirm capital expenditure plans.
- 1.1 **Capital expenditure** is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts in Table 1:

**Table 1: Capital Expenditure Forecast 2014 to 2018**

Capital expenditure	2013/14 Actual £000	2014/15 Approved £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
Adult & Community	6,580	10,451	1,241		
Children's Services	29,042	27,632	67,523	26,540	
Environment & Housing	4,306	5,492	236		
Chief Executive	8,343	9,139	9,292	4,200	1,000
EIB: Abbey Road 2 & Gascoigne	0	34,200	21,100	20,000	12,000
Finance lease & PFI	3,455	25	54	69	88
<b>General Fund</b>	<b>51,726</b>	<b>86,939</b>	<b>99,446</b>	<b>50,809</b>	<b>13,088</b>
HRA	71,087	90,439	81,041	64,933	57,003
<b>Total</b>	<b>122,813</b>	<b>177,378</b>	<b>180,487</b>	<b>115,742</b>	<b>70,091</b>

Table 2 below summarises the above capital expenditure plans and how these plans will be financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

**Table 2: Capital Expenditure Financing Plans 2014 to 2018**

Capital expenditure	2013/14 Actual £000	2014/15 Approved £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000
General Fund	51,726	86,939	99,446	50,809	13,088
HRA	71,087	90,439	81,041	64,933	57,003
<b>Total</b>	<b>122,813</b>	<b>177,378</b>	<b>180,487</b>	<b>115,742</b>	<b>70,091</b>
<b>Financed by:</b>					
Capital Grants	50,604	51,772	90,444	26,540	
Section 106	889	1,074			
Revenue Contributions	9,249	4,703	400		
Capital Receipts	15,960	26,352	21,195	19,530	14,830
HRA Contributions	42,656	55,209	43,161	35,853	42,173
<b>Sub-Total</b>	<b>119,358</b>	<b>139,110</b>	<b>155,200</b>	<b>81,923</b>	<b>57,003</b>
<b>Net financing need for the year</b>	<b>3,455</b>	<b>38,268</b>	<b>25,287</b>	<b>33,819</b>	<b>13,088</b>

## 1.2 The Council's borrowing requirement (CFR)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 3 sets out the CFR until 2017/18. The Council is asked to approve the CFR projections.

**Table 3: Council's CFR 2015/16 – 2017/18**

<b>Capital expenditure</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Actual £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>	<b>Estimate £000</b>
<b>Capital Financing Requirement</b>					
CFR – General Fund	217,021	246,058	258,502	270,018	273,632
CFR – housing	267,722	267,722	270,922	281,672	281,672
<b>Total CFR</b>	<b>484,743</b>	<b>513,780</b>	<b>529,424</b>	<b>554,690</b>	<b>559,303</b>
<b>Movement in CFR</b>	<b>(6,835)</b>	<b>29,037</b>	<b>15,644</b>	<b>25,266</b>	<b>4,614</b>
<b>Movement in CFR represented by</b>					
Net financing need for the year	3,455	38,268	25,287	33,819	13,088
Less MRP and other financing movements	(10,290)	(9,231)	(9,643)	(8,553)	(8,475)
<b>Movement in CFR</b>	<b>(6,835)</b>	<b>29,037</b>	<b>15,644</b>	<b>25,266</b>	<b>4,614</b>

## 2. Affordability prudential indicators

The previous section covered the overall capital and control of borrowing PIs, but within this framework PIs are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

### 2.1 Actual and estimates of the ratio of financing costs to net revenue stream

This PI identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

%	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Estimate	Estimate	Estimate	Estimate
<b>General Fund</b>	6.2%	5.6%	6.5%	5.9%	6.0%
<b>HRA</b>	9.1%	9.2%	9.0%	8.8%	8.8%

## 2.2 Estimates of the incremental impact of capital investment decisions on council tax (Band D).

This PI identifies the revenue costs associated with proposed changes to the three year capital program recommended in the budget report compared to the Council's existing approved commitments and current plans. The expectation is that the budget will be based on approved capital schemes' existing commitments and current plans but, if on review, this is not the case this will be reported to Members.

£	2014/15	2015/16	2016/17	2017/18
<b>Council tax - band D</b>	Nil	Nil	Nil	Nil

## 2.3 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this PI identifies the trend in the cost of proposed changes in the housing capital program recommended in the budget report compared to the Council's existing commitments and plans, expressed as a discrete impact on weekly rent levels. This indicator shows the revenue impact on newly proposed changes. Any discrete impact will be constrained by rent controls.

### Incremental impact of capital investment decisions on housing rent levels

£	2014/15	2015/16	2016/17	2017/18
<b>Housing rent levels</b>	Nil	Nil	Nil	Nil

## 3. Treasury indicator and limit for investments greater than 364 days.

The limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds at yearend. The Council is asked to approve the treasury indicator and limit:

£'000s	2014/15	2015/16	2016/17	2017/18
<b>Maximum principal sums invested &gt; 364 days</b>	80,000	120,000	120,000	120,000

## 4. Treasury Indicators: Limits to Borrowing Activity

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

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

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

<b>Interest rate exposures</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	70%	70%	70%
<b>Limits on fixed interest rates:</b>			
• <b>Debt only</b>	100%	100%	100%
• <b>Investments only</b>	80%	80%	80%
<b>Limits on variable interest rates</b>			
• <b>Debt only</b>	70%	70%	70%
• <b>Investments only</b>	80%	80%	80%

<b>Maturity structure of fixed interest rate borrowing 2015/16</b>		
	<b>Lower</b>	<b>Upper</b>
<b>Under 12 months</b>	0%	20%
<b>12 months to 2 years</b>	0%	40%
<b>2 years to 5 years</b>	0%	70%
<b>5 years to 10 years</b>	0%	70%
<b>10 years and above</b>	0%	100%

<b>Maturity structure of variable interest rate borrowing 2015/16</b>		
	<b>Lower</b>	<b>Upper</b>
<b>Under 12 months</b>	0%	40%
<b>12 months to 2 years</b>	0%	40%
<b>2 years to 5 years</b>	0%	70%
<b>5 years to 10 years</b>	0%	70%
<b>10 years and above</b>	0%	80%

## 5. Treasury Indicators: Limits to Borrowing Activity

5.1 **The Operational Boundary** - this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

<b>Operational boundary £'000s</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Borrowing</b>	675	695	695	695
<b>Long term liabilities</b>	58	56	54	52
<b>Total</b>	<b>733</b>	<b>751</b>	<b>749</b>	<b>747</b>



**5.2 The Authorised Limit for external borrowing** – this represents a control on the maximum level of borrowing, with a limit set, beyond which external borrowing is prohibited. This limit must be set or revised by the full Council.

It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is also a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following Authorised Limit:

<b>Authorised Limit £'000s</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Borrowing</b>	741	743	738	741
<b>Long term liabilities</b>	59	57	55	53
<b>Total</b>	<b>800</b>	<b>800</b>	<b>793</b>	<b>794</b>

**5.3 HRA CFR Cap** - the Council is also limited to a maximum HRA CFR through the HRA self financing regime. This limit is currently:

<b>HRA Debt Cap £'000s</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Total</b>	277,649	277,649*	280,849*	291,599*

\* The HRA debt cap is currently set at £277.649m, however the Council has recently been given approval from the Department for Communities & Local Government, to exceed this by £3.2m in 2015/16 and by a further £10.75m in 2016/17, making the new total cap £280,849 in 2015/16 and £291,599 onwards from 2016/17.

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## Minimum Revenue Provision Policy Statement

- 1.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the Minimum Revenue Provision - MRP). The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
- 1.2 CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:
  - 1.2.1 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:
    - **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1).

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.
  - 1.2.2 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:
    - **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3).
- 1.3 This option provides for a reduction in borrowing in line with the life of the asset to which the borrowing related.
- 1.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 1.5 Repayments included in annual PFI or finance leases are applied as MRP.
- 1.6 The MRP methodologies provided above are currently being reviewed by officers. Any change to the MRP methodology will be brought for agreement by Members and will be effective from 1 April 2015.

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## **Scheme of Delegation and Section 151 Officer Responsibilities**

### **Treasury management scheme of delegation**

#### **(i) Full board/council**

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

#### **(ii) Boards/committees/council/responsible body**

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

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

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

### **The treasury management role of the section 151 officer**

#### **The S151 (responsible) officer**

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

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**ASSEMBLY****24 February 2015**

<b>Title:</b> Pay Policy Statement 2015/16	
<b>Report of the Cabinet Member for Central Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
<b>Report Author:</b> Martin Rayson, Divisional Director Human Resources and Organisational Development	<b>Contact Details:</b> Tel: 020 8227 3113 E-mail: martin.rayson@lbbd.gov.uk
<b>Accountable Divisional Director:</b> Martin Rayson, Divisional Director Human Resources and Organisational Development	
<b>Accountable Corporate Director:</b> Chris Naylor, Chief Executive	
<p><b>Summary:</b></p> <p>Under the terms of the Localism Act 2011 the Council must agree before the start of the new financial year a pay policy statement covering chief officer posts and above. The Act sets out matters which must be covered under the policy.</p> <p>The draft Pay Policy Statement for 2015/16 is included at <b>Appendix A</b>.</p> <p>The Cabinet is to consider this report at its meeting on 16 February 2015. Any proposed changes to the Pay Policy Statement arising from the Cabinet's consideration will be reported at the meeting.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to approve the London Borough of Barking and Dagenham Pay Policy Statement for 2015/16 as set out at Appendix A to the report, for publication on the Council's website with effect from 1 April 2015.</p>	
<p><b>Reason(s)</b></p> <p>Under the terms of the Localism Act 2011 the Assembly must agree a pay policy statement in advance of the start of each financial year.</p>	

**1. Introduction and Background**

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior staff (chief officers) to be agreed by all Councillors at an Assembly meeting, before the beginning of each financial year.

- 1.2 The Council produced its first pay policy statement for the 2012/13 financial year and this document follows the same format. The definition of “chief officers” covers the Chief Executive, Corporate Directors and Divisional Directors. The matters that must be included in the pay policy statement are a council’s policy on:
- The level and elements of remuneration for each chief officer.
  - The remuneration of its lowest-paid employees (together with its definition of “lowest-paid employees” and its reasons for adopting that definition).
  - The relationship between the remuneration of its chief officers and other officers.
  - Other specific aspects of chief officers’ remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.
- 1.3 The Localism Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases in/enhancements of pension entitlements, and termination payments.

## **2. Proposal and Issues**

### **2.1 The pay policy statement:**

- Must be approved formally by the Council (Assembly) meeting itself;
- Must be approved by the end of March each year;
- Can be amended in-year;
- Must be published on the Council’s website (and in any other way the Council chooses);
- Must be complied with when the Council sets the terms and conditions for a chief officer.

2.2 The new Chief Executive will review the senior management of the Council to ensure it is fit for purpose. This pay policy statement will be amended in year if changes are made to the structure and pay rates outlined in it.

## **3. Consultation**

3.1 The Pay Policy Statement for 2015/16 is to be considered by the Cabinet at its meeting on 16 February 2015.

## **4. Financial Issues**

Implications completed by: Jon Bunt, Chief Finance Officer

4.1 There are no additional budget pressures caused by the agreement of the Pay Policy Statement, as this reflects the current position on pay.



## **5. Legal Issues**

Implications completed by: Fiona Taylor, Head of Legal and Democratic Services

- 5.1 This report outlines the Council's obligations with regards to senior officer pay and in particular in relation to the information to be provided pursuant to section 38 of the Localism Act 2011.

## **6. Other Implications**

- 6.1 **Risk Management** – There are no risks attached to this statement as it describes the current position.
- 6.2 **Contractual Issues** – This statement makes no changes to employees' contractual position.
- 6.3 **Staffing Issues** – The staffing issues are fully explored within the main body of the report.
- 6.4 **Equalities Issues** – The Council's approach to pay is based on the use of job evaluation to determine the salary for individual roles, eliminating the potential for any bias in the process.
- 6.5 **Service Issues** – The ability to deliver effective services is dependent on having the right staff at different levels. The Council must have an approach to pay that enables it to recruit the right people and also motivates them to perform. The pay policy seeks to support that aim.

**Background Papers Used in the Preparation of the Report:** None

**List of appendices:**

**Appendix A** – Pay Policy Statement 2015/16

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## LONDON BOROUGH OF BARKING AND DAGENHAM

### PAY POLICY STATEMENT 2015/16

#### 1. Introduction – Requirement for Council Pay Policy Statement

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement covers the 2015/16 financial year.
- 1.2 The provisions of the “Act” require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use, and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

#### 2. Pay and Reward Principles

- 2.1 The Council recognises that if it is to serve its communities well and deliver the objectives in the Corporate Delivery Plan, it needs to be able to attract and retain talented people at all levels of the organisation. The Council’s People Strategy describes the actions we will take to ensure that we have

**“the right people, with the right skills in the right places, with the right kinds of management and leadership, motivated to perform well”**

- 2.2 One of the things that we must get right if we are to achieve this is our approach to reward for staff at all levels.
- 2.3 Whatever their role, the Council seeks to ensure that every member of staff is valued and remunerated on a fair and just basis. Our approach to pay is designed to ensure:
- Pay levels are affordable for the Council, at a time when we are making some very difficult decisions about spending on services to the community;
  - We can demonstrate fairness and equity in what we pay people at different levels and in different parts of the Council; and
  - Pay is set at levels which enable us to recruit and retain the quality of staff we need to help us achieve our objectives at a time of financial hardship.

- 2.4 The Council remains committed to being part of the local government national pay negotiation structure (overseen by the National Joint Council). The Council has also committed to pay all its employees in substantive posts an annual salary, which equates to at least £9.20 per hour.
- 2.5 Pay levels are determined through a job evaluation system. For staff at PO6 and below we generally use the Greater London Provincial Council job evaluation system. For posts at PO7 and above we use the HAY job evaluation system. Pay point 49 (£43,802) is at the top of PO6 and bottom of PO7. Each system assesses the relative “size” of the role against a range of criteria, relating to its complexity, the number of resources managed and the knowledge required to undertake the role.
- 2.6 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale.

### **3. Defining “Chief Officers”**

- 3.1 The implementation of savings plans has seen a reduction in the number of “chief officer” posts year on year. At the start of the 2015/16 financial year, the Council has within its structure the following Chief Officers:

- Chief Executive (Head of Paid Service)
- Corporate Director of Adult and Community Services
- Corporate Director of Children’s Services
- Director of Growth
- Director of Public Health
- Chief Finance Officer (Section 151 Officer)
- Head of Legal and Democratic Services (Monitoring Officer) (0.5fte)
- Divisional Director - Human Resources and Organisational Development
- Divisional Director - Regeneration
- Divisional Director - Housing Strategy and Advice
- Divisional Director - Housing Management
- Divisional Director - Asset Management and Development
- Divisional Director - Environment
- Divisional Director - Strategic Commissioning and Safeguarding
- Divisional Director - Complex Needs and Social Care
- Divisional Director - Education
- Divisional Director - Culture and Sport
- Divisional Director - Adult Social Care
- Divisional Director - Commissioning and Partnerships

### **4. Accountability for Chief Officers Pay**

- 4.1 The pay arrangements for chief officers are overseen by a Panel (called the JNC Salaries and Conditions Panel) appointed by the Council’s Assembly.

- 4.2 The Council's constitution sets out the responsibilities and composition of the Panel and states:

**JNC Salaries and Conditions Panel** - consisting of the Leader (who shall be Chair), the Deputy Leader(s) of the Council, the relevant Portfolio Holder(s) and two non-Cabinet councillors (selected by the Chief Executive, in consultation with the Leader, from a pool of four non-Cabinet councillors appointed by the Assembly), to consider and make final decisions in relation to:

- (a) salaries and conditions for JNC officers (including the Chief Executive)
- (b) the grading of any new JNC posts in line with Council policy; and
- (c) senior management (JNC) structures / reorganisations.

## **5. Current Pay Policy and Base Pay Rates**

### **5.1 Setting Salary Levels**

- 5.1.1 Chief Officer roles are evaluated using the HAY job evaluation system. Spot salary levels were set for Chief Officer roles in 2008. There is a commitment to review salary levels every three years. In undertaking reviews, account is taken of the market, particularly the market in London.
- 5.1.2 In 2008 salaries were set at the top of the third quartile in comparison with equivalent roles in London at that time. This reflected the fact that whilst the London Borough of Barking and Dagenham is one of the smaller boroughs in terms of population, it is a community that faces significant challenges and therefore the view was taken that we needed to attract a good choice of senior staff with the appropriate skills and experience.
- 5.1.3 Divisional Directors' salaries were reviewed in December 2010, following structural changes made in preparation for the 2011/12 financial year. Corporate Directors' salaries have not been reviewed since 2008. A recent benchmarking exercise suggests that in most cases the salary levels for Corporate Directors and Divisional Directors are around the median level for posts around London and it is appropriate to pay at that level or just below, given the size of the borough, the state of the employment market and the pressure on LBBDD budgets.
- 5.1.4 The Council is contractually obliged to apply nationally agreed pay awards for Chief Officer grades. The first pay award for a number of years was agreed at the beginning of February, as set out below:

*"Agreement has now been reached on rates of pay applicable from 1 January 2015. The individual salaries and salary scales of all officers within scope of the JNC Chief Officers of Local Authorities should be increased by two per cent on guaranteed FTE basic salary of £99,999 or less [as at 31 December 2014]. This pay agreement covers the period to 31 March 2016.*

### **5.2 Chief Executive**

- 5.2.1 The new Chief Executive started with the Council on 1<sup>st</sup> February 2015. It was agreed during the appointment process that the salary for the post would be £165,000.

### 5.3 Chief Officer Pay Range

5.3.1 The Chief Officer pay range was last reviewed and amended in 2013. The current pay range is as follows:

CO1	£80,314
CO2	£91,558
CO3	£101,196
CO4	£108,661
CO5	£120,000
CO6	£131,757

5.3.2 It is appropriate for there to be some differentiation in pay levels at Chief Officer level because of the differing amounts of risk and responsibility being carried at that level.

5.3.3 The table below sets out the salaries of the chief officer posts referred to in paragraph 3.1 above:

Position	Post Status	Grade of Post	Salary cost to LBB (excl. on-costs)
Chief Executive (Head of Paid Service)	Full time	Individual spot salary	£165,000
Corporate Director, Adult and Community Services	Full time	CO6	£131,757
Corporate Director, Children's Services	Full time	CO6	£131,757
Director of Housing	Filled by interim manager, pending recruitment exercise	-	-
Director of Growth	<i>Vacant</i>		
Director of Public Health	Full time	Individual spot salary	£90,000
Chief Finance Officer (Section 151 Officer)	Full time	Individual spot salary	£111,898
Head of Legal and Democratic Services (Monitoring Officer)	0.5 fte - shared with Thurrock Council	CO2	£45,779
Divisional Director, Human Resources and Organisational Development	Full time	CO2	£91,558
Divisional Director, Regeneration	Full time	CO2	£91,558

Divisional Director, Housing Strategy and Advice	Full time (currently vacant)	CO2	£91,558
Divisional Director, Housing Management	Full time (currently vacant)	CO2	£91,558
Divisional Director, Asset Management and Development	Full time (currently vacant)	CO2	£91,558
Divisional Director, Environment	Full time	CO2	£91,558
Divisional Director, Strategic Commissioning and Safeguarding	Full time	CO4	£108,661
Divisional Director, Complex Needs and Social Care	Full time	CO2 + market supplement (see paragraph 7.4 for further details)	£101,558
Divisional Director, Education	Full time	CO2	£91,558
Divisional Director, Culture and Sport	Full time	CO2	£91,558
Divisional Director, Adult Social Care	Full time	CO2	£89,763
Divisional Director, Commissioning and Partnerships	Full time	CO4	£108,661

5.3.4 The structure proposed in Housing has provisionally been agreed and is as follows:



However, the new Chief Executive is reviewing the role of Divisional Director, Asset Management and Development in particular. An update to the pay policy statement will be provided should the structure be amended.

## **6. Shared Posts**

6.1 Where posts are shared, regular payments are made between the respective Councils to meet the salary payments and on-costs.

## **7. Contingent Pay**

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay, nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements.

7.2 The Chief Finance Officer receives a monthly honorarium, which is the equivalent of £8,102 per year, to reflect the particular challenges of the role as we drive forward budget savings and renegotiate our contract with Elevate.

7.3 The Head of Legal and Democratic Services also receives a monthly honorarium, which is the equivalent of £9,449 per year, to reflect the additional work undertaken on the contract for legal services with Brentwood District Council and the additional income earned by the Council as a consequence.

7.4 The Divisional Director, Complex Needs and Social Care receives a market supplement of £10,000 to recognise the challenges of recruiting in this market.

## **8. Pensions**

8.1 All Council employees are eligible to join the Local Government Pension Scheme. The Council does not enhance pensionable service for its employees either at the recruitment stage or on leaving the service, except in certain cases of retirement on grounds of permanent ill-health where the strict guidelines specified within the pension regulations are followed.

## **9. Other Terms and Conditions**

9.1 Employment conditions and any subsequent amendments are incorporated into employees' contracts of employment. Chief Officer contracts state:

"Where adopted by the Council for your employment group and unless otherwise indicated in this statement, your terms and conditions of employment are as set out in the NJC (National Joint Council) for Local Government Services otherwise called the "Green Book". These terms and conditions may be supplemented by agreements reached collectively at the Greater London Provincial Council and at the Council's Employee Joint Consultative Committee."

9.2 The Council's employment policies and procedures and terms and conditions are reviewed on a regular basis in the light of service delivery needs and any changes in legislation.

## **10. Election Expenses**

10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties they



undertake. All election fees paid are additional to Council salary and are subject to normal deductions for tax.

- 10.2 Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections / referendums are paid in accordance with the appropriate Statutory Fees and Charges Order.

## **11. Termination / Severance Payments**

- 11.1 Employees who leave the Council, including the Chief Executive and Chief Officers, are not entitled to receive any payments from the Council, except in the case of redundancy or retirement as indicated below.

### **11.2 Retirement**

- 11.2.1 Employees who contribute to the Local Government Pension Scheme who elect to retire at age 60 or over or who are retired on redundancy or efficiency grounds over age 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme with the permission of the Council in specified circumstances from age 55 onwards and on grounds of permanent ill-health at any age.

- 11.2.2 The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs.

### **11.3 Redundancy**

- 11.3.1 Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. The standard London Borough of Barking and Dagenham redundancy scheme applies to Chief Officers. The scheme was amended in November 2011 and a maximum of 45 weeks of actual pay is payable depending on length of service. This scheme may be amended from time to time in accordance with the Council's Constitution

### **11.4 Settlement Agreements**

- 11.4.1 Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee's departure from the Council's employment, the Council may settle such claims by way of settlement agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a Director or the Chief Executive it will only be agreed following external legal advice that it would be lawful and reasonable to pay it.
- 11.4.2 The government has published a response to the consultation about provisions in the Small Business, Enterprise and Employment Bill which will enable the recovery of exit payments when high earners return to the same part of the public sector within 12 months of leaving. These provisions are intended to ensure that the

taxpayer is not paying out large sums in redundancies only to incur the cost of re-employing the same person in a similar role elsewhere.

- 11.4.3 Once finally agreed, we will reflect these provisions in our own terms and conditions.

## **12. Fairness**

- 12.1 It was agreed that as of 1 January 2013, no permanent member of the Council's staff should be paid less than £9 per hour (excluding those on apprenticeship schemes). This supports the Council's ambition to raise average household incomes and believes this to be an important statement in terms of pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments. From 1 January 2015, this minimum rate has increased to £9.20 per hour.
- 12.2 Based on this figure, the Council's pay multiple - the ratio between the highest paid employee, the Chief Executive and lowest paid employee - is 1:9.8 (1:8 in 2014/15, when we had a shared Chief Executive in post).
- 12.3 The ratio between the Chief Executive's salary level and the median earnings figure for all employees in the Council is 1:6.8. The median earnings figure is for all employees as at 1<sup>st</sup> January 2015 was £24,027 pa.
- 12.4 Across London the average ratio between the highest and lowest salaries is 1 to 5.65, based on an average Chief Executive salary of £183,135 and a median gross pay figure for all staff of £32,400.

## **13. Any Additional Reward Arrangements**

- 13.1 There are none in place.

If there are any enquiries about these arrangements please apply to Martin Rayson, Divisional Director, Human Resources and Organisational Development ([martin.rayson@lbbd.gov.uk](mailto:martin.rayson@lbbd.gov.uk))

## ASSEMBLY

24 February 2015

<b>Title:</b> Establishment of Pension Board	
<b>Report of the Cabinet Member for Finance</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
<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>The Public Service Pensions Act has resulted in a number of changes to public service pension schemes. There are a number of key changes impacting on the governance of local government pension schemes, which includes the introduction of new local Pensions Boards.</p> <p>This report is concerned with the introduction of local Pension Board for the London Borough of Barking and Dagenham Pension Fund, and its proposed structure and Terms of Reference (ToR).</p> <p>The Terms of Reference and proposed structure of the Pension Boards (Appendix 1) were discussed and agreed in principle by the Pension Panel at the December Panel.</p> <p>The ToR will be published as an appendix to the Council's Constitution and will be available as part of the Council's Constitution. The ToR will also form part of the Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the Local Government Pension Scheme Regulations.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to:</p> <ul style="list-style-type: none"> <li>(i) Note the requirement for the Council to establish a Pension Board by 1 April 2015;</li> <li>(ii) Approve the proposals for the establishment of the London Borough of Barking and Dagenham Pension Board, as set out in Appendix 1 to the report; and</li> <li>(iii) Delegate authority to the Chief Finance Officer, in consultation with the Chair of the Pension Panel and the Head of Legal and Democratic Services, to agree the final terms of reference of the Pension Board.</li> </ul>	

## **Reason(s)**

This report sets out the terms of reference of the local Pension Board of The London Borough of Barking and Dagenham. The local Pension Board is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).

### **1. Introduction and Background**

- 1.1 This report is concerned with the introduction of the local Pension Board (“the Board”), and its proposed structure and Terms of Reference (“the ToR”). New regulations that come into force from 1 April 2015 require each Administering Authority to establish a Board.
- 1.2 The role of the Board is defined by regulation 106 (1) of the Local Government Pension Scheme (LGPS) regulations as:
  - 1) to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme and requirements imposed in relation to the LGPS by the Pensions Regulator;
  - 2) to ensure the effective and efficient governance and administration of the Fund.
- 1.3 The Council recognises that the Board’s main role will be that of having oversight of whether the aims and objectives outlined within the Fund’s Governance and Administration strategies are being achieved; and having regard to any overriding requirements included within guidance from DCLG, and the Scheme Advisory Board.
- 1.4 The Pension Panel, at its meeting on 15 December 2014, considered a report on the proposed establishment of a Board for the London Borough of Barking and Dagenham Pension Fund (“the Fund”) as required by the LGPS (Amendment) Regulations 2014.
- 1.5 The report set out:
  - i. the functions and position of the Board in the Fund’s Governance structure;
  - ii. the proposed composition of the Board and the appointment process including:
    - the appointment of an independent chair;
    - proposals for the remuneration of Board members;
    - the Board’s terms of reference; and
    - the implications of the creation of the Board.
- 1.6 The Pension Panel, after receiving advice from Legal and Democratic Services, agreed that that Assembly should be requested to approve the proposed arrangements.

- 1.7 The membership of the Board must be in place by April 2015 and the first meeting of the new Board has to be held before July 2015.

## **2. Proposals**

- 2.1 On 28 January 2015 the full governance regulations for the establishment of Pension Boards were laid before Parliament.
- 2.2 The draft terms of reference presented to the Pension Panel on 15 December 2014 have been reviewed and updated and are set out at **Appendix 1**. However, due to the late publication and subsequent updates to the guidance it may be appropriate for further changes to be made. With that in mind, it is recommended that the Chief Finance Officer be authorised, in consultation with the Chair of the Pension Panel and the Head of Legal and Democratic Services, to finalise the draft terms of reference prior to 1 April 2015.
- 2.3 Once the new Board comes into effect, officers will monitor and evaluate its operation and may wish to review the terms of reference from time to time, with relevant changes presented to the Assembly for approval.

## **3. Options Appraisal**

- 3.1 The establishment of a Board is a legal requirement. The structure and Terms of Reference are required to be within the limits set by the regulations. The proposals outlined in Appendix 1 cover the regulation requirements.

## **4. Consultation**

- 4.1 The Pension Panel Members and observers; which include employer, trade union and employee representatives, have been consulted and have agreed the structure and requirements outlined in Appendix 1.

## **5. Financial Implications**

Implications completed by: Jonathan Bunt, Chief Finance Officer

- 5.1 The Financial implications are limited to the costs of running the Board and will be fully funded by the Pension Fund.

## **6. Legal Implications**

Implications completed by: Paul Feild, Senior Governance Lawyer

- 6.1 The 2013 Regulations have very recently amended by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. As referred to in the body of this report the Public Service Pensions Act 2013 requires that no later than 1 April 2015 that an administrating authority establish a local pensions board tasked with the role of ensuring compliance with the 2013 Regulations, any other legislation and requirements by the Pensions Regulator and to assist the administrating authority in ensuring the effective and efficient governance of the scheme.

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

- The Local Government Pension Scheme Guidance on the creation and operation of Local Pension Boards in England and Wales (28 January 2015)
- Administration and Governance Report (15 December Pension Panel)

**List of appendices:**

- **Appendix 1** - The London Borough of Barking and Dagenham Pension Board Terms of Reference



# **Draft Pension Board Terms of Reference**

# **London Borough of Barking and Dagenham Pension Board Terms of Reference**

## **1. Introduction**

- 1.1 This document sets out the terms of reference of the Local Pension Board (“the Board”) of The London Borough of Barking and Dagenham (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Board is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2 The Board is established by the Administering Authority and operates independently of the Pension Panel. Relevant information about its creation and operation are contained in these Terms of Reference (“ToR”).
- 1.3 The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
- 1.4 Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.
- 1.5 The Board is not a decision making body in relation to the management of the Pension Fund (“the Fund”). The Fund’s management powers and responsibilities will remain delegated to the Pension Panel (“the Panel”). The Board will exercise its powers and duties in accordance with the law and this ToR.

## **2. Role of the Pension Board**

- 2.1 The role of the Board is defined by regulation 106 (1) of the LGPS regulations as:
  - 1) to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme and requirements imposed in relation to the LGPS by the Pensions Regulator (“the PR”);
  - 2) to ensure the effective and efficient governance and administration of the Fund.
- 2.2 The Council recognises that the Board’s main role will be that of having oversight of whether the aims and objectives outlined within the Fund's Governance and Administration strategies are being achieved; and having regard to any overriding requirements included within guidance from DCLG, and the Scheme Advisory Board.
- 2.3 The Board will ensure that in performing their role it is done effectively and efficiently and complies with relevant legislation. In addition the Board shall have due regard for the Code of Practice on the governance and administration of LGPSs issued by the PR and any other relevant statutory or nonstatutory guidance.



2.4 The Board will follow the Aon Hewitt method for governance review including:

1. **Direction:** What is the fund trying to achieve (legislation, strategy and policy);
2. **Delivery:** How the Fund meets its aims (planning, performance monitoring & risk management); and
3. **Decisions:** Does the Fund have effective decision making (governance structure, behaviour and Pension Skills and Knowledge and training).

2.5 The Board will review the “Direction” in June and the “Delivery and Decisions” in March.

2.6 The Board must provide minutes of each meeting to the following Panel and may make reports and recommendations to the Panel insofar as they relate to the role of the Board. Any such reports or recommendations must be provided at least 15 working days in advance of the next Panel to the Chief Finance Officer (“the CFO”).

2.7 Where the Board considers that a matter brought to the attention of the Panel and the CFO has not been acted upon or resolved to their satisfaction, the Board will provide a report to the next possible Assembly.

2.8 The Board is established on 31 March 2015 subsequent to approval by the Assembly on 24 February 2015.

### **3. Composition of the Board and Appointments**

#### **3.1 Composition**

The Board will consist of up to six members and be constituted as follows (substitutes for the Employer or Scheme Member Representatives are not permitted). There shall be an equal number of Member and Employer Representatives.

- i. Up to three Employer Representatives; and
- ii. Up to three Scheme Member Representatives.

#### **3.2 Eligibility and selection criteria**

- i. Three Employer Representatives: At least one of the employer representatives must be an employee of the Council. The second employer representative will be from one of the Fund’s scheduled bodies.
- ii. Three Scheme Member Representatives: Representatives would preferably be members of the Fund (active, deferred or pensioner). Where the member representative is not a member of the Fund, they must have the requisite knowledge and skills to be able to represent the interests of the scheme members
- iii. The CFO will define and keep under review any further eligibility and/or selection criteria that will apply to Board members.

#### **3.3 Appointment of Members**

The CFO will manage the appointment process. Initial Board members will be direct appointments from Fund’s current observers, who will fulfil the role of the two employee

representatives and one employer representative. A representative from the Council's Legal department will also be directly appointed by the CFO and will be the Council representative. The process to select replacement Board members is as set out below:

1. One Council Employer Representative: This will be a direct appointment by the CFO.
2. Two other Employer Representatives: All the Fund's scheduled body employers will be invited to nominate individuals to represent employers on the Pension Board.
3. Two Member Representatives shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
4. The third Member Representative shall initially be filled by the current Member Observer to the Pension Panel. Future appointments will be made following a nomination process open to all scheme members.
5. Nominations can be rejected where the individual does not appropriately meet the eligibility and/or selection criteria or where the number of nominations for any category of Board member merits a short-list being created for interviews.
6. Employer and Employee representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
7. The CFO will agree the Board appointment process which may include, but is not restricted to, a formal interview. Where there are no appropriate nominations, the CFO will take any other action consider appropriate, including leaving a position vacant.

### **3.4 Notification of appointments**

When appointments to the Board have been made the Council shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

## **4. Board Requirements and Support**

### **4.1 Term of Office**

The Employer and Scheme Member Representatives are appointed for a period of three years from the date of establishment of the Board or the date of their appointment if later. This period may be extended to up to four years if agreed by the CFO. An appointment will automatically cease if an employer requests their removal or an employee representative asks to be removed.

Any Board member may be re-appointed for further terms following an appointment process. Other than ceasing requesting to be removed (as set out above) a Board member may only be removed from office during the term of appointment by the CFO or by unanimous agreement of the Board. Such reasons may include non-compliance with

these ToR including inappropriate conduct, conflicts of interest, avoidance of training or low meeting attendance.

As term dates may not be exact due the period of the appointment process, the term date may be extended by up to three months with the agreement of the CFO.

#### **4.2 Quorum**

All Board members are expected to regularly attend meetings. Records of attendance of all Members will be maintained and reported to the CFO on an annual basis. A meeting of the Pension Board will be quorate when any three of the six Board members are present. A meeting that is / becomes at any point not quorate will cease immediately.

#### **4.3 Location and Timing**

The Board will normally meet at an office of the Council. Meetings will take place at any point on a Monday to Friday if it is a normal working day apart from in exceptional circumstances agreed by all Board members and other individuals expected to attend the Board meetings. The Board will meet twice a year. The Chair may call, or agree to call, additional meetings in exceptional circumstances.

Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via telephone conferencing and e-mails. A summary of these discussions will be reported at the following Board.

#### **4.4 Receipt of advice and information**

The Board will be supported in its role by officers and by advisors (where requested). In addition Board members will receive the final reports, minutes and agendas relating to all Panels and may attend Panels as observers (including during exempt items).

Insofar as it relates to the role of the Board, it may also request and receive information and reports from the Panel and examine decisions made or actions taken by the Panel. Any further requests for information and advice are subject to the approval of the CFO who will be required to consider positively all reasonable requests in relation to the role of the Pension Board whilst being mindful of value for money.

#### **4.5 Administration**

The CFO will agree an agenda with the Chair of the Board prior to each Board meeting. The agenda and any papers for the Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency. High level minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 10 working days after the meeting. These minutes will be subject to formal agreement by the Chair taking consideration of comments by Board members (which may be done electronically between meetings).

The minutes may, at the discretion of the Chair, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

#### **4.6 Access to the Public and publication of Pension Board information**

The following will be entitled to attend the entire Board meeting in an observer capacity:

- Any Members of the Panel;
- officers or advisers of the Council involved with the management of the Fund; or
- any other person requested to attend by the Chair of the Board or CFO.

Any such attendees will be permitted to speak on request to the Chair. Members of the public may attend the public part of the meeting and papers will be made public in accordance with the Access to Information Procedure Rules in the Council's Constitution.

#### **4.7 Accountability**

The Board will be collectively and individually accountable to the Council.

### **5. Conflicts of Interest**

5.1 Each member is required to have due regard to the role of the Board as outlined in the ToR. All members are expected to work jointly in the best interests of the Fund, putting aside any individual views of any stakeholders. This should not prevent members from sharing their knowledge on how matters might impact specific stakeholders of the Fund. Board members are expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest (COI) in the subject area or specific agenda of that Board. The Board's Chair must be satisfied that the Board is acting within:

- the Public Service Pension Act and the LGPS Regulations COI requirements;
- accordance with any Fund COI Policy that apply to the Board; and
- the spirit of any national guidance or code of practice in relation to Board COI.

5.2 Part 2 of the Council's Code of Conduct for Members shall apply in relation to the management of conflicts of interest of the Board with the exception of the registration of pecuniary interests and how interests are to be disclosed which are detailed below.

5.3 Each Board member must provide the Chair with such information as he or she reasonably requires for the purposes of demonstrating that there is no COI. The CFO will ensure that the Chair does not have a COI. A COI is defined in the Public Service Pensions Act as:

*"in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme)".*

### **6. Chair and Vice Chair**

6.1 The CFO will appoint a Chair and a Vice Chair from the Board membership. If the CFO does not consider any of the members to have the requisite knowledge and skills for the

role of Chair at the point in time, they may appoint an Independent Member to the Board who will also undertake the role of Chair to the Board. The appointments to Chair and Vice Chair will be reviewed at such times as considered appropriate by the CFO.

## 6.2 The role of the Chair is to:

- Ensure all members of the Board show due respect for process, that all views are fully heard and considered and to determine that decisions are democratically made where consensus cannot be reached.
- Uphold and promote the purpose of the Board.
- Ensure Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record.
- Agree the agenda and approve minutes for each Pension Board meeting.
- Maintain an attendance record and advise the Council on expenses to be paid.
- Write reports required by the Council on the work of the Board.
- Liaise with the CFO on the requirements of the Board, including advanced notice for Council officers to attend and arranging dates and times of Board meetings.
- Other tasks that may be requested by the members of the Board, within the remit of the ToR and subject to agreement with the CFO.
- Annually reviewing and reporting on the performance of the Board.

## 7. Voting

7.1 All Board members will have individual voting rights but it is expected the Board will, as far as possible, reach a consensus. The Chair will have the final deciding vote in cases where an equality of votes exists. Any other person attending a meeting will not have the right to vote. Voting results will be reported in the Board minutes.

## 8. Member Requirements

### 8.1 Knowledge and Skills

Under the requirements of the Pensions Act, Board members must be conversant with:

- a) the legislation and associated guidance of the LGPS; and
- b) any document recording policy about the administration of the LGPS adopted by the Fund.

In addition, a member of the Board must have knowledge and understanding of:

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

It is for Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a

Board member. In line with this requirement, Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date.

Board members are therefore required to:

- undertake a training needs analysis to identify gaps in competencies and knowledge;
- participate in training events (a record of relevant training will be maintained); and
- comply with the Fund's Training Policy insofar as it relates to Board members.

## **8.2 Standards of Conduct**

The Code of Conduct for Members the Council's Constitution shall apply in relation to the standards of conduct of Board members as if they are Co-opted Members of the Council insofar as it can be reasonably considered to apply to the role of members of the Board and unless excluded elsewhere within these ToR.

## **8.3 Remuneration and Expenses**

No allowances will be paid to Board members for attending meetings relating to Board business. Travel and all training costs will be funded by the Fund. Expenses must be reclaimed from the Fund through submitting claims, with all supporting evidence, to the following address:

Group Manager (Treasury and Pensions), Civic Centre, Dagenham, RM10 7BY

It is expected that employers of Representatives on the Pension Board will provide appropriate capacity to allow the Representative to perform this role within their normal working day without any reduction in pay.

All Board members will also be entitled to claim travel and subsistence allowances in accordance with the Members' Allowances Scheme in the Council's Constitution.

Expenses will only be paid if claimed by the representative and must be claimed within four weeks of each meeting or training session.

## **9. Review, Interpretation and Publication of the ToR**

- 9.1 The ToR were agreed by the full Assembly of the London Borough of Barking and Dagenham on 24 February 2015. The Council will monitor and evaluate the operation of the Board and may review the ToR from time to time, with any changes made approved by the Assembly subject to the provisions of 9.2 below.
- 9.2 The Monitoring Officer is authorised to make minor amendments, consequential upon statutory or regulatory change, or to rectify errors, or to update arrangements consequential upon other external factors.
- 9.3 The ToR will be published in the Council's Constitution. The ToR will also form part of the Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

9.4 These Terms of Reference were [adopted/ last reviewed on [INSERT DATE]].

.....  
**Signed on behalf of the Administering Authority**

.....  
**Signed on behalf of the Board**

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**ASSEMBLY****24 February 2015**

<b>Title:</b> Community Infrastructure Levy – Change of Implementation Date	
<b>Report of the Cabinet Member for Regeneration</b>	
<b>Open Report:</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
<b>Report Author:</b> Daniel Pope, Development Planning Group Manager	<b>Contact Details:</b> Tel: 020 8227 3929 E-mail: <a href="mailto:daniel.pope@lbbd.gov.uk">daniel.pope@lbbd.gov.uk</a>
<b>Accountable Divisional Director:</b> Jeremy Grint, Divisional Director of Regeneration	
<b>Accountable Director:</b> Chris Naylor, Chief Executive	
<b>Summary</b>	
<p>At its meeting on 25 November 2014 the Assembly adopted the LBBD Community Infrastructure Levy Charging Schedule and approved its implementation from 2 March 2015 (Minute 28 refers). Paragraph 2.2 of the previous report explained that the Council needs to take into account, when determining when to introduce its Community Infrastructure Levy (CIL), the impact on outstanding planning applications. It went on to explain that to enable negotiations on current applications to be concluded under the current system it is recommended that CIL is charged from 2 March 2015.</p> <p>Due to the complexity and need to secure the authorities best interests in the applications of Freshwharf Estate, Lymington Fields Phase 2, Gascoigne East and Merrielands Crescent it is recommended that the implementation date of CIL is put back to 3 April 2015. This will allow sufficient time to conclude these planning applications but still allow the borough's CIL to be implemented before the new restrictions on the use of S106 come in on 6 April 2015.</p>	
<b>Recommendation(s)</b>	
The Assembly is recommended to revise the introduction date of the Community Infrastructure Levy rates from the previously agreed date of 2 March 2015 to 3 April 2015.	
<b>Reason(s)</b>	
The Community Infrastructure Levy will help deliver the borough's growth agenda by providing funding to pay for the infrastructure to support growth and by removing the need for many S106 agreements which currently cause delay in the planning process.	

## **1. Introduction and Background**

- 1.1 At its meeting on 25 November 2014 the Assembly adopted the LBB Community Infrastructure Levy Charging Schedule and approved its implementation from 2 March 2015 (Minute 28 refers). Paragraph 2.2 of the previous report explained that the Council needs to take into account, when determining when to introduce its CIL, the impact on outstanding planning applications. It went on to explain that to enable negotiations on current applications to be concluded under the current system it is recommended that CIL is charged from 2 March 2015.
- 1.2 The affected planning applications are Gascoigne East, Phase 2 Lymington Fields, Merriellands Crescent and Freshwharf Estate.

## **2. Proposal**

- 2.1 The Gascoigne East application was approved by the Council's Development Control Board on 6 October 2014 and Lymington Fields Phase 2 was approved on 23 June 2014. Since then there have been protracted negotiations to agree the S106 agreements in both cases. The Merriellands Crescent and Freshwharf applications are due to go to the Council's Development Control Board on 9 March 2015. Both will have substantial S106 agreements. Whilst the Gascoigne and Lymington Field applications may be concluded by 2 March 2015 it is likely the Merriellands Crescent and Freshwharf Estate applications may not be.
- 2.2 Once CIL is implemented it is only possible to enter into S106 agreements for affordable housing and site specific infrastructure. Wider infrastructure such as education and transport must be funded by CIL. To complicate matters the Freshwharf Estate application is for a non-material amendment which is exempt from CIL. So in the case of the Freshwharf Estate, as it currently stands, the Council will not only lose the ability to secure contributions for school places from S106 but also CIL. The Council would be limited to securing S106 for affordable housing and site specific infrastructure. Therefore officers are recommending that the implementation of the borough's CIL is revised. However it cannot be revised beyond Monday 6 April 2015 as from this date, under the Community Infrastructure Levy Regulations 2010 as amended, a maximum of five S106 contributions can be pooled for any one item of infrastructure. This includes any S106 agreements agreed since 1 April 2010. In other words the Council needs to implement its CIL by 6 April 2015 in order to secure offsite contributions from development to fund the wider infrastructure impacts of new development. Officers are confident that all four of these applications will be concluded by this date and therefore are recommending that the implementation date for the borough's CIL be put back to Friday 3 April 2015.

## **3. Options Appraisal**

- 3.1 If the implementation date for the borough's CIL is not put back, then the S106 agreements for two existing planning permissions, if not concluded by 2 March 2015, may need to be revisited and potentially taken back to the Council's Development Control Board. In addition the Council will lose the ability to secure any contributions for school places from the Freshwharf development either by S106 or CIL.

#### **4. Consultation**

- 4.1 The Council's Community Infrastructure Levy has been subject to comprehensive consultation as detailed in the previous report to 25 November 2014 Assembly.

#### **5. Financial Implications**

Implications completed by: Carl Tomlinson, Group Finance Manager

- 5.1 The proposal is for the commencement date for the charging of the Council's Community Infrastructure Levy (CIL) to be delayed from 2 March 2015 (as agreed by the Assembly on 25 November 2014) until 3 April 2015. This will enable the Authority to conclude Section 106 agreements in respect of four major planning applications, thereby maximising contributions from developers.
- 5.2 If the implementation date for the Borough's CIL is not put back, as far as the Freshwharf Estate planning application is concerned, the Council will lose the ability to secure a section 106 contribution in respect of school places. As the development is exempt from CIL, this would result in the loss of a considerable contribution towards the Borough's School Expansion Programme.
- 5.3 With regard to the section 106 agreements for the other planning applications mentioned in this report, if these are not concluded by 2 March 2014 and the CIL commencement date is not delayed, they may need to be revisited and potentially taken back to the Council's Development Control Board. This process would add considerable delays to the commencement of the schemes. Although these developments would not be exempt from CIL contributions, the Authority is likely to secure greater sums of money through the completion of section 106 agreements.

#### **6. Legal Implications**

Implications completed by: Paul Feild Senior Governance Lawyer

- 6.1 The Council acting through the Assembly may revise the date of introduction of the CIL. The measure proposed is a prudent step which best secures the interests of the authority.

#### **7. Other Implications**

- 7.1 **Risk Management** – Officers are confident that the four planning applications mentioned in this report can be concluded by 3 April 2015. However two of these planning applications will be determined on 9 March 2015 by the Council's Development Control Board and whilst they will be recommended for approval there is always a risk that the Board may take a contrary view.
- 7.2 **Corporate Policy and Customer Impact** – Putting back the implementation of CIL to 3 April 2015 will allow these four applications to be concluded and enable the intended S106 contributions and items to be secured to support these developments. This includes in particular substantial funds and land to mitigate the impact of these developments on school places.

- 7.3 **Safeguarding Children** – Putting back the implementation of CIL to 3 April will allow these four applications to be concluded and enable the intended S106 contributions and items to be secured to support these developments. This includes in particular substantial funds and land to mitigate the impact of these developments on school places.
- 7.4 **Property / Asset Issues** – The Council is a partner in the Gascoigne East development. Putting back the implementation date of CIL allows sufficient time for the S106 agreement to be completed. This avoids the unnecessary complication and delay of reviewing this agreement in the light of CIL charges and the possibility of having to report back to the Council's Development Control Board.

**Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None

## ASSEMBLY

24 February 2015

<b>Title:</b> Council Constitution - Updates	
<b>Report of the Cabinet Member for Central Services</b>	
<b>Open Report</b>	<b>For Decision</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: alan.dawson@lbbd.gov.uk
<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>The Assembly adopted the new Council Constitution at its meeting on 25 November 2014 (Minute 27). Since that time, some administrative changes have been made to the Constitution which were approved for implementation by the Monitoring Officer under the delegated authority provisions of paragraph 2.1 of Part 7 of the Constitution. These are set out in <b>Appendix 1</b> for Members' information.</p> <p>Two further changes to the Constitution are proposed which require the Assembly's approval:</p> <ol style="list-style-type: none"> <li>1) The default start time for evening meetings shall be 7.00pm, unless alternative arrangements are agreed by the majority of the membership of the Committee; and</li> <li>2) All meetings should be concluded after 2 hours (currently 2½ hours), subject to the usual provisions to extend meetings for a reasonable period.</li> </ol> <p>These new arrangements specifically relate to paragraphs 2.3 and 7.1.1 of Chapter 3, Part 2. The proposed revisions are highlighted in <b>Appendix 2</b> attached.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to:</p> <ol style="list-style-type: none"> <li>(i) Approve the revisions to Chapter 3, Part 2 of the Constitution in respect of the default start time of evening meetings and the termination threshold, as highlighted in Appendix 2 to the report; and</li> <li>(ii) Note the schedule of other administrative changes made to the Constitution by the Monitoring Officer, as set out in Appendix 1 to the report.</li> </ol>	

**Reason(s)**

To accord with the requirements of Part 7 of the Council Constitution.

**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).
- 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.

**2. Proposal and Issues**

- 2.1 Since the publication of the new Constitution on 26 November 2014, some administrative changes have been made which were approved by the Monitoring Officer under the delegated authority provisions referred to above. These changes relate to the following:
- (i) the inclusion of new paragraphs 9.3 and 9.4 in Chapter 1, Part 5 (Councillors' Code of Conduct) to deal with the omission, in error, of text which previously appeared under paragraphs 12.3 and 12.4, Article 1, Part B of the previous Constitution.
  - (ii) the amendment of paragraphs 5.2 (m) and 6.1 (f) to read "...Leader's **Statement**" instead of "...Leader's **Report**", to correct a drafting error.
  - (iii) the inclusion of a new paragraph 4 in Chapter 14, Part 2 (Joint Arrangements) to reflect the Growth Boroughs Joint Committee arrangements approved by the Cabinet at its meeting on 18 November 2014.
  - (iv) revised wording to paragraph 3 in Chapter 14, Part 2 (Joint Arrangements) to correct references and terminology in respect of the East London Waste Authority.
- 2.2 A schedule explaining these 'administrative' amendments in some more detail is attached at **Appendix 2**.
- 2.3 Two further changes are proposed which require the Assembly's approval. The first relates to the change in the profile of elected Members following last year's Local Elections, as an increasing number work and can find it difficult attending evening meetings which begin before 7.00pm. With that in mind, it is proposed that the default start time of evening meetings should now be 7.00pm, unless the majority of the membership agrees to continue with an earlier start time. Meetings that have typically been held during the day, such as the Children's Trust, the Employee Joint Consultative Committee, the Employee Joint Health, Safety and Wellbeing Committee and Personnel Board, are unaffected by this proposal.

- 2.4 The second change requiring Assembly approval relates to the termination threshold for meetings. Up until now there has been a 2½ hour time limit for meetings, although provision has always existed for the threshold to be extended for a reasonable period in order to conclude any remaining business. That threshold is now proposed to be set at 2 hours, still with the same provisions to extend a meeting for a reasonable period.

### **3. Options Appraisal**

- 3.1 The alternative option is to maintain the current arrangements.

### **4. Consultation**

- 4.1 The proposals requiring Assembly approval were discussed by Councillors on 19 January 2015. Relevant officers have been consulted via the usual report clearance processes.

### **5. Financial Implications**

Implications completed by: Carl Tomlinson, Group Manager, Finance

- 5.1 There are no additional financial costs expected directly from these constitution changes.
- 5.2 On the occasions that meetings extend beyond 9pm, there will be an overtime charge of £34 per hour in order for the building to be secured and closed. Reducing the time limit of the meetings to 2 hours should contain the need to keep the buildings open longer than currently operated and any overtime charges that are incurred from out of hours opening is expected to be funded from existing democratic service budgets.

### **6. Legal Implications**

Implications completed by: Fiona Taylor, Head of Legal and Democratic Services

- 6.1 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.

### **7. Other Implications**

- 7.1 **Staffing Issues** – A later start time for Committee meetings will impact on staff required to attend those meetings and also the Facilities Management staff where meetings are extended beyond the 2 hour threshold. This may impact adversely on any staff who have caring responsibilities.
- 7.2 **Corporate Policy and Customer Impact** – The new default start time of 7.00pm is expected to improve the accessibility of evening meetings for some groups, such as those who work . The bringing forward of the termination threshold is anticipated to counter any potential adverse impact of meetings starting later in the evening.

**Public Background Papers Used in the Preparation of the Report: None**

**List of appendices:**

- **Appendix 1** – Schedule of Amendments approved by the Monitoring Officer
- **Appendix 2** – Schedule of Amendments requiring Assembly approved.



## COUNCIL'S CONSTITUTION - SCHEDULE OF AMENDMENTS (implemented by MO)

December 2014

AMENDMENT	REASON	ASSEMBLY APPROVAL REQUIRED?
<p><b>Part 5, Chapter 1 – Councillors' Code of Conduct</b></p> <p>Inclusion of new paragraphs 9.3 and 9.4 as follows:</p> <p>9.3 In accordance with Section 106 of the Local Government Finance Act 1992, any Councillor who is two months or more in arrears of Council Tax cannot vote on any item involving the budgetary process, or the expenditure of money during the year or subsequent years and must declare the fact as soon as practicable after the start of the meeting. A Councillor may, however, speak on the issue unless it relates to the process of Council Tax collection and enforcement. A Councillor must be fully aware of his/her own financial matters and must not assume notification by officers before this situation arises. Failure to comply with this rule is a criminal offence.</p> <p>9.4 Under local arrangements, a Councillor who is two months or more in arrears of Council house rent cannot vote on any item involving housing revenue account expenditure but is not required to declare the fact. A Councillor must be fully aware of his/her own financial matters and must not assume notification by officers before this situation arises.</p>	<p>Omitted from new Constitution in error (previously in old Constitution as paragraphs 12.3 and 12.4, Article 1, Part B)</p>	<p>No. Monitoring Officer implemented to correct error at drafting stage.</p>

January 2015

<b>AMENDMENT</b>	<b>REASON</b>	<b>ASSEMBLY APPROVAL REQUIRED?</b>
<b>Part 2, Chapter 4 – The Assembly</b>  Amendment of paragraphs 5.2 (m) and 6.1 (f) to read “...Leader’s <b>Statement</b> ” instead of “....Leader’s <b>Report</b> ”.	Correction of drafting error.	No. Monitoring Officer implemented to correct error at drafting stage.
<b>Part 2, Chapter 14 – Joint Arrangements</b>  Inclusion of new section 4 relating to Growth Boroughs Joint Committee.	To reflect arrangements approved by Cabinet on 18 November 2014 (Minute 57).	No. Monitoring Officer implemented to ‘give effect to any decisions of the Council’.

February 2015

<b>AMENDMENT</b>	<b>REASON</b>	<b>ASSEMBLY APPROVAL REQUIRED?</b>
<b>Part 2, Chapter 14 – Joint Arrangements</b>  Revised wording to paragraph 3, East London Waste Authority, to correct references and terminology.	To update existing wording.	No. Monitoring Officer implemented as a 'minor amendment'.

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## COUNCIL'S CONSTITUTION - SCHEDULE OF AMENDMENTS (requiring Assembly approval)

February 2015

AMENDMENT	REASON	ASSEMBLY APPROVAL REQUIRED?
<p><b>Part 2, Chapter 3 – Meeting Rules</b></p> <p>Amendment of paragraph 2.3 - new text shown in <b>bold</b>:</p> <p>“As a general rule, meetings shall take place on a Monday, Tuesday or Wednesday, <b>commencing at 7.00 pm or such other time as agreed by the majority of the membership of a Committee.</b>”</p>	<p>To clarify new arrangements proposed via the Labour Group.</p>	<p>Yes.</p>
<p><b>Part 2, Chapter 3 – Meeting Rules</b></p> <p>Amendment of paragraph 7.1.1 to reflect that the new “Termination of Meetings” threshold shall be 2 hours, and not 2½ hours.</p> <p>“If the business of the meeting has not been concluded after <b>two hours</b> of its commencement, the proceedings may be extended for a reasonable further period, with the agreement of a majority of the Members present. Any unfinished business will be referred to the next meeting.”</p>	<p>To clarify new arrangements proposed via the Labour Group.</p>	<p>Yes.</p>

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**ASSEMBLY****24 February 2015**

<b>Title:</b> Appointment of Independent Persons – The Localism Act 2011	
<b>Report of the Monitoring Officer</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
<b>Report Author:</b> Paul Feild Senior Governance Solicitor	<b>Contact Details:</b> Tel: 020 8227 3133 E-mail: <a href="mailto:paul.feild@lbbd.gov.uk">paul.feild@lbbd.gov.uk</a>
<b>Accountable Head of Service:</b> Fiona Taylor, Head of Legal and Democratic Services	
<b>Accountable Director:</b> Chris Naylor, Chief Executive	
<b>Summary:</b>  This report relates to the requirement to appoint Independent Persons to carry out an advisory role as part of arrangements the Council must have in place to investigate and determine complaints regarding the Councillors Code of Conduct as required by Section 28(6) (a) & (b) and 28(7) the Localism Act 2011(the Act).	
<b>Recommendation(s)</b>  The Assembly is recommended to:  (i) Approve the appointment of Dr. Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu as Independent Persons in accordance with Section 28(7) of the Localism Act 2011; and  (ii) Agree that the appointment of all the Council's Independent Persons be until the next Assembly meeting following the Annual Assembly in 2018 when it shall be reviewed.	
<b>Reason(s)</b>  Section 28(8) (c) (iii) of the Act states that decisions of appointment of Independent Persons must be agreed by a majority of the whole number of Councillors.	

**1. Introduction and Background**

- 1.1 From 1 July 2012, the Localism Act 2011 (the Act) required that principal councils such as district, county and London boroughs all adopt local codes of conduct and establish the means to investigate and determine complaints. At the Assembly meeting on 11 July 2012, Members adopted the LBB Code of Conduct in accordance with the Act, together with procedures for investigating and deciding on allegations of breaches of the Code.

- 1.2 The Act further required that the Council appoints at least one Independent Person(IP):
- (a) whose views are to be sought and taken into account by the Monitoring Officer on an allegation being considered for investigation, but before a decision to investigate is made; and
  - (b) whose views may be sought:
    - (i) by the Monitoring Officer on other matters relating to an allegation; and
    - (ii) by a member or co-opted member of the Council who has been complained about.
- 1.3 To ensure 'independence', this person is not to have links to the Council, councillors or officers or been a member for the last five years. This meant that the previous independent Members of the statutory Standards Committee, who had served for a number of years, were disqualified from applying for the role as they were co-opted members of the Council.
- 1.4 In January 2014 it was considered timely to carry out a review of the role of the IP's and a training and consultation session with the Independent Persons was conducted. The current IP's at the time Mr. Carpenter and Mr. Little had held the role for just 18 months. Both were advised that provisionally their initial period would terminate after Annual General Council in 2014. During the review it was noted that the current picture is that the level of complaints against Members requiring the involvement of Independent persons has so far been at a low level.
- 1.5 The Monitoring Officer presented a report to Assembly on February 2014 recommending that the Council make an additional appointment of an Independent Person to provide resilience in the event of potential issues of conflict of interest or general unavailability of one of the Council's IP's. The Monitoring Officer further recommended that to ensure a good return on the investment in austere times that the engagement of Mr. Carpenter and Mr. Little be extended to afford time to provide further experience and enhance their skills and competencies. The Assembly agreed both recommendations.
- 1.6 However shortly after the meeting, Mr Little gave notice that he was stepping down from the role after deciding to be a candidate in the 2014 local elections. This meant that the Council's Independent Person number went down to one (Mr. Carpenter) on whom we have had to solely rely. This is unsatisfactory as it creates an avoidable conflict of interest and potential lack of legal compliance with the Localism Act 2011 if Mr Carpenter should not be available.

## **2. Proposal to Appoint**

- 2.1 In accordance with the Localism Act, to meet the risks identified the Monitoring Officer working with the lead Member carried out a recruitment exercise. The recruitment was conducted with local and web based advertisements. Two expressions of interest were received from Dr.Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu.



2.2 Both applications met the short listing criteria and the candidates were invited for interview on 11 February 2015. The applications were assessed by a recruitment panel under the direction of Councillor James Ogungbose, Cabinet Member for Central Services together with Fiona Taylor, Divisional Director of Legal and Democratic Services and Monitoring Officer and Paul Field, Senior Governance Solicitor. The quality of the performance of the candidates under interview and their experience was high. Both candidates have experience in dealing with ethical issues and neither have any connection with any political parties or been members.

2.3 The panel recommends that the two candidates be appointed based on their performance at interview and the identified need for two additional IP's to avoid the obvious conflict of interest that would arise were an IP to be consulted by both the Member and the Monitoring Officer.

## 2.4 **About the Candidates**

### 2.4.1 Dr Gurpreet Singh Bhatia

Dr Singh is a chartered drug discovery scientist. He has been a resident of Barking and Dagenham all his life and been educated at local schools. He has a PhD in Organic Chemistry from University College London. He demonstrated extensive experience in dealing with difficult ethical matters and adopting a common sense approach to resolution of challenging dilemmas. He understands the paramount importance of maintaining public confidence in the institution of democratic local government.

### 2.4.2 Pastor Thomas Adeyemi Aderounmu

Pastor Thomas Adeyemi Aderounmu has degrees in law and banking and finance and is a practicing Minister in the Borough. He understands well the need for the utmost discretion in the role and he demonstrated he possess valuable transferable skills that would enable him to function well in the role. He too showed that he appreciates the importance of the promotion of standards so as to maintain public confidence in the accountability of elected Members of the Council.

## 2.5 **Terms of engagement**

2.5.1 The appointments will commence from 1 March 2015 subject to satisfactory references. They would run until after the Annual Assembly meeting in 2018. Unlike the previous standards regime, the Independent Person is not a formal Member of a Council committee and has a purely advisory role. Following the decision to appoint by the Assembly an induction process will be arranged, so as to enable Dr.Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu to meet Members and officers of the Council.

2.5.2 The appointment attracts an annual allowance of £500. The IP's may also claim reasonable expenses for attendance, travel and subsistence. The IP's are not Co-opted Members and therefore the inclusion of such an allowance provision will not engage any need to have it approved / reviewed by the LBBB Members Remuneration Panel.

- 2.6 The Monitoring Officer recommends that the Assembly appoints Dr. Gurpreet Singh Bhatia and Pastor Thomas Adeyemi Aderounmu as the Council's independent persons for the purposes of section 28 of the Localism Act 2011 (subject to satisfactory references) with effect from 1 March 2015 to the date of the Annual General Meeting the municipal elections in 2018 and that Mike Carpenter retention continues to the date (Note: under Section 28(8) (c) (iii) of the Localism Act 2011, this decision must be agreed by a majority of the whole number of councillors).

### **3. Options Appraisal**

- 3.1 The appointment of at least one Independent Person is a statutory requirement of the Act. Discussions with other authorities indicate that while there is a statutory minimum of one IP under the Localism Act, it is common agreement that one is not sufficient. For example in 2013 when Thurrock Council lost an IP through an early death it took a number of months to recruit and place a replacement. During the vacant period it would not have been possible to manage complaints without conflicts of interest arising.
- 3.2 When Barking and Dagenham Council's scheme was established in late 2012 a minimum number of two was proposed principally because of the risk of conflict of interest. Officers believe that recent experience indicates that to ensure resilience there needs to be an additional appointment.
- 3.3 The recent experience of an early resignation leaving only one IP confirms that the 2014 proposals to aim for three IP's does provide the necessary level of resilience at minimal cost to the potential risk.

### **4. Consultation**

- 4.1 It is a statutory requirement that Assembly is consulted and approves the appointments.

### **5. Financial Implications**

Implications completed by: Olufunke Johnson, Finance Manager

- 5.1 The allowance and expenses required to fund these posts will be funded from existing budgets within Democratic Services.

### **6. Legal Implications**

Implications completed by: David Lawson, Deputy Head of Legal

- 6.1 The body of this report sets out the legal framework and as explained the Council is required to have a minimum of one IP though this should be considered to be unsatisfactory as there are circumstances where statutory obligations such as the right for a Member to consult with an IP and the need for consultation by the Monitoring Officer and a Sub-Committee means that two IPs is the bare minimum but such an arrangement provides for no resilience if an IP is not available.

## **7. Other Implications**

- 7.1 **Risk Management** - The Council has a duty to promote and maintain high standards of conduct. Failure to appoint IP's puts the Council at risk of not being able to fulfil these duties in accordance with the Act
- 7.2 **Customer Impact** - Residents of the borough must be confident that the Council will continue to promote and maintain high standards of conduct through the implementation of the statutory requirements of the Act

**Background Papers Used in the Preparation of the Report:** None

**List of Appendices:** None

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