



# CABINET

<b>7.30 pm</b>	<b>Wednesday 9 August 2017</b>	<b>Council Chamber - Town Hall</b>
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Members 9: Quorum 3

Councillor Roger Ramsey (Leader of the Council), Chairman

**Cabinet Member responsibility:**

Councillor Damian White

Housing

Councillor Robert Benham

Children & Learning

Councillor Wendy Brice-Thompson

Adult Social Services and Health

Councillor Osman Dervish

Environment and Community Safety

Councillor Melvin Wallace

Culture and Community Engagement

Councillor Clarence Barrett

Financial Management, Transformation & IT

Councillor Ron Ower

Housing Development Company and  
OneSource Management

Councillor Joshua Chapman

Deputy Cabinet Member for Housing

Councillor Jason Frost

Deputy Cabinet Member for Environment,  
Regulatory Services & Community Safety

**Andrew Beesley**  
**Head of Democratic Services**

**For information about the meeting please contact:**

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**Webcast**

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which is not in camera range.**

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Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

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Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

## **AGENDA**

### **1 ANNOUNCEMENTS**

On behalf of the Chairman, there will be an announcement about the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

### **2 APOLOGIES FOR ABSENCE**

(if any) - receive

### **3 DISCLOSURES OF INTEREST**

Members are invited to disclose any interests in any of the items on the agenda at this point of the meeting. Members may still disclose an interest in an item at any time prior to the consideration of the matter.

### **4 MINUTES** (Pages 1 - 16)

To approve as a correct record the minutes of the meeting held on 5<sup>th</sup> July, 2017 and the extraordinary meeting held on 19<sup>th</sup> July, 2017, and to authorise the Chairman to sign them.

### **5 BUSINESS RATES - DISCRETIONARY REVALUATION SUPPORT SCHEME** (Pages 17 - 30)

### **6 2016/17 TREASURY MANAGEMENT ANNUAL REPORT AND PROPOSED CHANGE TO THE 2017/18 TREASURY MANAGEMENT STRATEGY** (Pages 31 - 50)

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**MINUTES OF A CABINET MEETING**  
**Council Chamber - Town Hall**  
**Wednesday, 5 July 2017**  
**(7.30 - 8.30 pm)**

**Present:**

Councillor Roger Ramsey (Leader of the Council), Chairman

	<b>Cabinet Member responsibility:</b>
Councillor Damian White	Housing
Councillor Robert Benham	Children & Learning
Councillor Wendy Brice-Thompson	Adult Social Services and Health
Councillor Osman Dervish	Environment and Community Safety
Councillor Melvin Wallace	Culture and Community Engagement
Councillor Ron Ower	Housing Development Company and OneSource Management
Councillor Joshua Chapman	Deputy Cabinet Member for Housing
Councillor Jason Frost	Deputy Cabinet Member for Environment, Regulatory Services & Community Safety

Apologies were received for the absence of Councillor Clarence Barrett.

**8 DISCLOSURES OF INTEREST**

There were no declarations of interest.

**9 MINUTES**

The minutes of the meeting held on 13<sup>th</sup> June, 2017 were agreed as a correct record and signed by the Chairman.

**10 HAVERING COMMUNITY SAFETY PARTNERSHIP PLAN 2017-20**

Councillor Osman Dervish presented the report of Jerry Haley, Senior Community Safety and Development Officer to Cabinet recommending the

Havering Community Safety Partnership Plan (HCSP) 2017-2020 for approval by Council.

The Lead Member stated that this is a Statutory Plan as the HCSP, comprised of five responsible authorities, are required by law to work together to reduce crime, disorder, substance misuse and reoffending. It is also required that HCSP produces an annual strategic assessment of these issues within a community safety strategy or plan.

The strategic themes are addressed in the report and the Council priorities are reflected in the plan together with those of MOPAC (Mayor's Office for Policing and Crime) who are a major source of funding. The Plan is a high level document which supports a number of strategies all separately detailed within it and also gives details of how the HCSP intends to address the highlighted issues and priorities.

It will be for the Partnership to decide how outcomes will be measured and data collected and such issues will be addressed in the various strategies and subsidiary policies that run alongside the Plan.

Some performance indicators are set by MOPAC and further detail can be made available. There is engagement with the Community Ward Panels and Safer Neighbourhoods Board (SNB). A separate briefing could be arranged for Members.

The SNB address the latest statistics at each meeting and this promotes discussion. These aspects should be challenged on a local level by the community based ward Councillors who are well placed to put forward the views of the local community. A new Chair has recently taken up post on the SNB.

These issues could also be raised at the Crime and Disorder Overview and Scrutiny Sub Committee if necessary. It is important they are raised and scrutinised on behalf of the residents of Havering. There is a need to ensure that strategies are working as they should. Any issues can be fed back through to the Borough Commander to ensure all aspects of concern are being addressed and Councillors should be invited to attend to participate within their local area at Safer Neighbourhood Panel Meetings.

**Cabinet:**

- **AGREED** to recommend the Havering Community Safety Partnership Plan 2017- 2020 to full Council for approval.

**Other Options Considered:**

There were no other available options

**Reasons for Decision:**

- There is a statutory obligation under the Crime and Disorder Act, 1998 to produce a Community Safety Plan.

11 **2018/19 LOCAL IMPLEMENTATION PLAN ANNUAL SPENDING SUBMISSION - FUNDING FOR TRANSPORT PROGRAMMES AND PROJECTS IN HAVERING**

Councillor Osman Dervish presented the report of Daniel Douglas, Transport Planning Team Leader to Cabinet detailing the 2018/19 Local Implementation Plan, Annual Spending Submission.

The Lead Member set out the history of the matter. The Council makes an annual Local Implementation Plan (LIP) Spending Submission to Transport for London (TfL) in order to fund transport initiatives. This will be the main source of capital funding for transport projects in the Borough. The submission will be consistent with other linked strategy documents both of the London Mayor and the London Borough of Havering. It will embrace the recently adopted “vision” of Havering – Making a Greater London.

There are additional funding opportunities which include regular bids for “in year” funding from other funding “streams” that are launched by the Mayor, TfL and other agencies. This year such funding has included £600,000 to progress the detailed design of the Beam Parkway Major Scheme Project, £780,000 for Crossrail Complimentary Measures around Romford, Gidea Park and Harold Wood Stations and £38,000 for bus improvement measures.

This will continue under review to ensure all opportunities are followed up and other possible funding options will be pursued.

The indicative award for Havering is £2,682,000 for the 2018/19 financial year. Consultation with ward Councillors will take place before the submission and later this year Havering must indicate to TfL how the money will be spent in accordance with the latest LIP guidance.

The TfL guidance to boroughs was published in June and Members have access to that document. The consultation period runs up to 2<sup>nd</sup> October, 2017. It was noted that there was a heavy focus on Inner London aspects and that there was a difference in Havering and other boroughs such as Bromley and Bexley who relied more heavily on transport by car.

**For the reasons set out in the report, Cabinet:**

- **DELEGATED** authority to the Cabinet Member for Environment and Community Safety, approval of Havering’s full final LIP Funding Submission for 2018/19 to TfL.
- **APPROVED** that the Council evaluate, consider and submit further opportunities for investment in transportation initiatives that are available from TfL including potential Liveable Neighbourhoods applications, which sit outside the LIP Annual Spending Submission process.

- **DELEGATED** authority to the Cabinet Member for Environment and Community Safety, approval of the submission of such further transport infrastructure funding initiatives

**Other Options Considered:**

- There were no alternatives if the Council wishes TfL to confirm its LIP funding award to Havering for 2018/19.

**12 ANNUAL CORPORATE PERFORMANCE REPORT 2016/17**

The Leader of the Council on behalf of Councillor Clarence Barrett presented the report of Pippa Brent-Isherwood, Assistant Director of Policy, Performance and Community to Cabinet, detailing the highlights and areas required for improvement throughout the document.

The report sets out the end of year position. A total of 60 Corporate Performance Indicators have been included of these more than half are statutory or reported to the Mayor's Office for Policing and Crime (MOPAC) and 25 are local. 59 of the indicators are given a RAG rating with 68% on target or better and 32% with a RAG status of Red or Amber. This represents a decrease on the position at the end of Quarter 3.

The Leader stated there is much to be proud of in the Borough but still improvements need to be made in various areas, all detailed within the report.

Notably, there is an increase in the number of volunteers providing their services to the Borough with 472 volunteers participating in 58 community clean ups. In addition there is a reduction in planning appeals. The successful completion of drug treatment is now above target following the commissioning of a new provider.

8784 homes within the HRA stock met the decent homes standard. That represents 99.2%.

The percentage of young people leaving care in education, employment or training, at ages 18 to 21, was above target and an improvement on last year.

Improvements are needed regarding waste handling and fly tipping. Planning applications need improvement and various measures are being taken to address this. The number of online transactions has been disappointing but with the new Council website and improvements planned for the coming year, it is anticipated this will improve as customers opt to use the website as their preferred choice of contact with the Council.

Overview and Scrutiny Committees will continue to select indicators that are of concern and in their work plans will identify and address underperformance.



The issue of Levy Waste Tonnage performance is a major concern and a financial risk. Controls to restrict waste volumes must be in place. Campaigning alone will not be enough to mitigate the potential £10 million rise in costs expected, at the current rate, by 2027. The cost of waste disposal needs to be brought to the fore to encourage everyone in the Borough to take more care with their waste disposal choices. The total levy is £64 million per year with a current increase in costs at approximately £1 million per year. The cost will approach £90 million in the next ten years if unchecked.

Incinerators are a possible solution if transport costs are feasible and such a project acceptable to residents.

There will be significant opportunities after 2027 to re-procure services and officers across ELWA are looking into this.

**Cabinet:**

- **REVIEWED** the performance set out in Appendix 1 of the report and the corrective action being taken.
- **NOTED** the content of the Demand Pressures Dashboard attached at Appendix 2 of the report.

**Other Options Considered:**

- There were no other alternative options available.

**13 PROPOSAL FOR A NEW SPECIAL FREE SCHOOL IN HAVERING**

Councillor Robert Benham, Cabinet Member for Children and Learning presented the report of Trevor Cook, Acting Assistant Director for Education to Cabinet.

The London Borough of Havering submitted an expression of Interest (EOI) for a new a special free school in Havering in November, 2016. The Department for Education (DfE) notified the Council on 12<sup>th</sup> April, 2017 that this was successful and this is now progressing onto the next stage which is underway.

Once the specification is finalised and advertised for proposers the Council would only be able to withdraw with the consent of the DfE if a change of circumstances could be evidenced. It is unlikely that would be the case given the local need.

The site identified for the new school is the Century Youth House, Albert Road, Romford, RM2 2PS.

It is anticipated that proposals will be advertised in September, 2017. Four months will be allowed for responses. Detailed evaluation will then be undertaken and a two stage process will be followed to determine the preferred provider. The panel may choose to visit a school run by the proposer group.

The Regional Schools Commissioner will consider the submission put forward by the DfE and Local Authority following the determination of their

chosen provider. The final decision will be with the Secretary of State for Education.

Once a decision is in place the Local Authority will work closely with the proposer and the DfE to conclude the implementation of the new school.

The new school will create much needed extra provision for SEN places in the Borough and it will allow some of the Borough's children currently educated outside of the Borough to be educated in Havering. The new school will be co-educational, 3-16 years in age group and will provide 60 places.

The basis for the DfE approval is that the site will be provided by the Council. They will then grant fund and procure the building works necessary to provide the new school.

A number of local bidders are expected and the time line has been set. Further formal decisions will come forward through executive decisions which will allow consistent monitoring of progress by Members. There are a large number of independent providers nationally and schools of this kind are thriving across the country. Everything will be done to secure the best possible provision for Havering to attain a facility the Authority can be proud of.

The location of the site is well placed given the transport links and this represents an excellent opportunity for the Borough in an area that is ready to be developed to meet a very real need for local children.

**For the reasons set out in the report Cabinet:**

- **APPROVED** the proposal to seek a free school proposer for the establishment of a new special free school for 60 children with Communication and Interaction Needs (C&I) and Social, Emotional and Mental Health (SEMH) in the age range 3 to 16, on the site of Century Youth House, Albert Road, Romford RM1 2PS. The opportunity to offer respite provision and short breaks at the new facility will be taken forward with the successful proposer.
- **DELEGATED** all further decision making on the process necessary to complete the establishment of the new school, including approving the final proposer and any property transactions to the Director of Children Services, after consultation with the Lead Member.

**Other Options Considered:**

- Alternative sites were considered - At the time of submitting the original EOI, no other sites were viewed as suitable for a number of reasons, and it was agreed that Century Youth House would be included, despite the issues over the potential receipts from disposal. Further consultation with Strategic Property Services confirms that Century Youth House remains the preferred site, as all other sites are not deemed suitable due to a number of reasons. If an alternative was to be considered, they would need to have the case worked up and a decision then taken, and there is a risk that many sites would

fall away in that process, and the DfE need absolute certainty of the site before the Council can enter into the competition phase of the process.

- There was the option to do nothing – but this risks the Authority not being able to fulfil its statutory duty to provide suitable, sufficient education for the children it is responsible for. It also risks the Authority not gaining significant capital investment.

It was not necessary to exclude members of the press or public as there was no detailed discussion in relation to the restricted aspect of the report.

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**Chairman**

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**MINUTES OF A CABINET MEETING**  
**Council Chamber - Town Hall**  
**Wednesday, 19 July 2017**  
**(7.30 - 9.30 pm)**

**Present:**

Councillor Roger Ramsey (Leader of the Council), Chairman

	<b>Cabinet Member responsibility:</b>
Councillor Damian White	Housing
Councillor Wendy Brice-Thompson	Adult Social Services and Health
Councillor Osman Dervish	Environment and Community Safety
Councillor Melvin Wallace	Culture and Community Engagement
Councillor Ron Ower	Housing Development Company and OneSource Management
Councillor Joshua Chapman	Deputy Cabinet Member for Housing
Councillor Jason Frost	Deputy Cabinet Member for Environment, Regulatory Services & Community Safety

Apologies were received for the absence of Councillors Robert Benham and Clarence Barrett.

**14 DISCLOSURES OF INTEREST**

There were no declarations of interest.

**15 HAVERING LOCAL PLAN**

Councillor Damien White Deputy Leader of the Council and Cabinet Member for Housing presented the report of Martyn Thomas, to Cabinet for approval.

The agenda for the meeting was indeed a very long document which had been some time in the making to the testament of the Planning Policy Team. The Lead Member thanked Martyn Thomas and his team for a very comprehensive document which had been made available to all Councillors with the support of the team who were available to answer queries and

address any concerns. A drop-in session would also be arranged to address any outstanding issues.

The Deputy Leader stressed the importance for Havering to have an up to date Local Plan (LP) for the Borough. It will help set out the Council's long term strategic planning priorities and objectives. Since 2008 there has been a huge change in the Borough in relation to demographics and development. Whilst this has presented new challenges it also presents new opportunities. The LP will help identify opportunities for development in Havering; and provide clear planning policies on what will or will not be permitted and where.

It is crucial that development is dealt with in a measured way and a new LP is being prepared for Havering. When the new Plan is adopted it will replace key elements of the current Plan (the Havering Local Development Framework (LDF)) which has been in place since 2008.

The new plan will cover a plan period of 15 years from 2016 – 2031. It will help the Borough to:

- make sure that The Council get the development that Havering needs
- ensure that new developments are designed to a high standard and are well located
- protect and retain the things that are valued most in Havering.
- deliver and achieve the themes in The Council's latest vision, Havering – Making a Greater London with focus on – Places, Communities, Opportunities and Connections.

Since the LDF was adopted, the Government has published a new national planning policy document (the National Planning Policy Framework (NPPF)) and the London Mayor has revised his planning policies in the London Plan. Havering has to reflect the requirements of both of these in the preparation and delivery of its own new Local Plan. It is important that the LP is viewed as sound by Planning Inspectors and it will also ensure that Havering is equipped to support the delivery of its regeneration plan including two Housing Zones in Romford and Rainham and Beam Park. Crossrail will present many opportunities for the Borough and bids to the Mayor of London will be strengthened.

There will be an opportunity to shape crucial aspects of the Borough and housing targets will be re-set for the next 15 years. It will enhance Havering's reputation when dealing with partners.

The proposed Plan includes a spatial strategy which is referenced at pages 44-45 of the agenda in a very effective overview. The Plan will retain the growth areas and protect and enhance the Green Belt and the Borough's open spaces.

As part of its strategy the Council has looked at the scope for the Green Belt to provide land for new homes but the Council are satisfied that the Green Belt in Havering fulfils its purpose and that given the significant opportunity for new homes in development in the Boroughs built up area there is no justification to release any aspects of the Green Belt.

The focus will be on high quality development and the Borough will seek to champion best quality design. It is necessary to identify and promote key infrastructure within that development.

The decision of Cabinet is the start of the process. The LP is capable of challenge from a number of different authorities and Basildon has already indicated an objection together with Essex Council.

There is a wider consultation with partners such as the Clinical Commissioning Group (CCG) regarding health facilities. There must be engagement with neighbouring boroughs to enable Havering to discharge its legal obligations.

The programme of future work is set out in the Local Development Scheme.

It is important to clarify the intended approach in the part of the Local Plan dealing with renewable energy projects.

In line with Government requirements, the Council commissioned a specialist technical study to inform the Local Plan about wind energy projects, specifically, the potential scope for wind turbines to be sited in Havering subject to them securing planning permission.

The study identifies that several sites in the Green Belt in Havering are technically, potentially suitable for wind turbines (subject to securing planning permission). The potential sites include parts of Dagnam Park and Bedfords Park in Harold Hill.

The Council strongly emphasises that:

- the study was one of a number undertaken as a “supporting document” to meet technical requirements intended to inform the Council in the preparation of a Local Plan
- the Council does not support the identification of either Dagnam Park or Bedfords Park as sites with potential for wind turbines and there is no site identification in the Local Plan for Dagnam Park or Bedfords Park or any other sites
- the Council has no intention of developing wind turbines at Dagnam Park or Bedfords Park or at any of its other parks in Havering

Additionally, national planning policy says that renewable energy projects in the Green Belt are ‘inappropriate development’. In order to proceed, proposals must demonstrate ‘very special circumstances’ and must satisfy all other relevant planning requirements. Further, wind turbine proposals must also show that they have addressed community concerns and have the backing of the community before planning permission can be considered.

It is recommended therefore to amend the Local Plan to address these points as a point of clarification and the proposed amendment was seen by all to be included at page 117 of the agenda pack.

The Deputy Leader also corrected a mistake at page 88 of the agenda which makes reference in paragraph 9.4.2 to “average gross income”. This should read, “average gross household income”.

Policies 8 (dealing with Houses in Multiple Occupation), 21 (Affordable Work Space) and 29 (Green Infrastructure) are all key aspects. The HMO guidance and the Use Classes Order will be made available to Members in addition to the East London Planning Policy.

Once developed, the Local Plan will be used to work with developers to ensure the best possible schemes for Havering which will be kept under review. There will also be further documents to come through Supplementary Planning Documents.

The Local Plan will ensure the Borough is in optimum position to negotiate infrastructure to accompany regeneration and development.

Whilst Basildon Council has asked that the Cabinet meeting be postponed there is no need for that and Havering will continue to liaise under the duty to cooperate.

All Members agreed that there was a lot to go through and had spent a considerable time in doing so. It was important the Borough was able to deliver what was proposed as there had been an issue over the Romford Market development. There should be a real commitment in place to deliver infrastructure.

The Council are working with partners to achieve this. There is huge scope for development but it has to be right for Havering. The Plan seeks to encourage people to choose Havering as a place to live and work and this must be of quality. The Urban Design Panel will assist in this aspect. There is an Infrastructure Delivery Plan in place and the Council have been asked to bid for funding through the GLA. Every possible avenue will be explored to draw on all available resources.

More resources will be required as the Council plans for an ever increasing population. It is important that the Borough is able to keep up with the pace of development and deliver.

The Council are part of the planning process and have to have the appropriate detail in place to facilitate development not thwart it. If necessary the LP will have to pass on Public Enquiry and must be robust to achieve the best possible outcomes for Havering. What might be technically possible is different to the eventual outcomes and the Council are in dialogue with the GLA. One aspect of challenge focuses on land availability.



Affordable housing is needed and parking to accompany development is of concern and is recognised and addressed in the Local Plan. The Council need to make developments for the people of Havering not just in relation to migration. Outcomes are needed for the sons and daughters of Havering residents.

There has been a recent award of £33 million for regeneration on the Waterloo Estate which recognises the commitment of the Borough to deliver affordable housing. There must be a multi-level rent rates mix to accommodate as many individuals as possible within the Borough.

**Cabinet agreed to receive the proposed amendment and for the reasons set out in the report:  
Cabinet decided as follows:**

#### **1. HAVERING LOCAL PLAN**

**Cabinet:**

- **AGREED to an amendment to The Havering Local Plan 2016 – 2031 (Proposed Submission Version) as follows:**

**Amendment to Policy 36 (page 117 of the Cabinet Agenda pack) – Low Carbon design, decentralised energy and renewable energy**

No change to the Policy ‘headline’ but additional text (in red) and consequential renumbering to the explanatory text.

**12.8.4** In line with Government requirements set out in Written Ministerial Statement (HCWS42), a Local Plan Wind Resource technical feasibility study (2016) has been prepared. This has identified a number of potentially suitable locations for wind turbines in the borough subject to proposals satisfying planning policy requirements. These have been reflected in the Areas Suitable for Wind Energy Development designated on the Proposals Map. The Wind Resource Study identifies potential for wind turbines in the north of the borough within parts of Dagnam Park and Bedfords Park. These are Council owned parks. The Council does not intend to bring forward or support proposals for wind turbines at Dagnam Park and Bedfords Park or at any of its other parks.

**12.8.5** The Study identifies what areas are potentially suitable for large, medium or small turbines. Smaller turbines would not normally be allowed on sites suitable for larger wind turbines as this could reduce the potential for wind energy production.

**12.8.6** To demonstrate compliance with the Written Statement (HCWS42) dated (18 June 2015) all proposals for wind turbines should be accompanied by a consultation statement, which sets out how the proposal has been subject to meaningful pre-application consultation with the

affected local community. Following statutory consultation **with the relevant local community** as part of the planning application process, the applicant should be able to demonstrate that the planning impacts identified by affected local communities have been addressed in full.

- **APPROVED** the Council's responses to the representations received during consultation under Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012 ("the Regulations") and additional representations received during the preparation of the Proposed Submission Havering Local Plan as set out in the Havering Local Plan Consultation Response Statement (as included in Annex 5 of the Agenda);
- **APPROVED** the Local Development Scheme for publication (as included in Annex 3 of the Agenda)
- **ENDORSED and made the following recommendations to Council:**

**That Council:**

- **APPROVE** the proposed Submission Havering Local Plan (as included as Annex 1 of the Agenda as amended above) and changes to the 2008 adopted Proposals Map (as included at Annex 2) and procedural and evidence documents (listed below) for publication and public consultation under Regulation 19 of the Regulations prior to submission to the Secretary of State;
  - Consultation Statement 2017 (Annex 5);
  - Duty to Co-operate Statement 2017 (Annex 6);
  - Health Impact Assessment (Annex 7);
  - Equalities Impact Assessment 2017 (Annex 8)
  - Sustainability Appraisal 2017 (Annex 9)
  - Habitats Regulation Assessment 2017 (Annex 10);
  - Outer North East London Strategic Housing Market Assessment 2016 (Annex 11)
  - Outer North East London Strategic Housing Market Assessment: Update for Havering 2016 (Annex 12)
  - Housing Position Statement (Annex 13)
  - Retail and Commercial Leisure Needs Assessment 2015 (Annex 14)
  - Employment Land Review 2015 (Annex 15)
  - Open Space, Allotments and Sport and Recreation Needs Assessment 2016 (Annexes 16-21) comprising of:
    - Open Space Assessment Report

- Open Space Standards Paper 2016
- Indoor Sport and Leisure Facilities Assessment Report 2016
- Indoor Sport and Leisure Facility Strategy 2016
- Playing Pitch Strategy Assessment Report 2016
- Playing Pitch Strategy and Action Plan 2016
- Infrastructure Delivery Plan 2017 (Annex 22)
- Gypsy and Traveller Accommodation Assessment 2017 (Annex 23)
- Gypsy and Traveller Position Statement 2017 (Annex 24)
- Town Centre Position Statement 2017 (Annex 25)
- Wind Resource Evidence Base 2016 (Annex 26)
- Green Belt Study 2016 (Annex 27)
- Residential Car Parking Standards 2017 (Annex 28)
- Viability Assessment 2017 (Annex 29)
- Strategic Flood Risk Assessment 2016 (Annex 30)
- Transport Position Statement 2016 (Annex 31)
- Havering Strategic Modelling Technical Note 2016 (Annex 32)
- Havering SINC Review 2017 (Annex 33)
  
- **APPROVE** the Proposed Submission Documents, as set out above and relevant supporting documentation as the final documents for submission to the Secretary of State under Regulation 22 of the Regulations, subsequent to public consultation provided that only non-material and minor amendments are required
  
- **DELEGATE** authority to the Director of Neighbourhoods, following consultation with the Cabinet Member for Housing, to finalise and approve the proposed Submission Documents, as set out above for submission to the Secretary of State, including to:
  - make non material/minor amendments to the proposed submission documents;
  - undertake any further consultation required arising as a result of the Regulation 19 consultation;
  - make modifications to the Submission Documentation during and as a result of the Examination process; and

- make submissions to the Planning Inspectorate in support of the Submission Local Plan during the Examination process.

### **Reasons for the Decision**

- The Local Plan has been prepared to comply with legislation and to ensure that Havering has an up to date development plan.
- This will better enable the Council to ensure it is able to control and influence growth and change in the Borough and to deliver its vision: Havering: Making a Greater London.

### **Other Options Considered:**

- The option of not taking forward a Local Plan and continuing to rely on the Local Development Framework was considered and rejected for the following reasons:
  - It is a statutory requirement for every local planning authority to have a Local Plan; and

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**Chairman**



## CABINET

9<sup>th</sup> August, 2017

**Subject Heading:** Business Rates  
Discretionary Revaluation Support  
Scheme

**Cabinet Member:** Cllr Barrett

**SLT Lead:** Debbie Middleton  
Chief Financial Officer

**Report Author and contact details:** Dave Gibbs Head of Revenues &  
Transactional Finance  
[Dave.Gibbs@onesource.co.uk](mailto:Dave.Gibbs@onesource.co.uk)  
Tel 020 373-0675

**Policy context:** Business Rates Revaluation Relief –  
Discretionary Requirement

**Financial summary:** The Scheme is fully funded by Central Government. The amount of relief the London Borough of Havering’s can grant for the 4 year period is £1.696m, of which £0.989m is designated to the first year (2017/2018). Central Government are providing £12,000 to support the administration of the scheme which will contribute towards the admin costs and software development costs required to administer the scheme which are not yet fully determined. Further Government Funding may be awarded, dependent upon actual additional costs incurred.

### The subject matter of this report deals with the following Council Objectives

Communities making Havering	[x]
Places making Havering	[x]
Opportunities making Havering	[ ]
Connections making Havering	[ ]

**SUMMARY**

- 1.1 This document sets out the Council's proposals for administering the Revaluation Support Scheme (RSS) for the financial year 2017/18, and the schemes principles for the remaining 3 year period up until 2020/2021.
- 1.2 In the Budget statement on 8 March 2017, the Chancellor announced that the Government would provide £300m to support those business most adversely affected by the recent revaluation of commercial properties. This funding will be available over a period 4 years.
- 1.3 Local Authorities are able to use their current powers with regards to Discretionary Business Rate Relief under Section 47 of the Local Government Act 1988 to develop and administer this new relief.
- 1.4 The Government have not prescribed how this relief is to be applied as they consider that Local Authorities are best placed to design their own relief schemes to determine eligibility and how best to distribute this support.
- 1.5 The revaluation relief scheme will enable Havering to grant relief up to £1.696m as profiled in the table below. This funding will be applied to fully fund the award of relief to eligible businesses across the local share (split between the council and the GLA) and the central share..

<b>Year</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>Total Funding £m</b>
<b>Value of funding</b>	<b>£0.989</b>	<b>£0.481</b>	<b>£0.198</b>	<b>£0.028</b>	<b>£1.696</b>

- 1.6 Government have now confirmed that Authorities must use their annual allocation within each year and will not be allowed to carry forward any unspent allocation.

**RECOMMENDATIONS**

- Cabinet is asked to approve the proposed Discretionary Revaluation Support scheme as set out in the Report Detail.
- The scheme should be reviewed after year 1 by the Chief Financial Officer in consultation with the Lead Member to ensure the scheme is delivering maximum support to businesses.

**REPORT DETAIL**

- 2.1 Having considered various models, it is proposed that the scheme applies and equal allocation to all accounts which:
- have a Rateable Value (RV) of between £15,000 and £50,999
  - have incurred an increase of 2% or more in business rates compared to 2016/17
  - are occupied
  - are not in receipt of any Mandatory or Discretionary Rate Relief.
- 2.2 By limiting the Rateable Value thresholds to £15,000 to £50,999, this seeks to provide the maximum support to smaller businesses that have been adversely affected by the revaluation.
- 2.3 Qualifying properties with a Rateable Value below £12,000 will already receive 100% relief under the separate Small Business Rates Relief Scheme, assuming they occupy one property or other properties with a value below £2,899 or a total aggregate value of £27,999.
- 2.4 Under the same Small Business Rates Relief Scheme, businesses with a Rateable Value between £12,000 and £15,000 will receive tapered relief i.e. a property with a Rateable Value of £13,500, will receive 50% relief, and a property with Rateable Value of £14,000 will receive a 33% reduction in their rates charge.
- 2.5 In respect of 2017/2018 the local Discretionary Business Rate Revaluation Support Scheme will apply for the year 1 April 2017 to 31 March 2018. Under the scheme relief will only be provided where a qualifying ratepayer's bill has increased due to the 2017 revaluation by more than 2%. The total assistance the Council is able to offer under the scheme will be limited to the funding provided of £0.989m in 2017/18. Assistance in future years will be determined by the amount of grant awarded by central Government.
- 2.6 An analysis of the tax base has been undertaken, and it has been established that there are 1,422 properties within the Rateable Value range of £15,000 to £50,999. Within these properties, 308 have either experienced a decrease in their rates charge, or their charge has been limited to a maximum increase of 2%.
- 2.7 It is therefore expected that the proposed scheme for 2017/2018 will provide relief to up to 1,114 small businesses, and up to a maximum amount of £887.79 each. The scheme seeks to apply the same criteria as contained within the national Retail Support Scheme, which excludes Government Buildings, Advertising Rights, Amusement Arcades, and Communication Masts etc. The proposal also seeks to exclude betting shops and pay day lenders.

**Cabinet, 9<sup>th</sup> August, 2017**

- 2.8 Properties which were not on the rating list at 1 April 2017, will not be eligible for the relief. Ratepayers, who have arrears due from 2016/17 or earlier and are not paid by 01/09/17 or by arrangement with the Council, will not qualify.
- 2.9 Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any reason, the amount of their relief will be reduced or removed accordingly.
- 2.10 The schemes principles and Rateable Value thresholds will be adopted in years 2, 3 & 4 of the scheme, albeit the amount of relief awarded will decrease, in-line with the total levels of Government funding received for each year.
- 2.11 Due to state aid implications, relief will need to be awarded individually on a case by case basis and administered via an application form. Should the scheme be approved, the Council's business rates team, will proactively contact those businesses that are eligible to receive the relief, so that the support scheme is fully maximised.
- 2.12 The scheme and levels of funding allocation will be kept under review, and can be adjusted to take account of any unspent allocation, that may arise.

Year	2017/18	2018/19	2019/20	2020/21	
<b>Value of funding</b>	<b>£989,000</b>	<b>£481,000</b>	<b>£198,000</b>	<b>£28,000</b>	<b>£1,696,000</b>
No. of accounts on full list				5,864	£83,179,501
No. of accounts on full list & occupied				5,442	£79,941,799
No. of accounts on full list, occupied & RV 15,000 to 50,999				1,501	£15,933,494
No. of accounts on full list, occupied & RV 15,000 to 50,999 & no MR or DRR				1,422	£15,808,722
No. of accounts on full list & RV < 15,001				3,439	£3,573,398
No of accounts in receipt of SBRR				1,794	£523,538
Value of SBRR given					£5,263,081
<b>Proposed Scheme</b>					
<b>Criteria: Occupied, RV 15,000 to 50,999, No Mandatory or Discretionary relief</b>					
	2017/18	2018/19	2019/20	2020/21	
No. of accounts	1,422	1,422	1,422	1,422	
Chargeable amount	£15,808,725	£15,808,725	£15,808,725	£15,808,725	
RSS per account	£695.50	£338.26	£139.24	£19.69	
<b>Criteria: Increase in Bill &amp; Occupied, RV 15,000 to 50,999, No Mandatory or Discretionary relief</b>					
No. of accounts	1,114	1,114	1,114	1,114	
RSS per account	£887.79	£431.78	£177.74	£25.13	



## REASONS AND OPTIONS

### Reasons for the decision:

- 3.1 The Council is required by central government to implement a Discretionary Revaluation Support Scheme. The Council does not have the ability to abstain from the implementation of the scheme.

### Other options considered:

- 3.2 There may be other criteria upon which the scheme may be based. However, it is considered that the proposals outlined in this report, best seek to maximise the support to small businesses.

## IMPLICATIONS AND RISKS

### 4. Financial implications and risks:

- 4.1 The funding announced for the Havering area over the period to 2020/21 is as set out in the summary report. This funding will be used to award relief in accordance with the proposed scheme up to the total value of grant awarded, i.e. £1.696m. The profile of the funding over the business rates beneficiary organisations is as below, assuming we give relief up to the funding cap.

	Share	17/18 £m	18/19 £m	19/20 £m	20/21 £m	Total £m
LBH Council Tax	30%	0.297	0.144	0.059	0.008	0.509
GLA share	37%	0.366	0.178	0.073	0.010	0.628
Pool to central government	33%	0.326	0.159	0.065	0.009	0.560
		<b>0.989</b>	<b>0.481</b>	<b>0.198</b>	<b>0.028</b>	<b>1.696</b>

- 4.2 The Scheme will therefore be fully funded by Central Government. The share for Havering and the GLA (67%) will be paid to the council via s31 grant, the balance being met by government through the central share. It is understood that as part of the end of year NNDR3 return process there will be a reconciliation based on actual reliefs granted and the allocations of s31 grant to Havering and the GLA will be adjusted. The Government have confirmed that they will not allow funding to be carried over between financial years. However, officers will work to ensure the use of grant is maximised within any funding conditions that may apply.
- 4.3 The Council will incur additional costs in relation to the administration of the scheme in dealing with applications, calculating and awarding relief due. These costs are not yet known with certainty. However, Government has awarded an

initial £12,000 to Havering in 'new burdens' funding with potential further funding available subject to confirmation of actual costs.

- 4.4 The Council has formally consulted with the GLA on these proposals, and who have acknowledged the schemes objectives to maximize support to small businesses. The GLA have no objections to the proposed scheme.

**5. Legal implications and risks:**

The Consultation paper on the new schemes, published by DCLG in March 2017 states:

*"6.1 Billing authorities will be responsible for designing the discretionary relief schemes that are to operate in their areas. However, the Government expects billing authorities to discuss options with their major precepting authorities at an early stage and to consult them before adopting any scheme and where applicable consult their combined authority."*

*6.2 We will place conditions on the s.31 grant that we pay billing authorities requiring them to consult their major precepting authorities and where applicable their combined authority."*

If the DCLG carry through with their planned conditions then it will be a requirement to have completed consultation with the precepting authority, in this case the GLA, before finalising the scheme.

It is considered that in this case there is no duty to consult any more widely as the impact will only be advantageous to those who receive any benefit.

The requirements of lawful consultation are that the decision maker must conscientiously take into consideration any comments made by consultees prior to making a final decision and the consultee must have sufficient information and time to comment meaningfully.

Whenever the Authority is exercising functions it must comply with the public sector equality duty in s 149 Equality Act 2010 and therefore assess the impact of the proposed scheme as follows:

*(1) A public authority must, in the exercise of its functions, have due regard to the need to—*

*(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*

*(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*

*(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

**6. Human Resources implications and risks:**

N/A

**7. Equalities implications and risks:**

- 7.1 In consultation with the Corporate Diversity Advisor, it has been determined that an Equality Impact Assessment is not required at this time as the scheme is aimed at helping smaller businesses. In respect of the Equality Duty, there is no potential within the scheme for a detrimental or negative impact on 'protected' groups or individuals. The scheme will be kept under review as it is implemented.

**BACKGROUND PAPERS**

None

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# LB Havering Revaluation Support Scheme

## 1. Introduction

This document sets out the guidance for administering the Revaluation Support Scheme (RSS) for the financial year 1 April 2017 to 31 March 2019.

At the Budget on 8 March the Chancellor announced that the Government would provide £300m to support those business most effected by the recent revaluation. This funding would be spilt over 4 years.

Local Authorities are able to use their current powers with regards to Discretionary Business Rate Relief under section 47 of the Local Government Act 1988 to administer this new relief.

Havering will receive £1.696m funding towards this new relief spread over four years as shown below.

Year	2017/18	2018/19	2019/20	2020/21	Total Funding
Value of funding	£989,000	£481,000	£198,000	£28,000	£1,696,000

## 2. Local Discretionary Relief Scheme

- 2.1 The Local Discretionary Business Rate Relief Scheme will apply for the year 1 April 2017 to 31 March 2019 only. Under the scheme relief will only be provided where a qualifying ratepayer's bill has increased due to the 2017 revaluation. The maximum amount of relief available will be £887.79 per property in 2017/2018 and £431.78 in 2018/2019.
- 2.2 The assistance the Council is able to offer under the scheme will be limited to the funding provided which is anticipated to be around £989,000 in 2017/2018 and £481,000 in 2018/2019.
- 2.3 Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the following reasons, the amount of their relief will be reduced or removed accordingly, but not limited to this list.

- a reduction in rateable value in the 2010 and, or 2017 rating lists
- the provision of a certificated value for the 2010 rating list or historical change
- the application of any additional rate relief or exemption
- vacation and re-occupation of the property
- any other reason

Ratepayers who may benefit from the Scheme will be in occupation of a property with a rateable value of up to £50,999 and will fall into one of the categories listed below:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets)
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals
- Tool hire
- Hair and beauty services
- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Bars

**2.3 Please note that the following types of uses are not eligible for local discretionary business rate relief:**

Advertising Rights

Communication Masts

Car Parks

Amusement Arcades

Council and Government Buildings, NHS and Police  
or Fire Services

Betting Shops

Pay day lenders

Financial services (banks, building societies, cash points, bureau de  
Change.

2.4 Properties that are operated by the same organisation / business. This applies where the business runs three or more properties in the U.K or in the U.K and overseas.

2.5 Properties with an RV below £15,000

2.6 Properties with an RV above £50,999

2.7 Ratepayers in receipt of re-occupation relief in 2016/17 and / or 2017/18.

2.8 Ratepayers occupying properties after 1 April 2017.

2.9 Properties which were not on the rating list at 1 April 2017. (Relief will not apply where properties are entered into the list retrospectively).

2.10 Properties which are part unoccupied or unoccupied

2.11 Properties where any arrears due from 2016/17 or earlier are not paid by 01/09/17 or by arrangement with the Council.

2.12 Large organisations such as Transport for London, NHS, Council occupied properties and the Tenants Management Organisation.

2.13 Charities or other Kindred organisations in receipt of Mandatory and or Discretionary Rate Relief.



- 2.14 National and international organisations where the Authority believes that to award the relief would be in breach of state aid, or where the award of relief would not comply with EU law on state aid.

The application form requires the ratepayer to confirm that they have not received any other State Aid that exceeds in total €200,000, including any other rates relief (other than exemptions, transitional or mandatory reliefs) you are being granted for premises other than the one to which this declaration and letter relates, under the De Minimus Regulations EC 1407/2013.

Under the European Commission rules, the ratepayer must retain this guidance for three years and produce it on any request by the UK public authorities or the European Commission. (they may need to keep this guidance longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on 'De Minimus' aid for the next three years.

Further information on State Aid law can be found at <https://www.gov.uk/state-aid>

### **3. How the proposed Local Discretionary Business Rate Relief is Calculated:**

- 3.1 Local discretionary business rate relief is calculated after any or all of the following have been applied:
- Exemptions and other Reliefs
  - Transitional Relief or Premium

and before the application of the Business Rates Supplement. Local discretionary business rates relief does not apply to the supplement.

- 3.2 The maximum percentages of local discretionary business rate relief available on the net rates bill after the reliefs and exemptions described above and before the business rates supplement are shown in table 1.

Table 1

Year	2017/18	2018/19	2019/20	2020/21	
<b>Value of funding</b>	<b>£989,000</b>	<b>£481,000</b>	<b>£198,000</b>	<b>£28,000</b>	<b>£1,696,000</b>
No. of accounts on full list				5,864	£83,179,501
No. of accounts on full list & occupied				5,442	£79,941,799
No. of accounts on full list, occupied & RV 15,000 to 50,999				1,501	£15,933,494
No. of accounts on full list, occupied & RV 15,000 to 50,999 & no MR or DRR				1,422	£15,808,722
No. of accounts on full list & RV < 15,001				3,439	£3,573,398
No of accounts in receipt of SBRR				1,794	£523,538
Value of SBRR given					£5,263,081
<b>Proposed Scheme</b>					
<b>Criteria: Occupied, RV 15,000 to 50,999, No Mandatory or Discretionary relief</b>					
	2017/18	2018/19	2019/20	2020/21	
No. of accounts	1,422	1,422	1,422	1,422	
Chargeable amount	£15,808,725	£15,808,725	£15,808,725	£15,808,725	
RSS per account	£695.50	£338.26	£139.24	£19.69	
<b>Criteria: Increase in Bill &amp; Occupied, RV 15,000 to 50,999, No Mandatory or Discretionary relief</b>					
No. of accounts	1,114	1,114	1,114	1,114	
RSS per account	£887.79	£431.78	£177.74	£25.13	

#### 4. Appeals:

- 3.1 Appeals against a decision not to award relief on the basis of the criteria prescribed in this scheme should be made in writing to the Revenues Manager at [business.rates@onesource.co.uk](mailto:business.rates@onesource.co.uk)
- 3.2 There is no further right of appeal and the decision of the Revenues Manager is the final position in relation to the award of relief.

**Cabinet**

**9 August 2017**

**Subject Heading:**

**Annual Treasury Management Report 2016/17 and proposed change to the 2017/18 Treasury Management Strategy Statement**

**Cabinet Member:**

**Councillor Clarence Barrett**

**CLT Lead:**

**Debbie Middleton**

**Report Author and contact details:**

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**Policy context:**

The code of practice on treasury management 2009 requires a year end report to Full Council on the treasury management. Recommended changes to the Treasury Management Strategy also requires approval by Full Council

**Financial summary:**

There are no direct financial implications from the report. The changes requested to the Treasury Management Strategy will enable more flexibility in investment decisions going forward. The financial implications of all investment decisions will be considered as part of robust due diligence procedures taken in line with the Strategy and established processes and procedures.

**Is this a Key Decision?**

No

**Is this a Strategic Decision**

Yes

**When should this matter be reviewed?**

N/A

**Reviewing OSC:**

N/A

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[ X ]
Places making Havering	[ X ]
Opportunities making Havering	[ X ]
Connections making Havering	[ X ]

## SUMMARY

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function to Full Council at least twice yearly (mid-year and at year end).

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity, its associated monitoring and control of risk.

In 2016/17 there was no new long term borrowing, while external investment income outturn exceeded the budgeted figure by £0.509m was achieved despite the Bank of England bank rate cut in August 2016 from 0.5% to 0.25% and the benchmark LIBOR falling from 0.50% in Q2 to 0.44% at 31/3/17.

## RECOMMENDATIONS

That Cabinet:

1. **Note** the final 2016/17 Treasury Position set out in this report.
2. **Note** the treasury and prudential indicators as set out in **Appendix 3** of this report: and
3. **Recommend** to Full Council to consider this report and approve the proposed changes to the 2017/18 Treasury Management Strategy Statement (TMSS) as set out in **Appendix 4**.

## REPORT DETAIL

### Contents

1. Annual Investment Strategy
2. New Borrowing
3. Debt Rescheduling

4. Compliance with Treasury Indicators
5. Compliance with Prudential Indicators; and
6. Other Treasury Related Matters.

## 1. Annual Investment Strategy

1.1 The 2016/17 TMSS was approved by the Authority in February 2016 and sets out the investment priorities in order of priority as:

- Security of Capital
- Liquidity; and
- Yield.

1.2 The Authority will aim to achieve the optimum return (yield) on investments commensurate with acceptable levels of security and liquidity.

1.3 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. As a result of investing these cash balances, the Authority is exposed to financial risks and the revenue effect of changing interest rates. A breakdown of deposits held in 2016/17 is shown in appendix 1 while investment performance is shown in table 1 below:

**Table 1: Investment performance for 2016/17**

Benchmark	Benchmark Return %	Budgeted Rate of Return %	Actual Rate of Return %	Investment interest Earned* (£'m)
Quarter 1	0.58	0.60	0.77	0.237
Quarter 2	0.51	0.60	0.76	0.478
Quarter 3	0.47	0.60	0.69	0.923
Quarter 4	0.44	0.60	0.72	1.469

\*interest on external investments.

\* Figures changed slightly from Q4 report given outturn figures (subject to audit) have now been established. .

1.4 The UK Bank Rate fell to 0.25% in August 2016 from 0.50% since March 2009, keeping short-term money market rates at historically low levels.

1.5 As illustrated in Table 1, at Q4 the Authority outperformed the benchmark by 0.28% and the budgeted rate of return by 0.12%. The external investment interest earned was £1.469m compared to the budget of £0.960m.

1.6 The Authority had £212.7m of loans (long and short term loans) and £200.9m of investments at year end. This is summarised in Table 2 below and detailed in appendix 2.

**Table 2 – Existing Investment & Debt Portfolio Position**

	31/03/2017 <b>Actual Portfolio £m</b>	31/03/2017 <b>Average Rate %</b>
<b>Long Term Borrowing:</b>		
PWLB – Fixed Rate	<b>203.234</b>	
PWLB – Variable Rate	-	
Local Authorities	-	
LOBO Loans	<b>7.000</b>	
Other*	<b>1.339</b>	
<b>Total Long Term Borrowing</b>	<b>211.573</b>	<b>3.59</b>
<b>Short Term Borrowing</b>		
Local Authorities	2.250	
Other	0.262	
<b>Total Short Term Borrowing</b>	<b>2.512</b>	<b>0.43</b>
<b>Investments:</b>		
Short-term investments	160.904	
Long-term investments	40.000	
<b>Total Investments</b>	<b>200.904</b>	<b>0.71</b>
<b>Net Borrowing/ Investments</b>	<b>13.181</b>	

\*Energy efficiency loan.

## **2. New borrowing**

- 2.1 Affordability and the “cost of carry” remain important influences on the Authority’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.
- 2.2 As short-term interest rates are likely to remain below long-term borrowing rates, it is more cost effective in the short-term to use internal resources instead although this will be kept under constant review and will respond to opportunities and changing forecasts as they arise.
- 2.3 In 2016/17, no new long term borrowing was undertaken to fund capital expenditure. Future capital spending plans are regularly reviewed and any additional long term borrowing will only be taken after careful consideration of affordability, revenue impact, direction in travel of interest rates, the

Authority's capital programme requirement and advice from the Treasury Adviser.

- 2.4 During 2017/18 a fundamental review of the Authority's capital investment plans is being undertaken in order to develop a 5 year capital programme from 2018/19 to 2023/24. The programme will be developed to align with the Corporate Plan priorities, optimise the use of external funding streams and ensure that any further borrowing to fund future capital investment plans is affordable over the long term in revenue terms.

### **3. Debt Rescheduling**

- 3.1 The opportunities for debt rescheduling are regularly reviewed by the Authority's treasury adviser in consultation with senior treasury officers, the S151 officer and lead Cabinet Member for Finance.
- 3.2 The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for loans in the Authority's portfolio and prevented any debt rescheduling activity in 2016/17.

### **4. Treasury and Prudential Indicators**

- 4.1 Appendix 3 shows treasury activity compared with the Authority's approved Treasury and Prudential Indicators (affordability limits) for 2016/17 as set out in the approved TMSS.

### **5. Other Treasury related Matters**

#### **5.1 Policy on Use of Financial Derivatives**

- 5.1.1 The Authority has not entered into any stand alone financial derivatives during the financial year 2016/17.

#### **5.2 Policy on Apportioning Interest to the HRA**

- 5.2.1 The Authority has apportioned interest to the HRA at 0.50%. All the risks associated with treasury activities (which are kept to a minimum through the Authority's TMSS) lie with the General Fund rather than the HRA. This rate will be reviewed in 2017/18.

#### **5.3 Investment Training**

- 5.3.1 The needs of the Authority's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

5.3.2 During 2016/17 staff attended training courses, seminars and conferences provided by the Treasury Adviser, CIPFA and other treasury organisations. In addition treasury management staff also attended the London Treasury Officers Forum, a group set up for networking and sharing best practice.

## **5.4 Investment Advisers**

5.4.1 The Authority appointed Arlingclose Limited as treasury management advisers. Throughout the course of the year officers receive on a daily basis specific advice on investment, debt and capital finance issues augmented by a quarterly strategy review meeting with the S151 officer and the lead Member for Finance.

## **5.5 Security**

5.5.1 Security of capital remains the Authority's overriding investment objective and is delivered through the Authority's counterparty policy as set out in its TMSS 2016/17.

5.5.2 Counterparty credit quality was assessed and monitored with reference to credit ratings (using the ratings from all three of the main credit rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. During the financial year none of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July 2016 and by the Bank of England in November 2016.

5.5.3 The Authority has also made use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment as additional security for its deposits.

## **6.0 Proposed Changes to the 2017/18 TMSS**

6.1 Officers and the Treasury Adviser constantly scan the market to identify suitable investment opportunities and with investment rates remaining lower for longer and CPI inflation increasing, the need to do this is ever more important if investment income budget targets are to be met.

6.2 This point was made in the Q4 report to Audit Committee and the proposed changes are requested so that Officers have scope to investigate investments that will provide higher returns than are currently available in the strategy but without compromising the aforementioned investment objectives. Examples of such investments are: asset backed solar bonds and pooled funds.



- 6.3 The Cabinet is being asked to recommend to Full Council to consider the report and approve changes to the 2017/18 TMSS amendments to enable the Authority to invest in unrated, secured corporate bonds and increase the limit on pooled fund investments. These amendments are set out in appendix 4 of this report.

## REASONS AND OPTIONS

### **Reasons for the decision:**

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function to Full Council at year end.

### **Other options considered:**

The other option would be to not report the performance of the treasury function and request approval of the amendments to the 2017/18 Treasury Management Strategy however as this would be in breach of CIPFA's TM Code, this was not considered.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

There are no direct financial implications from this report. The financial implications of future treasury decisions will be considered within the financial governance framework of the TMSS and its established processes and procedures to ensure the investment objectives are achieved.

### **Legal implications and risks:**

The Local Authority has a power to invest in virtue of section 12 Local Government Act 2003 (a) for any purpose relevant to its functions under any enactment, or (b) for the purposes of the prudent management of its financial affairs. The Authority must have regard to relevant guidance which in this case is provided by CIPFA. Otherwise there are no apparent legal implications or risks from this report.

### **Human Resources implications and risks:**

There are no HR implications from this report

**Equalities implications and risks:**

There are no Equalities implications arising from this report

**BACKGROUND PAPERS**

None

**Appendix 1****Table 1: Breakdown of Deposits**

<b>Institution Type</b>	<b>31<sup>st</sup> March 2016 Actual £'m</b>	<b>31<sup>st</sup> March 2017 Actual £'m</b>
<b>UK Banks</b>		
Barclays Bank PLC	13.798	-
Close Brothers Ltd	5.000	-
Goldman Sachs INT"L Bank	10.000	18.000
Lloyds Bank PLC	15.000	24.000
Royal Bank of Scotland	0.545	-
Santander UK PLC	10.037	23.984
Standard Chartered Bank	5.000	-
<b>UK Building Societies</b>		
Coventry Building Society	10.000	5.000
Leeds Building Society	2.000	0
Nationwide Building Society	18.000	13.000
Yorkshire Building Society	5.000	5.000
<b>Local Authorities &amp; Other Public Sector</b>		
Birmingham City Council	5.000	-
Blaenau Gwent County Borough Council	1.000	-
Doncaster Borough Council	5.000	-
Eastleigh Borough Council	5.000	5.000
Highland Council Inverness	-	12.000
Lancashire County Council	15.000	15.000
London Borough of Islington	-	5.000
Newcastle Upon Tyne City Council	5.000	5.000
North Lanarkshire Council	-	5.000
Northumberland County Council	-	15.000
Wiltshire County Council	5.000	
<b>Non UK Banks</b>		
<b>Australia</b>		
Australia & New Zealand Banking Group	-	3.000
Commonwealth Bank of Australia	5.000	10.000
National Australia Bank	5.000	-
<b>Canada</b>		
Bank of Montreal	-	4.000
Toronto-Dominion Bank	13.000	-
<b>Netherlands</b>		
Cooperative Rabobank	8.000	15.000
<b>Sweden</b>		
Svenska Handelsbanken	13.948	-
<b>Singapore</b>		
Development Bank Singapore	5.000	2.000
Overseas-Chinese Banking Corporation	5.000	9.000
United Overseas Bank Limited	7.000	-
<b>Switzerland</b>		
Credit Suisse	5.000	-
<b>Money Market Funds</b>		
HSBC Global Liquidity Fund Class G	-	6.920
<b>TOTAL INVESTMENTS</b>	<b>202.328</b>	<b>200.904</b>

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## Appendix 2

Table 1: Loans and investments made and repaid during the year

	Balance at 01/4/16 £'m	Raised £'m	Repaid £'m	Balance at 31/3/17 £'m	Average Rate %
<b>Loans</b>					
PWLB	203.234	-	-	203.234	3.60
Money Market (LOBO)	7.000	-	-	7.000	3.60
Temporary Borrowing	0.162	57.251	(54.900)	2.512	0.42
<b>TOTAL Loans*</b>	<b>210.396</b>	<b>57.251</b>	<b>(54.900)</b>	<b>212.746</b>	<b>3.56</b>
<b>Investments</b>					
Fixed Deposits	162.000	(353.415)	353.415	162.000	0.75
Money Market Funds	-	(91.850)	84.930	6.920	0.29
Call Accounts	35.355	(319.727)	331.906	23.176	0.43
Covered Bonds	5.000	(3.808)	-	8.808	1.08
<b>TOTAL Investments **</b>	<b>202.355</b>	<b>(768.800)</b>	<b>770.251</b>	<b>200.904</b>	<b>0.71</b>

\* Figure excludes £1.339m non treasury energy efficiency loan.

\*\* Balance at 01/4/16 Investment figure includes £0.027m service investment which was repaid in 2016/17.



## **Appendix 3**

### **Treasury and Prudential Limits**

#### **1. Compliance with Treasury Limits**

##### **1.1 Liquidity**

1.1.1 The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments by the next working day and within a rolling three month period, without additional borrowing.

1.1.2 During 2016/17 interest rates have relatively flat in the 12 month period and investments were kept on shorter duration in case rates increased. This resulted in the liquidity targets being exceeded as shown in table 1 below.

Table 1: Liquidity activity at 31/03/17

	<b>Target £'m</b>	<b>Actual £'m</b>
Total cash available by the next working day	5.000	6.920
Total cash available within 3 months	30.000	61.000

##### **1.2 Interest Rate Exposures**

1.2.1 This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of gross principal borrowed was:

Table 2: Interest rate exposure activity

	<b>2016/17 %</b>
Upper limit on fixed interest rate exposure	100.00
Actual	94.70
Upper limit on variable interest rate exposure	25.00
Actual	5.30

1.2.2 Having a larger share of fixed interest rate borrowing provides stability to the Authority's budget strategy by removing the risk of interest payments increasing should interest rates rise.

##### **1.3 Maturity Structure of Borrowing**

1.3.1 This indicator is set to control the Authority's exposure to refinancing risk. The approved upper and lower limits on the maturity structure of fixed rate borrowing were:

1.3.2 This table compared to Q4 report includes amendments made to the loans management system to bring PWLB loans principal to agree with PWLB reported figures to the Authority and the energy loans received from a third party.

Table 3: Loan maturity structure

	Upper %	Lower %	Actual %
Under 12 months	40.00	0	1.20
12 months and within 24 months	40.00	0	0
24 months and within 5 years	60.00	0	1.10
5 years and within 10 years	75.00	0	9.60
10 years and above	100.00	25.00	88.10

1.3.3 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

#### 1.4 Principal Sums Invested for Periods Longer than 364 days

1.4.1 The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end are:

Table 4: Investments for periods longer than 364 days

	31/3/2017 £'m	31/3/2018 £'m	31/3/2019 £'m
Limit on principal invested beyond year end	75	75	75
Actual	40	40	20

1.4.2 The £40m invested for greater than 364 days are with other local authorities or secured investments.

## 2. Compliance with Prudential Indicators

2.1.1 The Local Government Act 2003 requires the council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.



2.1.2 As referred to in section 2 of the report, a fundamental review of the Authority's capital investment plans is being undertaken during 2017/18 to develop a 5 year capital programme from 2018/19 to 2023/24 to align with the Corporate Plan priorities. The programme will be developed to ensure that any future capital investment that is financed by further borrowing is affordable in revenue terms, prudent and sustainable.

## 2.2 Estimates of Capital Expenditure

2.2.1 The Authority's approved planned capital expenditure and financing are summarised as follows:

Table 5: Capital Expenditure

Capital Expenditure and Financing	2016/17 Revised £'m	2016/17 Actual £'m	2017/18 Estimate £'m	2018/19 Estimate £'m	2019/20 Estimate £'m
General Fund	66.303	68.287	102.069	61.831	53.771
HRA	17.193	19.827	60.570	39.955	33.441
<b>Total Capital Expenditure</b>	<b>83.496</b>	<b>88.114</b>	<b>162.639</b>	<b>101.786</b>	<b>87.218</b>
Capital Receipts	16.358	26.014	26.781	16.230	13.545
Government Grants	33.015	25.032	52.818	25.901	20.532
Reserves	0	0	26.114	7.129	3.035
Revenue	16.823	20.462	24.156	22.526	16.106
Net Financing Requirement	17.300	16.606	32.770	30.000	34.000

## 2.3 Estimates of Capital Financing Requirement (CFR)

2.3.1 The CFR measures the council's underlying need to borrow for a capital purpose.

Table 6: CFR

CFR	31/03/17 Estimate £'m	31/03/17 Actual £'m	31/03/18 Estimate £'m	31/03/19 Estimate £'m	31/03/20 Estimate £'m
General Fund	76.440	75.909	97.109	115.740	133.377
HRA	174.669	174.669	184.669	194.669	208.669
<b>Total</b>	<b>251.109</b>	<b>250.578</b>	<b>282.403</b>	<b>310.409</b>	<b>342.046</b>
Movement in CFR	<b>16.100</b>	<b>15.406</b>	<b>31.200</b>	<b>28.006</b>	<b>31.637</b>
Net Financing Need per table 5	<b>17.300</b>	<b>16.606</b>	<b>32.770</b>	<b>30.000</b>	<b>34.000</b>
Less MRP	1.200	1.200	1.570	1.994	2.363
Movement in CFR	<b>16.100</b>	<b>15.406</b>	<b>31.200</b>	<b>28.006</b>	<b>31.637</b>

2.3.2 As at 31 March 2017, the Budget Strategy assumes CFR will rise by £91.4m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment. However subject to the aforementioned review this figure may increase as additional programs are added.

## 2.4 Gross Debt and the CFR

2.4.1 So that medium term debt will only be used for a capital purpose, the council should ensure that external debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR requirement for the current and next two financial years. Table 7 illustrates this indicator has been met.

Table 7: Gross debt and the CFR

	31/03/17 Estimate £'m	31/03/17 Actual £'m	31/03/18 Estimate £'m	31/03/19 Estimate £'m	31/03/20 Estimate £'m
Long Term External Debt	211.573	211.573	211.205	210.838	256.470
CFR	251.203	250.578	282.403	310.409	342.046
Internal Borrowing	39.630	39.005	71.198	99.571	85.576

2.4.2 Total debt is expected to remain below the CFR during the forecast period. Whilst there are no commitments to increase long term debt over the next 3 years Once the ongoing review of the 5 year capital programme is completed for 2018/19, it may be necessary to increase long term external debt in 2019/20 when investment balances become depleted and internal borrowing is no longer available. In addition it may be necessary to bring forward external long term borrowing should there be an anticipated change in the future interest rate yield curve.

2.4.3 The actual debt levels are also monitored against the Operational Boundary and Authorised Limit for External Debt, below.

## 2.5 Operational Boundary for External Debt

2.5.1 The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Table 8: Operational Boundary

<b>Operational Boundary Revised</b>	<b>2016/17 £m</b>
Borrowing	258.700
Other long-term liabilities	2.000
<b>Total</b>	<b>260.700</b>
<b>Actual Long Term Debt</b>	<b>211.573</b>
<b>Headroom</b>	<b>49.127</b>

## 2.6 Authorised Limit for External Debt

2.6.1 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 9: Authorised limit

<b>Authorised Limit</b>	<b>2016/17 £m</b>
Borrowing	284.600
Other long-term liabilities	2.000
<b>Total Debt</b>	<b>286.600</b>
<b>Long Term Debt</b>	<b>211.573</b>
<b>Headroom</b>	<b>75.027</b>

## 2.7 Ratio of Financing Costs to Net Revenue Stream

2.7.1 This ratio is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Table 10: Ratio of Financing Costs to Net Revenue Stream

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2015/16 Actual %</b>	<b>2016/17 Estimate %</b>	<b>2016/17 Actual %</b>
General Fund	2.54	2.02	2.12
HRA	7.28	5.56	5.26

## 2.8 Incremental Impact of Capital Investment Decisions

2.8.1 This ratio is an indicator of affordability that shows the impact of capital investment decisions on council tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the new capital programme.

Table 11: Incremental Impact of Capital Investment funded by Borrowing

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2016/17 Actual £
General Fund - increase in annual band D Council Tax	7.75	7.52
HRA - increase in average weekly rents	3.46p	3.0p

## 3. Adoption of the CIPFA Treasury Management Code

3.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition.

### 4.0 HRA Limit on Indebtedness

4.1 The Authority's HRA CFR should not exceed the limit imposed by the Department for Communities and Local Government at the time of implementation of self-financing. The Authority complied with this requirement as set out below

Table 12: HRA Limit on Indebtedness

HRA CFR Limit:	£209.003m				
	2016/17 Estimate £'m	2016/17 Actual £'m	2017/18 Estimate £'m	2018/19 Estimate £'m	2019/20 Estimate £'m
HRA CFR	174.669	174.669	184.669	194.669	208.669
Difference	34.334	34.334	24.334	14.334	0.334

## **Appendix 4**

### **Changes to the 2017/18 Treasury Management Strategy Statement**

4.1 In February 2017, the 2017/18 Treasury Management Strategy Statement was approved by Council as required by the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) and Department for Communities and Local Government (DCLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

4.2 The Treasury Management Strategy Statement fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA code and DCLG guidance.

4.3 During the period since the February Council approval of the TMSS, officers have been working in consultation with the Cabinet Member for Financial Management on developing options to mitigate the adverse effect on investment income from interest rates remaining lower for longer than planned and increased CPI inflation that is set to rise to circa 3%. An option explored has been to invest in secured unrated corporate bond investments. This will require the Authority to expand the list of instruments it can invest in. Full Council approval is required make this amendment.

4.4 The changes proposed are highlighted in bold below and have been made in consultation with the Authority's external treasury adviser. Any investment in these new instruments will subject to the officers undertaking robust due diligence including specialist advice as required, compliance with the Authority's financial strategy and approval of the S151 officer in consultation with the Cabinet Member for Financial Management.

**Table 1: Original Approved Investment Counterparties**

Credit Rating	Banks Unsecured*	Banks Secured*	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	Unlimited 50 years	n/a	n/a
AAA	£25m 5 years	£25m 20 years	£25m 50 years	£15m 20 years	£15m 20 years
AA+	£25m 5 years	£25m 10 years	£25m 25 years	£15m 10 years	£15m 10 years
AA	£25m 4 years	£25m 5 years	£25 15 years	£15m 5 years	£15m 10 years
AA-	£25m 3 years	£25m 4 years	£25m 10 years	£15m 4 years	£15m 10 years
A+	£25m 2 years	£25m 3 years	£15m 5 years	£15m 3 years	£15m 5 years
A	£25m 13 months	£25m 2 years	£15m 5 years	£15m 2 years	£15m 5 years
A-	£25m 6 months	£25m 13 months	N/A	£15m 13 months	£15m 5 years
BBB+	£15m 100 days	£15m 6 months	N/A	£10m 6 months	£10m 2 years
BBB or BBB-	£15m next day only	£15m 100 days	N/A	N/A	N/A
None	£1m 6 months	N/A	N/A	£50,000 5 years	£10m 5 years
Pooled funds	£25m per fund				

**Table 2: Revised Approved Investment Counterparties**

Credit Rating	Banks Unsecured*	Banks Secured*	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	Unlimited 50 years	n/a	n/a
AAA	£25m 5 years	£25m 20 years	£25m 50 years	£15m 20 years	£15m 20 years
AA+	£25m 5 years	£25m 10 years	£25m 25 years	£15m 10 years	£15m 10 years
AA	£25m 4 years	£25m 5 years	£25 15 years	£15m 5 years	£15m 10 years
AA-	£25m 3 years	£25m 4 years	£25m 10 years	£15m 4 years	£15m 10 years
A+	£25m 2 years	£25m 3 years	£15m 5 years	£15m 3 years	£15m 5 years
A	£25m 13 months	£25m 2 years	£15m 5 years	£15m 2 years	£15m 5 years
A-	£25m 6 months	£25m 13 months	N/A	£15m 13 months	£15m 5 years
BBB+	£15m 100 days	£15m 6 months	N/A	£10m 6 months	£10m 2 years
BBB or BBB-	£15m next day only	£15m 100 days	N/A	N/A	N/A
None	£1m 6 months	N/A	N/A	£5m 5 years	£10m 5 years
Pooled funds	£25m per fund These include Bond Funds, Gilt Funds, Equity, Enhanced Cash Funds, Mixed Asset Funds and Money Market Funds				