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BARNET
LONDON BOROUGH

MEETING CABINET RESOURCES COMMITTEE
DATE AND TIME TUESDAY 30 NOVEMBER 2010 AT 7.00PM
VENUE HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Daniel Thomas

Councillors:

Brian Coleman	Richard Cornelius	Andrew Harper
Lynne Hillan	Robert Rams	

You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Acting Democratic Services Manager

Democratic Services contact: Jonathan Regal, 020 8359 2012

Media Relations contact: Chris Palmer 020 8359 7408

To view agenda papers on the website: http://committeepapers.barnet.gov.uk/democracy

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

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AGENDA ITEM: 5 Pages 1 – 8

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Treasury Management Activity for the half year ended 30 September 2010**
Report of	Cabinet Member for Resources and Performance
Summary	To report on Treasury Management activity in the half year to 30 September 2010.

Officer Contributors	John Hooton - Assistant Director of Strategic Finance Karen Bannister – Interim Treasury Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix – Deposits as at 30 September 2010 with Credit Ratings
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister, Interim Treasury Manager, 020 8359 7119.

1. RECOMMENDATIONS

1.1 That the Treasury Management activity for the half year ended 30 September 2010 be noted.

1.2 That the Committee consider any areas on which it would like to receive further information.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 25 March 2008 (Decision item 18) – Treasury Management Business Strategy.

2.2 Cabinet, 23 October 2008 (Decision item 12) – Council Deposits in Icelandic Banks.

2.3 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.

2.4 Cabinet Resources Committee, 19 January 2009 (Decision item 16) – Treasury Management Strategy.

2.5 Cabinet Resources Committee, 30 March 2009 (Decision item 13) – Treasury Management Strategy.

2.6 Cabinet Resources Committee, 15 June 2009 (Decision item 7) – Outturn 2008/09.

2.7 Cabinet Resources Committee, 2 September 2009 (Decision item 15) – Treasury Management Activity in the Quarter to 30 June 2009.

2.8 Cabinet Resources Committee, 2 November 2009 (Decision item 14) – Treasury Management Activity to 31 August 2009.

2.9 Cabinet Resources Committee, 19 January 2010 (Decision item 9) – Treasury Management Activity to 18 December 2009.

2.10 Cabinet Resources Committee, 23 February 2010 (Decision item 10) – Treasury Management Activity to 31 December 2009.

2.11 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.

2.12 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.

2.13 Cabinet Resources Committee, 22 April 2010 (Decision item 7) – Treasury Management Activity to 25 March 2010.

2.14 Cabinet Resources Committee, 17 June 2010 (Decision item 17) – Treasury Management Outturn for the year ended 31 March 2010.

2.15 Cabinet Resources Committee, 19 July 2010 (Decision item 10) – Treasury Management Activity to 31 May 2010.

2.16 Cabinet Resources Committee, 2 September 2010 (Decision item 9) – Treasury Management Outturn for the Quarter ended 30 June 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy (TMS) ensures effective treasury management supports the achievement of the Council's corporate priority for 2010-2013, 'Better services with less money', through the strategic objective "make sure we get best value from resources across the public sector, including our people and assets". The TMS is committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and deposit portfolios.

4.2 There is a risk of the Council becoming too risk averse in its response to this situation, and not achieving budgeted deposit income.

4.3 The United Kingdom's AAA Sovereign rating is at risk of being downgraded. The impact of such a downgrade will be addressed when in the future Treasury Management Strategy updates to be approved by this Committee.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The management of the Council's cash flow ensures the availability of adequate monies to pay for the delivery of the authority's public duties.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, IT, Property, Sustainability)

6.1 During the six months to 30 September 2010, the Council achieved £0.773m of net interest benefit (£1.65m in 2009/2010).

6.2 The wider financial implications for the Council are dealt with in section 9 of this report.

7. LEGAL ISSUES

7.1 None other than those mentioned in the body of this report.

8. CONSTITUTIONAL POWERS

8.1 Financial Regulations (Part 1, Section 7) within the Council Constitution state:
(1) This organisation adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code), as described in Section 4 of that code.
(2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.
(3) The Chief Finance Officer will create and maintain suitable Treasury Management Practices (TMPs).

(4) The content of the policy statement and TMPs will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.
(5) Cabinet Resources Committee will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.

9. BACKGROUND INFORMATION

9.1 Treasury Management Strategy 2010/11

9.1.1 The Council's Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 16 March 2010. The TMS 2010/11 is a continuation of the 2009/10 strategy pending the tender and appointment of Treasury Advisors. The TMS 2010/11 reflects the Council Budget 2010-2011 Forward Plan and Capital Programme. They set out the timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing.

9.1.2 The key changes were:
(i) The introduction of liquidity and security benchmarks, as required by CIPFA Treasury Management Code of Practice, are outlined in Annex A to the Treasury Management Strategy:
(ii) The removal of references to Money Market Funds; and
(iii) The reference to the use of a minimum sovereign rating now applies only to non-UK institutions. This reflects the risk that the UK sovereign rating may be downgraded.

9.1.3 Following the banking crisis in 2008, a number of amendments were made to counter party criteria, initially by Cabinet in October 2008 and then subsequently under delegated powers by the Leader (who at that time was also the Cabinet Member for Resources). The amendments sought to reduce risk by raising the bar on minimum counterparty ratings as the uncertainty over the financial stability of financial institutions grew.

9.1.4 The TMS is under constant review to reflect market conditions and the financing requirements of the Council.

9.2 Icelandic Bank Deposits

9.2.1 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government is working with the Icelandic Government to help bring this about. At the current time, the process of recovering assets is still ongoing with the Administrators. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic deposits. Members will be periodically updated on the latest developments on these efforts.

9.2.2 On 9 December 2009, Bevan Brittan, the solicitors acting on behalf of the LGA, received notification from the Glitnir Winding-up Board that they had accepted all local authority claims as general unsecured claims, rather than priority claims.

9.2.3 Bevan Brittan actively challenged this decision prior to the Creditor's meeting on 17 December 2009, but, it was not possible to reach an agreement. A mediation process has taken place and there has been no change to the general unsecured position. Therefore it is now a matter for the Icelandic judicial system.

9.2.4 Without priority status local authorities are likely to realise a return in the region of 29% for Glitnir deposits and 38% for Landsbanki deposits. Should priority status be upheld authorities are expected to recover 100% of Glitnir deposits and 95% of Landsbanki deposits.

9.2.5 The 2009/10 accounts, which assume local authorities have priority status, include impairments adjustments to the General Fund as prescribed by Financial Reporting Standards and LAPP updates. The risk is managed through the Risk Reserve.

9.3 Economic background for the Half Year Ended 30 September 2010

9.3.1 The UK economy continues to emerge from recession, although the level of activity remained well below pre-crisis levels.

9.3.2 The Bank of England's Monetary Policy Committee voted to maintain the official Bank Rate at 0.5% and to maintain the £200bn stock of gilts and corporate bonds. It is expected that the official Bank Rate will hold steady for the remainder of the year.

9.3.3 The spread between Bank Rate and 3 month LIBID (investment rate that depositors could earn) increased slightly during the quarter from 0.07% to 0.22% at 30 September 2010.

9.3.4 Gross Domestic Product (GDP) increased by 1.2% in the second quarter of 2010, compared with an increase of 0.3% in quarter one. The growth was spread broadly across services, construction and production.

9.3.5 Annual Consumer Price Index (CPI) inflation remained above the 2% target with an annual figure of 3.1% to 30 September 2010. Predicted higher food and fuel prices raise the risk that inflation may not contract further during 2010. Inflation is expected to rise in January 2011 as the VAT rate increases to 20%.

9.3.6 The long-term interest rate (Public Works Loan Board (PWLB) 50 year maturity) started the quarter at 4.70% and then fell to 4.32% at 30 June 2010.

9.3.7 The TMS will be kept under review specifically in terms of market conditions, benchmarks and yield.

9.4 Borrowing Performance

9.4.1 A borrowing requirement of £56.32m (£10.5m is Housing Revenue Account) is currently forecast for 2010/11. The capital program is kept under constant review and any changes that impact on the external borrowing will be reported to this Committee.

9.4.2 The total value of long term loans dropped from £214.5m at 31 March 2010 to £207.5 at 30 September 2010. However the average cost of borrowing remained steady at 4.09%.

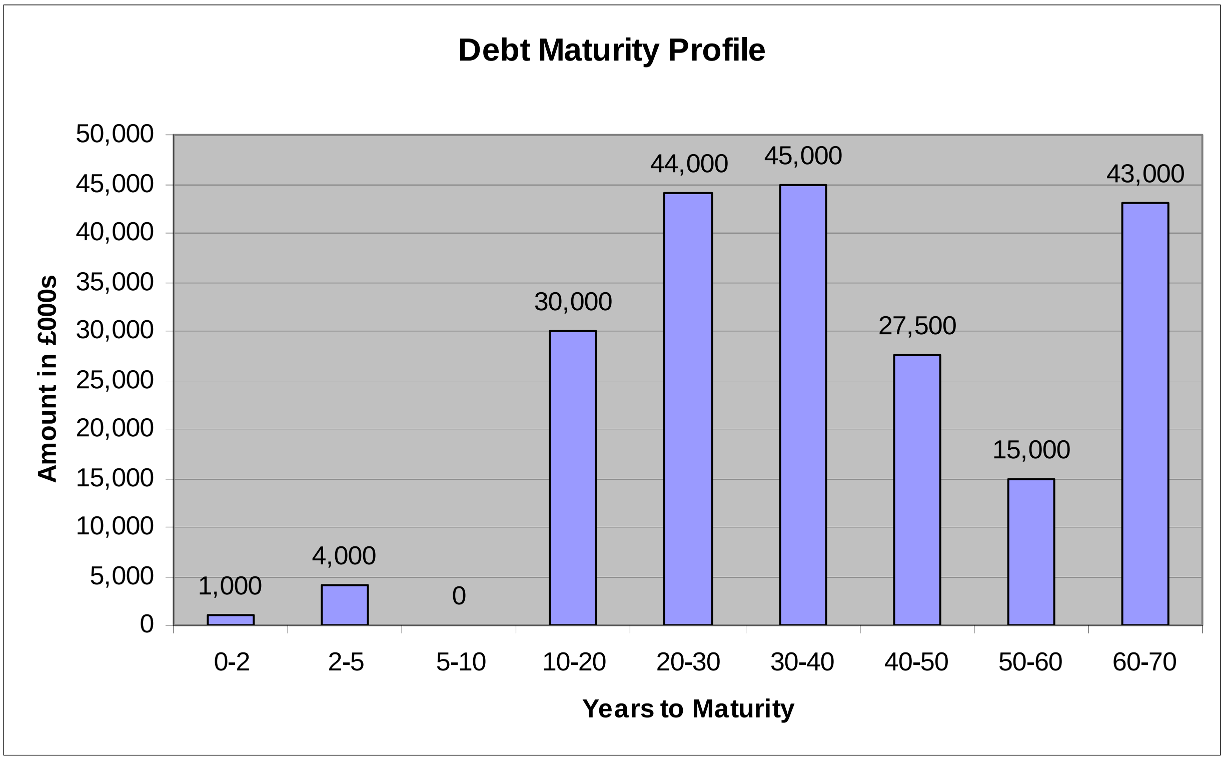
9.5 Current Portfolio

9.5.1 The Council's long term debt position at the beginning and end of the half year was as follows:

	30 September 2010		31 March 2010	
	Principal	Average Rate	Principal	Average Rate
PWLB	£140.00m	4.19%	£147.00m	4.21%
Market	£62.50m	3.82%	£62.50m	3.82%
Temporary	£5.00m	4.50%	£5.00m	4.50%
	£207.50m	4.09%	£214.50m	4.09%

9.5.2 The Council's long-term debt portfolio is a mixture of PWLB and market loans in the form of LOBOs (Lender's Option Borrower's Option), loans that are at a fixed interest rate for an initial period, following which the lender can change the interest rate but the borrower has the option to repay the loan if the rate is changed and not considered value for money.

The Council's current debt maturity profile is outlined in the graph below.



9.5.3 In order to comply with accounting standards for financial instruments, some of the market loans in the debt portfolio have been recalculated on an effective interest rate basis as apposed to being calculated on an amortised cost basis. The total value of loans in question before re-measurement was £9.5m; and additional charge of 0.36m has now been added to the carrying value of these loans.

9.6 Investment Performance

9.6.1 Deposits are managed internally. At 30 September 2010, deposits outstanding amounted to £255.55m (£84.47m of which is Pension Fund Cash), achieving an average rate of return of 0.40% (adjusted for Icelandic deposits) against a benchmark of 0.25%.

9.6.2 The benchmark is the average 7-day LIBID rate (un-compounded), sourced from the Financial Times. The LIBID rate or London Interbank Bid Rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

9.6.3 The Council outperformed the benchmark return in the quarter by 0.15%, which based on the average balance invested for the half year produced some £139,000 additional interest.

9.7 Prudential Indicators

9.7.1 The prudential indicators have been reviewed and will be reported to this committee before as part of the revised Treasury Management Strategy.

9.8 Compliance

9.8.1 The current TMS was approved by this Committee on 17 March 2010. The TMS demands regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this committee that all current deposits for investment are in line with agreed principles as contained within the corporate TMS.

9.8.2 As at 30 September 2010, the Council had deposits outstanding with a total value of £255.55m (£84.47m of which is Pension Fund cash) of which four Icelandic deposits totalling £27.4m fell outside the TMS as approved on 17 March 2010. A list of deposits outstanding and counterparty credit ratings at 30 September 2010 is attached as an appendix.

9.8.3 All Deposits placed during the quarter ended 30 September 2010 were compliant with the TMS as approved on 17 March 2010.

9.8.4 Treasury management procedures are monitored and reviewed in light of new CIFPA guidance and current market conditions.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – PD
CFO – AT

DEPOSITS OUTSTANDING AS AT 30 SEPTEMBER 2010

Category	Deal Number	Counter Party	Deposit Date	Maturity Date	Rate of Interest	Amount Outstanding	Fitch Rating L Term	Fitch Rating S Term	Fitch Rating Indiv	Fitch Rating Support	Moody's Rating L Term	Moody's Rating S Term	Moody's Rating Fin Stgth	S&P Ratings L Term	S&P Ratings S Term
		Debt Management Agency Deposit Facility							**Government Backed**						
1	2000010866	DEBT MANAGEMENT OFFICE	17-Sep-10	22-Oct-10	0.25	5,000,000									
1	2000010870	DEBT MANAGEMENT OFFICE	20-Sep-10	29-Oct-10	0.25	2,000,000									
		Local Authorities							**Local Authorities**						
2	2000010756	BARNSLEY M B C	16-Jul-10	11-Oct-10	0.3	3,300,000									
2	2000010874	BIRMINGHAM CITY COUNCIL	21-Sep-10	21-Dec-10	0.29	2,000,000									
2	2000010885	BIRMINGHAM CITY COUNCIL	29-Sep-10	01-Nov-10	0.3	5,000,000									
2	2000010845	BRISTOL CITY COUNCIL	06-Sep-10	22-Oct-10	0.31	2,000,000									
2	2000010831	DUMFRIES & GALLOWAY COUN(	01-Sep-10	01-Oct-10	0.32	5,000,000									
2	2000010868	DUMFRIES & GALLOWAY COUN(	20-Sep-10	20-Oct-10	0.29	5,000,000									
2	2000010721	EASTLEIGH B C	01-Jul-10	01-Oct-10	0.29	3,000,000									
2	2000010876	EASTLEIGH B C	22-Sep-10	21-Dec-10	0.33	5,000,000									
2	2000010819	HEREFORDSHIRE COUNCIL	19-Aug-10	19-Oct-10	0.35	2,800,000									
2	2000010757	KIRKLEES COUNCIL	16-Jul-10	15-Oct-10	0.28	3,000,000									
2	2000010771	KIRKLEES COUNCIL	13-Aug-10	12-Nov-10	0.33	2,000,000									
2	2000010794	KIRKLEES COUNCIL	03-Aug-10	03-Nov-10	0.32	2,000,000									
2	2000010879	LANCASHIRE COUNTY COUNCIL	23-Sep-10	23-Dec-10	0.33	5,000,000									
2	2000010880	LANCASHIRE COUNTY COUNCIL	23-Sep-10	23-Dec-10	0.33	3,000,000									
2	2000010882	LANCASHIRE COUNTY COUNCIL	24-Sep-10	01-Nov-10	0.3	1,000,000									
2	2000010796	MIDLOTHIAN COUNCIL	04-Aug-10	04-Nov-10	0.35	5,000,000									
2	2000010787	NORTHAMPTON SHIRE COUNCII	30-Jul-10	04-Oct-10	0.37	5,000,000									
2	2000010743	PLYMOUTH CITY COUNCIL	12-Jul-10	12-Oct-10	0.29	3,000,000									
2	2000010749	PLYMOUTH CITY COUNCIL	13-Jul-10	13-Oct-10	0.29	2,000,000									
2	2000010829	PLYMOUTH CITY COUNCIL	01-Sep-10	01-Oct-10	0.3	10,000,000									
2	2000010786	REDDITCH BOROUGH COUNCIL	02-Aug-10	01-Nov-10	0.37	2,000,000									
2	2000010856	REDDITCH BOROUGH COUNCIL	13-Sep-10	13-Dec-10	0.35	2,000,000									
2	2000010875	REDDITCH BOROUGH COUNCIL	21-Sep-10	01-Dec-10	0.35	1,500,000									
2	2000010878	REDDITCH BOROUGH COUNCIL	23-Sep-10	15-Oct-10	0.3	1,800,000									
2	2000010830	SHEFFIELD CITY COUNCIL	01-Sep-10	01-Oct-10	0.3	13,000,000									
2	2000010855	SHEFFIELD CITY COUNCIL	10-Sep-10	30-Nov-10	0.35	5,000,000									
2	2000010872	SOUTHAMPTON CITY COUNCIL	21-Sep-10	19-Oct-10	0.3	2,400,000									
2	2000010873	SOUTHAMPTON CITY COUNCIL	21-Sep-10	21-Dec-10	0.3	3,000,000									
2	2000010739	STOCKPORT METROPOLITAN B(	07-Jul-10	04-Oct-10	0.28	1,850,000									
2	2000010834	SWINDON BOROUGH COUNCIL	10-Sep-10	01-Oct-10	0.29	5,000,000									
2	2000010835	SWINDON BOROUGH COUNCIL	17-Sep-10	11-Oct-10	0.29	5,000,000									
2	2000010869	THE HIGHLAND COUNCIL	20-Sep-10	29-Oct-10	0.3	3,000,000									
2	2000010828	THURROCK BOROUGH COUNCII	01-Sep-10	01-Oct-10	0.3	25,000,000	**A-**	**F1**	**F**	**1**	**A3**	**P-1**	**E**	**A-**	**A-1**
		Banks and Building Socieities with a UK Government controlling interest					AA-	F1+	C/D	1	Aa3	P-1	C-	A+	A-1
4	2000010728	ROYAL BANK OF SCOTLAND	01-Jul-10	01-Oct-10	0.64	20,000,000	AA-	F1+	C	1	Aa3	P-1	D+	A+	A-1
4	2000010341	BANK OF SCOTLAND CORPORA'	09-Sep-09	Call Account	0.75	25,000,000	**AA-**	**F1+**	**B**	**1**	**Aa3**	**P-1**	**C**	**AA-**	**A-1+**
		UK banks covered by the UK banking system support package					AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+
5	2000010527	BARCLAYS COMMERCIAL BANK	11-Feb-10	Call Account	0.4	25,000,000	AA-	F1+	B	1	Aa3	P-1	C	AA-	A-1+
5	2000010888	BARCLAYS BANK PLC	30-Sep-10	01-Nov-10	0.487	6,500,000	**>£50billion up to 182 days or £25billion to £50 billion up to 90 days**								
		Building Societies													
		None					Comments on Redemption (if known)								
		Investments outside TMS													
		Icelandic Banks													
	2000005163	GLITNER BANK (ICELAND)	07-Nov-06	frozen		7,000,000									
	2000005218	GLITNER BANK (ICELAND)	24-Jan-07	frozen		3,000,000									
	2000005226	GLITNER BANK (ICELAND)	07-Feb-07	frozen		2,400,000									
	2000005511	LANDISBANKI ISLANDS H.F.	28-Sep-07	frozen		15,000,000									
	TOTAL VALUE OF INVESTMENTS					**255,550,000**									
		LESS ICELANDICS				**228,150,000**									

AGENDA ITEM: 6 Pages 9 – 33

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Treasury Management Strategy**
Report of	Cabinet Member for Resources and Performance
Summary	To approve the Treasury Management Strategy including the borrowing strategy, cash management strategy, the duration of investments permissible, the investment counter party list and investment counterparty criteria.

Officer Contributors	Andrew Travers – Deputy Chief Executive and Chief Finance Officer John Hooton – Assistant Director of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix – Treasury Management Strategy
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: John Hooton, Assistant Director of Strategic Finance, on 020 8359 2460 or Karen Bannister, Treasury Manager, on 020 8359 7119.

1. RECOMMENDATIONS

1.1 That the revised Treasury Management Strategy, including the borrowing and cash management strategies and the investment counterparty criteria, be approved. The key amendments to the strategy are set out in paragraph 9.7, including amendments to the duration of investments and the counterparty list.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 25 March 2008 (Decision item 18) – Treasury Management Business Strategy.

2.2 Cabinet, 23 October 2008 (Decision item 12) – Council Deposits in Icelandic Banks.

2.3 The Leader of the Council and Cabinet Member for Resources approved under delegated powers (DPR 712) on 5 December 2008 the Treasury Management Strategy 2008/09 – Deposit Counterparty Limits.

2.4 Cabinet Resources Committee, 19 January 2009 (Decision item 16) – Treasury Management Strategy.

2.5 Cabinet Resources Committee, 30 March 2009 (Decision item 13) – Treasury Management Strategy.

2.6 Cabinet Resources Committee, 16 March 2010 (Decision item 9) – Treasury Management Strategy 2010/11.

2.7 Special Committee (Constitution Review), 25 March 2010 (Decision item 8) – Amending the Council's Financial Regulations.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Treasury Management Strategy provides a clear framework within which the treasury management activity of the Council can operate and provides a set of policy guidelines to support the achievement of one of the Council's corporate priorities – 'Better Services with Less Money. The Council is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques to ensure effective delivery of the Strategy.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and deposit rates are determined by the market and can be volatile at times. This risk is mitigated by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by proactively managing the debt and investment portfolios.

4.2 The placement of deposits carries inherent risk with regard to the robustness of the counterparty and therefore the potential loss of the cash deposited. This is mitigated within the Strategy by defining the criteria for placing funds with counterparties to ensure it is commensurate with the risk appetite of the Council.

4.3 An update on treasury management activities are made to this Committee on at least a quarterly basis in order to give Members greater insight into Treasury Management decisions and to report on compliance with the policies agreed by Members.

4.4 The Strategy seeks to minimise the cost of borrowing and maximise interest generated on investments but within the confines of a relatively risk adverse approach and thereby avoids exposing the Council to unnecessary financial risks.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The Council's capital programme and budget is set to ensure that resources are allocated in line with the Council's priorities and equal opportunities legislation, ensuring that there are strong links between the capital budget and the key priority plans for each service. The resulting capital expenditure enables the Council to invest in the long-term future of the Borough to provide benefit to residents. Capital expenditure is funded from a number of sources of which borrowing is one of them. The Council's corporate priorities and their aligned budgets will also support the Council in meeting its public duties.

6. USE OF RESOURCES IMPLICATIONS (FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS)

6.1 One of the prime objectives of CIPFA's code of practice on Treasury Management and subsequent Treasury Policy Statements is to ensure that, by using prudent and proper practices, the financial resources of local authorities are protected and best utilised.

6.2 Within the annual budget and Council Tax setting process, the Council includes estimates for borrowing and deposit interest levels. The possibility of debt restructure will be kept under constant review in light of the Council's needs and market conditions, including interest rate forecasts.

6.3 As interest rates are not expected to rise significantly by the end of 2010/11, there will be a budget pressure in the current year which will be lessoned by the slight relaxation of the Investment Strategy. This may negate the need to make further reductions in the interest income budget projections for 2011/12.

7. LEGAL ISSUES

7.1 These are addressed within the body of the report.

8. CONSTITUTIONAL POWERS

8.1 Part 1, Section 7 (Treasury Management Framework) of the Financial Regulations section of the Council's Constitution states:

(1) The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities – Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public Services: Code of Practice" (CIPFA,2001) and any subsequent recommended good practice by CIPFA.

Adherence to Prudential Code

(2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.

(3) The Chief Financial Officer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control these activities.

The content of the policy statement and TMPs will predominantly follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the organisation. Such amendments will not result in the authority materially deviating from the Code's key recommendations.

(4) Cabinet Resources Committee will receive reports on its treasury management activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.

(5) The Chief Finance Officer has the delegated authority to undertake long term borrowing on behalf of the Authority and will issue a Delegated Powers Report immediately after this power is exercised to inform Members.

This organisation delegates responsibility for the implementation and the monitoring of its treasury management policies and practices to the Executive and the updating of the Treasury Management Practices, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practices on Treasury Management.

8.2 The Treasury Management Strategy 2010/11, set out in Appendix A to this report, fulfils the requirements outlined in paragraph 7.1 of the Financial Regulations of the Council's Constitution.

8.3 The Council's Constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions of the Cabinet Resources Committee including 'To consider reports on treasury management strategy and activity, including creating and maintaining a Treasury Management Policy Statement'.

9. BACKGROUND INFORMATION

9.1 Treasury Management in Local Government is guided by the 2001 revision of the CIPFA Code of Practice on Treasury Management in the Public Services. The Council has adopted the Code and complies with its requirements.

9.2 The primary requirement of the Code is the formulation and agreement of a Treasury Policy Statement and practices which set out Council, committee and officer responsibilities, and delegation and reporting arrangements. The statement and accompanying practices were approved by Council on 7 January 2003.

9.3 A requirement of the Council's Treasury Policy Statement is the reporting to Cabinet Resources Committee of both the expected treasury activity for the forthcoming financial year (the Annual Treasury Management Strategy Statement) and subsequently the results of the Council's treasury management activities in that year (as part of the Annual Outturn Report). Throughout the year, the Council's prudential indicators have historically been reported regularly to Cabinet Resources Committee in the Monitoring Report and this will continue in 2010/11 to ensure Members are informed of treasury management activity.

9.4 The Council's Treasury Management Strategy 2010/11 was approved at Cabinet Resources Committee on 16 March 2010. The TMS 2010/11 was a continuation of the 2009/10 strategy pending the tender and appointment of Treasury Advisors.

9.5 The key changes were:

(i) The introduction of liquidity and security benchmarks, as required by CIPFA Treasury Management Code of Practice.
(ii) The removal of references to Money Market Funds; and
(iii) The reference to the use of a minimum sovereign rating was amended so that it only applied to non-UK institutions, to reflect the risk of the UK sovereign being downgraded.

9.6 The Council's treasury advisors, Arlingclose, have now had an opportunity to undertake a review of the Council's balance sheet and to identify the council's short, medium and long term cash flow requirements. These requirements and there assessment of the short and medium term opportunities have now been incorporated into a revised Medium Term Financial Strategy for 2010/11 which is attached as an appendix to this report.

9.7 There are two key changes to the investment strategy namely investment duration and the list of counterparties. The investment strategy has been amended to extend the maximum permissible duration of investments from the current limit of 92 days to 364 days. This brings the strategy in line with that of other local authorities and will enable a higher rate of return on investments.

The counter party list has been amended to include counterparties recommended by Arlingclose, the council's treasury advisors. Arlingclose use a variety of methods to assess a counterparties creditworthiness including: credit ratings, credit default swaps, gross domestic product (GDP), debt as a percentage of GDP, sovereign support mechanisms and share price. This is an expansion on the current counterparty list which is limited to the DMO, Local Authorities, HSBC, Barclays, Lloyds Banking Group and the Royal Bank of Scotland.

9.8 It is proposed that the Council adopts the counterparty list of Arlingclose (the Council's treasury advisors) which includes the Debt Management Account Deposit Facility, T-Bills, UK local authorities, UK and non-UK banks and AAA-rated Money Market Funds.

Each institution on the list has a minimum long-term rating of A+ (the highest in the single-A category) from each of the main credit rating agencies, Fitch, Moody's and Standard & Poor's. The creditworthiness criteria on which the list is based also includes a range of indicators and does not rely on credit ratings alone. The UK institutions (7 banks and the Nationwide BS) on the list are those deemed to be systemically important to the UK financial system. The non-UK institutions are the major banks in specific countries with mature banking systems – Australia, Canada, Finland, France, Germany, Netherlands, Switzerland, Sweden, Switzerland and the US - and which have shown relative resilience through the financial crisis. The sovereign states and the banks within them have been selected after careful analysis and monitoring of the national GDP/net debt as a percentage of GDP, share price, credit default swap (where available) and, importantly, the willingness and the capacity of the sovereign state or a strongly-resourced parent to support the institution in case of need.

AAA-rated Money Market Funds are collective investment schemes which invest in a highly diversified range of short-term assets. The principal objectives of MMFs are the preservation of capital and the provision of very high liquidity (same day subscription and withdrawal). The assets in the fund are held in a safe-custody account and belong to the investors (termed shareholders) in the fund and not to the fund management company.

Also included on the list is the Council's banker, the Co-operative Bank; however as the bank's long-term ratings are below the minimum threshold of A+, investments with the bank will only be made on an operational basis with a maximum maturity of 5 days.

The counterparty list will offer greater diversification and spread of counterparty risk than at present. Further details are outlined in the appendix to this report.

9.9 Further borrowing will be needed to fund the Capital Programme as funding internally depletes cash reserves. The decision to undertake further borrowing has been triggered by the need to bring borrowing back in line with our underlying need to borrow, also known as our Capital Financing Requirement (CFR), and to cash-back our Balances and Reserves, which are sums of money that should be available for the Council to call upon in time of need. It is the Council's policy to match the Capital Financing Requirement with borrowing medium term. The Chief Finance Office will make decisions regarding the timings and terms of borrowing in accordance with the TMS. Fortuitously the timing of this decision is set against a backdrop of historically low interest rates. The CFR will be subject to continuous review to accurately reflect amendments to the capital program.

9.10 Debt Restructuring – It is proposed to restructure some PWLB maturity loans into variable rate and Equal Instalment of Principal (EIP) loans. The decision to restructure has been taken to allow the Council to benefit from the current historically low level of interest rates and in doing so lower the cost of borrowing, generating a revenue gain. PWLB variable interest rates are in the order of just 0.70% compared to our portfolio average interest rate of 4.09%. Additional restructuring may include the use of PWLB EIP borrowing which affords a degree of medium term certainty – 10 year rates being in the order of 2.10%. This decision may however carry a small short term financing cost as the Council will be unable to lend out these sums at the same rate that has been borrowed. Although this will incur a short term cost the long term benefit to the Council far outweighs this cost. Decisions to undertake restructuring opportunities will be make by the Chief Finance Officer in accordance with the TMS.

10. LIST OF BACKGROUND PAPERS

10.1 Treasury Management in the Public Services – CIPFA's Code of Practice and Cross-Sectoral notes.

10.2 Any person wishing to inspect this background paper should contact Karen Bannister on 020 8359 7119 or Karen.bannister@barnet.gov.uk.

Legal – PD
CFO – AT

APPENDIX

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

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<u>Appendices</u>

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to determine the Treasury Management Strategy Statement (TMSS). This statement also incorporates the Investment Strategy as required under the Communities and Local Government (CLG) Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year.

In response to the financial crisis in 2008 and the collapse of the Icelandic banks, CIPFA revised the TM Code and Guidance Notes as well as the Prudential Code in late November 2009. CLG released revised Investment Guidance in April 2010. These changes have been incorporated into the London Borough of Barnet's treasury procedures and practices.

1.2 CIPFA has defined Treasury Management as:
"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.3 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk is an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal & Regulatory Risk

1.4 The strategy also takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position (Appendix A), the Prudential Indicators (Appendix B) and the outlook for interest rates (Appendix C).

1.5 The purpose of this Treasury Management Strategy Statement is to approve:

- Treasury Management Strategy for 2010-11 (Borrowing – Section 4, Debt Rescheduling – Section 5, Investments – Section 6)
- Prudential Indicators – Appendix B (NB - PI No. 6 - The Authorised Limit is a statutory limit)
- MRP Statement – Section 8
- Use of Specified and Non-Specified Investments – Appendices D & E

2. Balance Sheet and Treasury Position

2.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are set out below:

	31 Mar 10 Actual £m	**31 Mar 11 Estimate £m**	**31 Mar 12 Estimate £m**	**31 Mar 13 Estimate £m**
CFR	246,117	288,755	294,646	293,168
Balances & Reserves	-92,210	-69,984	-69,097	-69,247
Net Balance Sheet Position	**153,907**	**218,771**	**225,549**	**223,921**

2.2 The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix A. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position.

2.3 As the CFR represents the level of borrowing for capital purposes, and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of its invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements.

2.4 International Financial Reporting Standards (IFRS) require the estimates for the Capital Financing Requirement and Long Term Liabilities to take into account the Council's Private Finance Initiative (PFI) schemes and Operating leases. Barnet does not have any operating leases at present. This also effects the determination of the Council's Affordable Borrowing Limit and Operational Boundary.

2.5 The Department for Communities and Local Government has recently consulted on proposals to reform the council housing subsidy system. The proposed Self-financing option would require a one-off reallocation of housing debt. As the consultation period has only recently ended and the mechanism for debt transfer has not been determined, the estimates set out in this strategy do not take into account any potential debt transfer that may arise in future years. Should the debt be transferred to the local authority it will be necessary restate the Capital Financing Requirement and the Prudential Indicators for the Operational Boundaries and Authorised Limits.

2.6 The estimate for interest payments in 2010/11 is £8.650m and for interest receipts is £0.67m.

3. Outlook for Interest Rates

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix C. Financial markets remain reasonably volatile as the structural changes necessary within economies and the banking system evolve. This volatility provides opportunities for active treasury management. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

4. Borrowing Requirement and Strategy

4.1 The Council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement (CFR) – see Appendix B. The CFR represents the cumulative capital expenditure of the local authority that has not been financed. To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year.

4.2 Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce an increased requirement to charge MRP in the Revenue Account.

4.3 Physical external borrowing may be greater or less than the CFR, but in accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. The Council's strategy is to match borrowing levels with the CFR in the medium term.

4.4 The cumulative estimate of the maximum long-term borrowing requirement is estimated by comparing the projected CFR with the profile of the current portfolio of external debt and long term liabilities over the same financial horizon, as follows:

	31/03/2010 Actual £m	**31/03/2011 Estimate £m**	**31/03/2012 Estimate £m**	**31/03/2013 Estimate £m**
Capital Financing Requirement	246,117	288,755	294,646	293,168
Less: Existing Profile of Borrowing and Other Long Term Liabilities	-230,359	-224,325	-221,630	-218,992
Cumulative Maximum External Borrowing Requirement	15,758	64,430	73,016	74,176
Balances & Reserves	-92,210	-69,984	-69,097	-69,247
Cumulative Net Borrowing Requirement/Investments	-76,452	-5,554	3,919	4,929

4.5 The Council's strategy is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

4.6 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Structured finance

The outlook for borrowing rates:

4.7 Short-dated gilt yields are forecast to remain lower than medium- and long-dated gilt yields during the rest of the financial year. Short-dated gilts will benefit from expectations of interest rates remaining lower for longer to enable growth to recover.

4.8 The differential between investment earnings and debt costs, despite long term borrowing rates being around historically low levels, remains acute and this is expected to remain a feature during 2010/11. The so-called "cost of carry" associated with long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short-term costs. It is not surprising that the use of internal resources in lieu of borrowing has been the most cost effective means of financing capital expenditure but, at some stage, internal resources will become depleted.

4.9 PWLB variable rates remain below 2%. They are expected to stay low as the Bank Rate is maintained at historically low levels to enable the struggling economy to recover sufficiently. Against a backdrop of interest rates remaining lower for longer and a continuation of the cost of carry backdrop, then a passive borrowing strategy, i.e. borrow long term funds as they are required, may remain appropriate. Equally, variable rate funds (that reduce the cost of carry) or EIP (equal instalments of principal) that mitigate the impact are both still active considerations.

4.10 Decisions to borrow at low, variable rates of interest, will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. When longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.

4.11 Notwithstanding the issuance of Circular 147 on 20 October following the CSR announcement which increases the cost of new local authority fixed rate loans to 1% above the cost of the Government's borrowing, the PWLB remains an attractive source of borrowing, given the transparency and control that its facilities continue to provide.

4.12 The Council has £67.5m loans which are LOBO loans (Lender's Options Borrower's Option) of which £7.5m of loans are currently in, or will be in, their call period in FY 2010-11. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also the repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan(s) by borrowing from the PWLB or other sources.

5. Debt Rescheduling

5.1 The Council will continue to maintain a flexible policy for debt rescheduling. Market volatility and the steep yield curve may provide opportunities for rescheduling debt from time to time. The rationale for rescheduling would be one or more of the following:

- Savings in interest costs with minimal risk
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

5.2 As of 26 April 2010, PWLB introduced intraday pricing. Prices are set twice daily, and are likely to move to a third daily rate setting by the end of the calendar year. This move has reduced the margins between premature repayment and new borrowing rates, particularly for longer maturities.

5.3 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers.

5.4 All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

5.5 Borrowing and debt rescheduling activity, within the parameters of the TMS, will be decided by the Chief Financial Officer and subsequently reported to the next Cabinet Resources Committee meeting.

6. Investment Policy and Strategy

Background

6.1 Guidance from Communities and Local Government on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

Investment Policy

6.2 The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

The CLG's recent revised Guidance on investments reiterates security and liquidity as the primary objectives of a prudent investment policy. The speculative procedure of borrowing purely in order to invest is unlawful.

6.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Potential instruments for the Council's use within its investment strategy are contained in Appendix D.

6.4 The Council will continue to maintain a counterparty list based on these criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength as outlined in paragraph 6.12.

6.5 The CLG's Draft revisions to its Guidance on local government investments recommend that the strategy should state the authority's policies on investing money borrowed in advance of spending needs. This statement should identify any measures to minimise such investments, including any limits on:

- amounts borrowed and
- periods between borrowing and expenditure.

The statement should also comment on the management of risks, including the risk of loss of the borrowed capital and the risk associated with interest rate changes.

Limits on the amount borrowed in advance of need are identified in the Cumulative Maximum External Borrowing Requirement for future financial years set out in the table at paragraph 4.4. The risk associated with interest rate changes are based on the Interest Rate forecast at Appendix C and the current cost of carry referred to in section 4 above.

6.6 The Council's current level of investments is presented at Appendix A.

Investment Strategy

6.7 The global financial market storm in 2008 and 2009 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget. The UK Bank Rate has been maintained at 0.5% since March 2009. **Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income**. The Council's strategy is geared towards this development whilst adhering to the principal objective of security of invested monies.

6.8 The Deputy Chief Executive, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Cabinet Resources Committee meeting.

Investments managed in-house:

6.9 The Council's shorter term cash flow investments are made with reference to the outlook for the UK Bank Rate and money market rates.

6.10 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

6.11 The Council will restrict its investment activity to:

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure).
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV). A CNAV money market fund has an unchanging face value and income can be either paid to the investor or used to purchase units in the fund.
- Deposits with other local authorities.
- Business reserve accounts and term deposits with institutions who meet the Council's minimum credit rating criteria.

6.12 Conditions in the financial sector have begun to show signs of improvement, albeit with substantial intervention by government authorities. In order to diversify the counterparty list, the use of comparable non-UK Banks for investments is now considered appropriate.

The sovereign states whose banks are to be included are Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them (see Appendix E/F), have been selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term AA+ for sovereign states and A+ for banks)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- Share Price

The Council has also taken into account information on corporate developments and market sentiment towards the counterparties. The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested. Thus the approved counterparty will be kept under constant review and scrutiny to reflect market conditions.

We do remain in a heightened state of sensitivity to risk. Vigilance is key. This modest expansion of the counterparty list is an incremental step. In order to meet requirements of the revised CIPFA Treasury Management Code, the Council is focusing on a range of indicators (as stated above), not just credit ratings.

Limits for Specified Investments are set out in Appendix D.

7. Balanced Budget Requirement

7.1 The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

8. 2010/11 MRP Statement

The Annual MRP Statement is subject to Council approval and may therefore be reported separately to Council instead of being incorporated into the TMSS.

8.1 The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

8.2 The four MRP options available are:
Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method

NB This does not preclude other prudent methods.

The 2009 SORP and IFRS may result in PFI schemes and leases being brought on balance sheet. Where this is the case the CFR will increase, which will lead to an increase in the MRP charge to revenue. MRP for these items will match the annual principal repayment for the associated deferred liability.

8.3 MRP in 2010/11: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

8.4 The MRP Statement was submitted to Council before the start of the 2010/11 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

8.5 The Council will apply Option 2 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure. MRP in respect of PFI and leases brought on Balance Sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability.

9. Reporting on the Treasury Outturn

The Deputy Chief Executive will report to the Cabinet Resources Committee on treasury management activity / performance as follows:
(a) Quarterly against the strategy approved for the year.
(b) The Council will produce an outturn report on its treasury activity no later than 30th September after the financial year end.
(c) The Budget Performance Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.

10. **Other items**

Training

CIPFA's revised Code requires the responsible officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

The CLG's revised Guidance on local government investments recommend that the Investment Strategy should state what process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

Member Training provided in the 2010/2011 financial year to date:

- Sector: Treasury Management Strategy Training held on 30 June 2010
- Ark Risk: Counter Party Risk Training held on 21 July 2010

Investment Consultants
Following a tender process, Council appointed Arlingclose as their investment consultations with effect from 1 August 2010. Arlingclose offer advice, information and assistance with investments, borrowing, debt restructure, market conditions and compliance with legislation. The services provided by Arlingclose will be reviewed on an informal basis during quarterly meetings with officers.

Publication
The CLG's revised Guidance on local government investments recommend that the initial strategy and any revised strategy should, when approved, be made available to the public free of charge, in print or online.

The Treasury Management Strategy, and all subsequent amendments, is taken to the Cabinet Resources Committee for approval. Minutes of the Cabinet Resources Committee meetings are available to the public on Barnet's website.

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £m	%	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m
External Borrowing: Fixed Rate – PWLB Fixed Rate – Market Variable Rate – PWLB Variable Rate – Market	 140,000 67,500 - -		 139,000 67,500 - -	 139,000 67,500 - -	 139,000 67,500 - -
Existing long-term liabilities	207,500		206,500	206,500	206,500
IFRS long-term liabilities: - PFI (2009/10) - Operating Leases (2010/11 onwards)	 5,034 -		 2,695 -	 2,638 -	 2,638
Total External Debt	212,534		203,805	203,862	203,862
Investments: *Managed in-house* - Deposits and monies on call and Money Market Funds	 187,500		 137,485	 136,313	 141,962
Total Investments	187,500		137,485	136,313	141,962
Net Borrowing Position/ (Net Investment position)	25,034		66,320	67,490	61,900

PRUDENTIAL INDICATORS 2010/11 TO 2012/13

1 Background:
There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Net Borrowing and the Capital Financing Requirement:
This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

The Deputy Chief Executive reports that the authority had no difficulty meeting this requirement in 2009/10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:
3.1 This indicator is set to ensure that the level of proposed 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.

No. 1	**Capital Expenditure**	**2009/10 Actual £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Non-HRA	89,206	**89,141**	21,602	1,725
	HRA*	26,339	**24,373**	16,569	8,090
	Total	**115,545**	**113,514**	**38,171**	**9,815**

3.2 Capital expenditure will be financed as follows:

Capital Financing	**2009/10 Actual £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
Capital receipts	5,545	3,965	2,863	
Government Grants	45,581	44,430	12,319	
Major Repairs Allowance				
Revenue contributions	16,335	14,119	10,394	6,590
Supported borrowing				
Unsupported borrowing	48,084	**51,000**	12,595	3,225
Total	**115,545**	**113,514**	**38,171**	**9,815**

The main programmes / projects funded from unsupported borrowing are expected to be:

Non HRA
- Primary school rebuild and temporary / permanent expansions £177m
- Secondary school rebuild project £5m
- Special educational need for the education sector £2m
- Maintaining and improving the infrastructure of the primary and secondary school estate £4m

- Investment in the office accommodation strategy, modernising processes and public buildings £7m
- Staffing restructuring / reorganisation £4m
- Ensuring transport assets such as roads and footways are well managed and maintained £5m

HRA
- Maintaining the housing stock £7m

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This 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 borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code.

4.2 The ratio is based on costs net of investment income.

No. 2	**Ratio of Financing Costs to Net Revenue Stream**	**2009/10 Actual %**	**2010/11 Estimate %**	**2011/12 Estimate %**	**2012/13 Estimate %**
	Non-HRA	2.76	3.73	3.48	2.78
	HRA*	8.37	9.72	9.11	7.39

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure.

No. 3	**Capital Financing Requirement**	**2009/10 Actual £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Non-HRA	158,632	194,141	198,257	195,279
	HRA*	87,485	94,614	96,389	97,889
	Total CFR	**246,117**	**288,755**	**294,646**	**293,168**

5.2 The year–on-year change in the CFR is due to the following:

Capital Financing Requirement	2009/10 Actual £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
Balance B/F	198,662	**246,117**	288,755	294,646
Capital expenditure financed from borrowing (per 3.2)	54,361	**51,000**	12,595	3,225
Revenue provision for debt Redemption.	**-6,906**	**-8,362**	**-6,704**	**-4,703**
Other items: *(specify)*				
Deferred Liability Add : PFI brought on B/S Less : PFI Principal Repayment				
Deferred Liability +Operating Lease brought on B/S -Operating Lease Principal Repayment				
Balance C/F	**246,117**	**288,755**	**294,646**	**293,168**

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	Actual External Debt as at 31/03/2010	£m
	Borrowing	214.50
	Other Long-term Liabilities	15.86
	Total	**230.36**

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

No. 5	Incremental Impact of Capital Investment Decisions	2009/10 Approved £	2010/11 Estimate £	2011/12 Estimate £	2012/13 Estimate £
	Increase in Band D Council Tax	25.92	14.37	2.06	0.45
	Increase in Average Weekly Housing Rents	0	0	0	0

7.2 The increase in Band D council tax/average weekly rents reflects the increases in running costs and/or increases in the provision for Capital Financing Charges of £3.94m to undertake borrowing of £66,820m arising from the proposed capital programme.

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6	**Authorised Limit for External Debt**	**2009/10 Approved £m**	**2010/11 Estimate £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Borrowing	251,322	303,289	324,695	328,107	321,008
	Other Long-term Liabilities	50,000	30,859	33,156	32,902	32,671
	Total	**301,322**	**334,148**	**357,851**	**361,009**	**353,679**

8.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Deputy Chief Executive has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet Resources Committee*.*

No. 7	**Operational Boundary for External Debt**	**2009/10 Approved £m**	**2010/11 Estimate £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Borrowing	251,322	303,289	324,695	328,107	321,008
	Other Long-term Liabilities	31,000	15,859	18,156	17,902	17,671
	Total	**282,322**	**319,148**	**342,851**	**346,009**	**338,679**

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

No. 8 Adoption of the CIPFA Code of Practice in Treasury Management

The Council approved the adoption of the CIPFA Treasury Management Code at its Cabinet Resources Committee meeting on 17 March 2010.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on *(select as appropriate)* net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments // net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments).

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

		2009/10 Revised %	**2010/11 Estimate %**	**2010/11 Estimate %**	**2011/12 Estimate %**	**2012/13 Estimate %**
No. 9	**Upper Limit for Fixed Interest Rate Exposure**	100%	100%	100%	100%	100%
No. 10	**Upper Limit for Variable Interest Rate Exposure**	40%	40%	40%	40%	40%

Note: These limits may be expressed as financial amounts or as percentages.

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

10.4 *(if applicable)* As the Council's investments are substantially in excess of its borrowing, these calculations have resulted in a negative figure.

11. Maturity Structure of Fixed Rate borrowing:

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No 11	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
	Under 12 months	0	50
	12 months and within 24 months	0	50
	24 months and within 5 years	0	75
	5 years and within 10 years	0	75
	10 years and within 20 years	0	100
	20 years and within 30 years	0	100
	30 years and within 40 years	0	100
	40 years and within 50 years	0	100
	50 years and above	0	100

12. Upper Limit for total principal sums invested over 364 days:

12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

No. 12	**Upper Limit for total principal sums invested over 364 days**	**2009/10 Approved £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
		0	**30%**	**30%**	**30%**

Arlingclose's Economic and Interest Rate Forecast

- **The recovery in growth is likely to be slow, uneven and more "Square root" than "V" shaped.**
- **The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.**
- **Gilts will remain volatile as the growth versus headline inflation debate escalates.**
- **The potential for downgrades to UK sovereign ratings has receded, but the negative outlook (S&P) will remain for now.**

Underlying assumptions:

- The Bank's August Inflation Report as expected showed a downward revision to growth prospects. The Bank had to do this without blaming the Emergency Budget or admitting past errors, which they managed to do by looking fairly bullish in comparison to other commentators, including the Office for Budget Responsibility which forecasted 2011 growth at 2.3%. The 1st estimate of UK Q2 growth (GDP) figure is 1.1%.
- Looming bank regulation, including liquidity and capital requirements, may curb bank lending activity. But FSA regulations should force banks to buy more Gilts which could help slow the rise in yields in 2010/11, a QE by proxy.
- With CPI stubbornly resistant over 3% and 10 year gilt yields at the same level there is little room for further outperformance in the absence of a reduction in the inflation and growth outlook. This is possible but it suggests to us that gilts look expensive at current levels.
- The employment outlook remains uncertain, as unemployment remains near a 16 year high at just over 2.4 Million.
- A high savings ratio combined with a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore future trend rate of growth despite Q2's strong performance.
- Initial cuts in public spending and tax increases to address the budget deficit have been announced in the emergency budget. Longer term plans will be set out in the October CSR.
- With a stabilisation in the Eurozone after the sovereign debt crisis the Euro has rallied slightly against the pound. But there are continued pressures in the region which will affect the competitiveness of UK exports.
- The US Federal Reserve downgraded its outlook for US growth and kept the size of the financial stimulus constant. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

Specified Investments

Specified Investments identified for use by the Council
Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated.
- has a maximum maturity of 1 year.
- meets the “high credit quality” as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility.
- Deposits with UK local authorities.
- Deposits with banks and building societies.
- *Certificates of deposit with banks and building societies.
- *Gilts: (bonds issued by the UK government).
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV).
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534, SI 2007 No 573 and SI 2010 No 454.

1. **Investments in these instruments will be on advice from the Council’s treasury advisor.*
2. *The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the short-term/long-term ratings assigned by various agencies which may include Moody’s Investors Services, Standard & Poor’s, Fitch Ratings:
Long-term minimum: A1 (Moody’s) or A+ (S&P) or A+(Fitch)
Short-term minimum: P-1 (Moody’s) or A-1 (S&P) or F1 (Fitch).

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

New specified investments will be made within the following limits:

Instrument	Country	Counterparty	Maximum Limit of Investments %/£m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK	Cooperative Bank Plc*	No limit
Term Deposits/Call Accounts	UK	Santander UK Plc	15% of total exposure
Term Deposits/Call Accounts	UK	Bank of Scotland/ Lloyds TSB	15% of total exposure
Term Deposits/Call Accounts	UK	Barclays Bank Plc	15% of total exposure
Term Deposits/Call Accounts	UK	Clydesdale Bank	15% of total exposure

Term Deposits/Call Accounts	UK	HSBC Bank Plc	15% of total exposure
Term Deposits/Call Accounts	UK	Nationwide Building Society	15% of total exposure
Term Deposits/Call Accounts	UK	Royal Bank of Scotland	15% of total exposure
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	15% of total exposure
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	15% of total exposure
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd	15% of total exposure
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	15% of total exposure
Term Deposits/Call Accounts	Canada	Bank of Montreal	15% of total exposure
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	15% of total exposure
Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	15% of total exposure
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	15% of total exposure
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	15% of total exposure
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	15% of total exposure
Term Deposits/Call Accounts	France	BNP Paribas	15% of total exposure
Term Deposits/Call Accounts	France	Credit Agricole CIB (Formally Calyon)	15% of total exposure
Term Deposits/Call Accounts	France	Credit Agricole SA	15% of total exposure
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	15% of total exposure
Term Deposits/Call Accounts	Netherlands	Rabobank	15% of total exposure
Term Deposits/Call Accounts	Switzerland	Credit Suisse	15% of total exposure
Term Deposits/Call Accounts	US	JP Morgan	15% of total exposure
Gilts	UK	DMO	No limit
T-Bills	UK	DMO	No limit
Bonds	EU	European Investment Bank/ Council of Europe	No limit
AAA rated Money Market Funds	UK/Ireland/ Luxembourg	CNAV MMFs	20% of total exposure
Other MMFs and CIS	UK	Collective Investment Schemes	

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

For Non-UK Banks, a maximum exposure of 25-30% per country will apply, to reduce the risk of over-exposure to any one country.

Money Market Funds investments will be diversified amongst at least two or more funds.

Group Limits - For institutions within a banking group, a 20% total exposure limit will be imposed.

***Coop Bank Plc** – As the Coop Bank is the Council’s banker, although it does not meet the minimum credit criteria of A+ long term, it will still be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.

AGENDA ITEM: 7 Pages 34 – 40

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Extension of West Hendon Regeneration Scheme PDA**
Report of	Cabinet Member for Resources and Performance
Summary	The West Hendon Regeneration Scheme requires a further extension of time to the existing commercial agreement between the Council and its development partners. The existing Principal Development Agreement (PDA) expires on 15 December 2010, and this report authorises: a) an extension to the above expiry date by a further 12 months up to 15 December 2011. b) a further extension of up to 12 months can be granted by the Director of Planning, Housing and Regeneration subject to reasonable progress on a revised masterplan in line with Barratt Metropolitan LLP's programme contained in the accompanying appendix.

Officer Contributors	Colin Ross, Assistant Director (Regeneration) Angela Latty, Assistant Project Manager
Status (public or exempt)	Public
Wards affected	West Hendon
Enclosures	Appendix – West Hendon Regeneration Scheme Timescales
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Colin Ross, Regeneration Service (PER) on 020 8359 7278.

1. RECOMMENDATIONS

1.1 That approval be given to the following:

(i) The extension of the expiry date of the Principal Development Agreement for the West Hendon Regeneration Scheme for a period of 12 months, expiring on 15 December 2011.

(ii) That the Director of Planning, Housing and Regeneration be authorised, to grant a further extension of up to 12 months up to 15 December 2012, by delegated powers, with the terms to be approved in consultation with the Cabinet Member for Housing, Planning and Regeneration, subject to being satisfied that reasonable progress had been achieved on a revised masterplan in line with Barratt Metropolitan LLP's programme contained in the accompanying appendix.

(iii) That the Commercial Director be instructed to appropriate the Council owned lands within the West Hendon Regeneration Area at the appropriate time from their existing uses to planning purposes pursuant to Section 122 of the Local Government Act 1972.

(iv) That the Commercial Director be authorised to grant the demolition and works licences required for the implementation of the West Hendon Regeneration Scheme to Barratt Metropolitan Limited Liability Partnership, as appropriate.

2. RELEVANT PREVIOUS DECISIONS

2.1 Environment and Planning Committee 27 July 2005 (Decision item 9) – approved the outline planning consent for the West Hendon Regeneration Scheme, subject to an agreed Section 106.

2.2 Cabinet, 30 August 2005 (Decision item 5) – approved the West Hendon Regeneration Project Principal Development Agreement (PDA).

2.3 Cabinet 11 October 2005 (Decision item 7) – approved the West Hendon Regeneration Project PDA following comments from Cabinet Overview and Scrutiny Committee.

2.4 Cabinet Decisions, 3 April 2006 (Decision item 8) – approved the entering into the West Hendon Regeneration Project PDA.

2.5 Planning and Environment Committee, 11 December 2007 (Decision item 10) – approved the demolition of the former Lakeview Children's Centre and the redevelopment of the site with 8 affordable housing subject to the completion of a Section 106 Agreement.

2.6 Cabinet Resources Committee, 25 March 2008 (Decision item 14) – approved the transfer of the former Lakeview Children's Centre site to Barratt Metropolitan llp for redevelopment of 8 new affordable houses.

2.7 Planning and Environment Committee, 22 December 2008 (Decision item 8) – approved the reserved matters application to develop Phase 2A of the development.

2.8 On 7 August 2009, the Leader of the Council approved by delegated powers (DPR 870) a Deed of Variation to extend the expiry date on the Principal Development Agreement to 15 February 2010; and make amendments to the provisions for the TUPE agreement and information on the Master plan.

2.9 On 15 February 2010, the Leader of the Council approved by delegated powers (DPR 993) a further extension to the Deed of Variation to extend the expiry date on the PDA to 15 June 2010, and to enter the Deed of Variation to the PDA for commencement of the Initial Phase (Pilot and Phase 2A).

2.10 On 16 June 2010, the Leader of the Council approved by delegated powers (DPR 1092) a further extension to the PDA expiry date by six months to 15 December 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The regeneration of West Hendon Estate supports the corporate value of 'the place' and contributes to key priority of 'a successful London suburb' in the Corporate Plan 2010-13. The key priority is underpinned by the following objectives:

- Delivering the Three Strands Approach of Protect, Enhance and Grow, where West Hendon falls with Strand 3: Growth to deliver over 2,000 new homes to the Brent Cross, Cricklewood and West Hendon Regeneration Area;
- Delivering high quality, sustainable housing growth;
- Continuing to grow successfully but realistically;
- Creating the conditions for a vibrant economy; and
- Promoting independence through housing choice.

3.2 The regeneration of West Hendon Estate supports the 'One Barnet Programme': principles of our future approach of the Corporate Plan for 2010/13, through the following objectives:

- A new relationship with citizens – The new development will offer more choice and promote independence by providing a number of different housing options such as shared equity, shared ownership etc to residents and those in the wider community.
- A one-public-sector approach – working together with other public sector partners to ensure the delivery of the scheme.

4. RISK MANAGEMENT ISSUES

4.1 The Principal Development Agreement (PDA) seeks to minimise the Council's risks whilst safeguarding the Council's desired outcomes. The Council's prime concern is to ensure that the redevelopment commences.

4.2 A further extension to the expiry date on the West Hendon is required to prevent the PDA from being terminated. If the PDA is terminated, the Council would be required to commence a new procurement process to find a partner to regenerate the West Hendon Estate. A new PDA would also be required for the regeneration and redevelopment of the area. This would affect the programme duration and cost to the scheme.

4.3 Under the existing PDA, the Council's development partners are responsible for Council costs up to £500,000 prior to the PDA being signed and annual Council costs of up to £100,000 per annum during the development period. These can be claimed at the Satisfaction Date for the PDA. If the PDA terminates, the Council will no longer be able to recover these costs.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The West Hendon regeneration scheme will deliver a mix of up to 2171 new affordable, intermediate and private sale flats and houses. The development will also provide new community facilities and commercial units for business to rent or lease.

The Council will have 100% nomination rights to the new affordable housing and re-housing offers will be made to all the existing secure tenants on the estate. The regeneration scheme will provide a new area of mixed tenure housing making this part of the borough a better place to live, aiming to improve community cohesion in an area with a highly diverse population and will provide increased choice and opportunity through the 'housing journey' for the Borough's residents.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

Finance & Property

6.1 There is no monetary consideration for the land transfers that would result from the implementation of the PDA but Barratt Metropolitan Limited Liability Partnership (BMLLP) will be responsible for the Council's fees and costs and any tax liability.

Value for Money

6.2 The PDA provides for a transparent and open book approach to the management of this development. The Council will have the right to access management accounts and other relevant documentation to ensure that information being provided in connection with financial matters is accurate and accords with 'Value for Money' criteria. The PDA makes a provision for the Council to share in any overage (excess surplus) that may arise.

7. LEGAL ISSUES

7.1 The Council has power to enter into the West Hendon PDA by virtue of its wellbeing powers as more particularly set out in Section 2 of the Local Government Act 2000(LGA 2000), however, in extending the agreement, it must ensure that the transaction complies with its community strategy in accordance with the provisions of Section 4 of the LGA 2000.

7.2 The Council has the power to dispose of land held for housing purposes under Section 32 of the Housing Act 1985; further the Council has the power to dispose of land which is not held for housing purposes under Section 123 of the Local Government Act 1972.

7.3 The Secretary of State has set out general disposal consents for both housing and non-housing land. In view of the substantial investment required for the West Hendon Scheme the Council at this stage proposes that it will in future seek specific consents under Section 34 of the Housing Act 1985 and Section 123 Local Government Act 1972 from the Secretary of State.

7.4 The Council may require consent from the Secretary of State under Section 25 of the Local Government Act 1988 for any disposal of land that results from the implementation of the PDA. This consent from the Secretary of State is required where a local authority is providing financial assistance for the purpose of, amongst other things, the acquisition and construction of accommodation which is intended to be privately let as housing accommodation. It is contemplated by the PDA, that prior to the Transfer of Land by the Council to its development partners, the Council would have to appropriate the land to planning purpose. If the lands are appropriated to planning purpose, then, the Council would have to seek the specific consent of the Secretary of state under Section 233 of the Town and Country Planning Act 1990.

7.5 The Council in its role as planning authority will have to consider applications for reserve matters in connection with the West Hendon Scheme throughout the regeneration/ redevelopment period.

7.6 The Council should be aware that the proposed PDA is a long term legally binding agreement under which all parties including the Council have obligations and responsibilities which in the event they are not fulfilled may give rise to legal liabilities.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to land buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

Background

9.1 The Three Strands Approach identifies West Hendon housing estate and the town centre of West Hendon as key targets for regeneration as an independent part of the Brent Cross, Cricklewood and West Hendon regeneration area. The strategy envisages a new high quality neighbourhood with a mix of housing types providing impressive views from the town centre over the Welsh Harp and surrounding area.

9.2 In July 2005, the West Hendon Regeneration Scheme was granted outline planning consent, subject to a completed Section 106 Agreement for the main scheme. The terms of the Section 106 agreement were completed in September 2007 and a full outline consent was granted to the scheme.

9.3 The scheme currently proposed will see the re-development of the West Hendon Estate into a new mixed tenure development of up to 2171 new homes. The existing 680 homes on the estate will be replaced with new homes for affordable rent, shared equity and share-ownership. The remaining 1491 new homes will be for private sale.

9.4 The West Hendon Regeneration Scheme is being carried out in partnership with BMLLP, a consortium made up of Metropolitan Housing Trust (MHT) Limited and Barratt Homes Limited.

9.5 The Council approved the Principal Development Agreement (PDA) in August 2005, but the implementation of West Hendon regeneration has been delayed for a number of reasons, one of which is viability. The Council and their development partners are still in the process or resolving this, and need to look at this issue in the context of the changes to public funding.

9.6 The original expiry period for the PDA was 10 August 2009; however, the parties have previously extended the PDA expiry date, in accordance with the terms of the PDA, on three occasions to 15 February 2010, 15 June 2010 and 15 December 2010. During these periods all parties have been working on various aspects of the programme, predominately on matters and activities relating to the pilot and phase 2A (initial phase) and this includes satisfying the conditions precedents, completing section 106 agreements, phasing and securing funding for the initial phase.

The Initial Phase

9.7 BMLLP are due to commence works on the Pilot Phase for 8 affordable houses and Phase 2a Lakeside for 186 apartments in November 2010, following the allocation of £1.2million of HCA Kickstart funding, £3.85million of the Council's Growth Area Fund (GAF) towards infrastructure and the deferment of S106 payments for education provision to later phases. This work is being undertaken through a Deed of Variation to the PDA which allows development to commence without triggering the main PDA provisions.

Reviewing the Masterplan

9.8 With the start on the initial phase, the Council and BMLLP can now fully concentrate on improving the financial viability by undertaking a review of masterplan for rest of the scheme. BMLLP needs sufficient time to complete this exercise, and this would require a further extension to the PDA.

9.9 In October 2010, BMLLP provided a recent options appraisal showing that by making sufficient changes to the masterplan, the scheme deficit was reduced significantly. The remaining deficit could be eliminated by an increase on property values during the 15 year life of the project. As a consequence, all parties feel that it is worthwhile to pursue the regeneration programme.

9.10 The Council have been working closely with the development partners over the last 6 months to identify areas where changes could be made to the masterplan to ensure that the momentum now secured on the regeneration can be maintained right through to completion. As mentioned earlier, BMLLP have identified a number of possible amendments to the current masterplan approach which would significantly improve project viability.

9.11 The accompanying appendix sets out BMLLP's programme of review for the next year. These activities will be closely monitored by officers, and regular reports will be scheduled with lead members to update on progress.

9.12 Accordingly, it is recommended that it would be preferable to extend the PDA expiry date by a further 12 months to allow further work to take place to develop a detailed delivery plan and propose an amended masterplan. If BMLLP makes significantly progress by the end of this extension, it is recommended that a further extension be granted by the Cabinet Member for Housing Planning and Regeneration.

9.13 If the expiry date is not extended the PDA would expire and the Council would not be able to secure its historic expenditure from the developers and would have to re-procure another regeneration scheme with new partners or identify other funding sources to upgrade the homes on the West Hendon Estate.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – TE
CFO – MC

APPENDIX

West Hendon Regeneration Scheme

Barratt Metropolitan Limited Liability Partnership (BMLLP)
Masterplan Review Programme

Partnership Action	Timescale	Cumulative Timescale
Agree nature of works *Output:* scope of work document	4 weeks	End November 2010
Agree scope of consultant assessments *Output:* scope assessment document	5 weeks	Early January 2010
Undertake impact assessments & Statutory Consultation *Output:* impact assessment document	14 weeks	End March 2011
Review scope of impacts *Output:* officers sign off on impact assessments	5 weeks	End April 2011
Public consultation *Output*: consultation assessment document	5 weeks	End May 2011
S.73 application finalisation *Output*: application and supporting documents	4 weeks	End June 2011
S.73 application submission/ determination *Output*: submission of application and supporting documents	13 weeks	End September 2011
Completion of JR period	3 months	End December 2011

AGENDA ITEM: 8 Pages 41 – 49

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Monitoring 2010/11**
Report of	Cabinet Member for Resources and Performance
Summary	To consider the Monitoring 2010/11 report and instruct officers to take appropriate action.
Officer Contributors	Maria G. Christofi – Assistant Director, Financial Services Catherine Peters – Head of Finance, SAP Systems, Closing & Monitoring Anisa Darr – Finance Manager, Closing & Monitoring
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Performance Report (separately circulated) Appendix B – Capital Programme Adjustments (separately circulated)
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

Contact for further information: Anisa Darr, Finance Manager, Closing & Monitoring, 020 8359 7106.

1. RECOMMENDATIONS

1.1 That Directors take appropriate action to ensure costs are kept within budget and income targets are met. (Paragraph 9.1.2)

1.2 That Quarter 2 performance by directorate be noted. (Paragraph 9.2.1)

1.3 That the proposed virements be approved and recommended to Council for approval. (Paragraph 9.4)

1.4 That the Recharges review be noted. (Paragraph 9.5.1)

1.5 That the proposed Capital additions of £71.585k from S106 for the improvement of parks be approved. (Paragraph 9.6.1)

1.6 That the cost of agency staff procured through the Hays tempdesk be noted. (Paragraph 9.7.1)

1.7 To approve proposed drawdown's from contingency of:
- **£390k to cover the costs of rent for NLBP Buildings 2 and 4. (Paragraph 9.8.2)**
- **£590k to cover the management costs of the new establishment in Commercial. (Paragraph 9.8.3)**

1.8 That the write off's for Council Tax £4.565m, Business Rates £0.234m, Accounts Receivable £0.720m and Housing Benefit and Council Tax Benefit Overpayments £0.441m approved under the Chief Finance Officer's authority be noted. (Paragraph 9.9.1)

1.9 That Directors ensure that those capital projects in their services are managed closely to ensure they are delivered within budget and in accordance with the agreed timeframe. (Paragraph 9.10.1)

1.10 That the Children's Service capital redirection £6.9m and the review of council owned assets, including school estates approved at Cabinet on 6 September 2010 be noted. (Paragraph 9.11)

1.11 That the proposed capital virement of £465k for building enhancement within the Accommodation Project in Commercial, be vired to Customer Services for the development of the web project in the Chief Executives Service be approved. (Paragraph 9.12.1)

1.12 That the proposed Capital additions/deletions of £7.020m, slippage of £8.548m and £37.019m deletion for PSCIP future years as set out in Appendix B and the related funding implications summarised in table 7 be approved.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council, 2 March 2010 (Decision item 145) – approved the Council Budget and Council Tax 2010/11.

2.2 Cabinet Resources Committee, 17 June 2010 (Decision item 18) – approved the Outturn 2009/10.

2.3 Cabinet Resources Committee, 19 July 2010 (Decision item 11) – approved the Monitoring 2010/11.

2.4 Cabinet Resources Committee, 2 September 2010 (Decision item 10) – approved the Monitoring 2010/11.

2.5 Cabinet, 6 September 2010 (Decision item 12) – approved the Investment Strategy to meet Primary School Places.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Robust budget and performance monitoring are essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

3.2 'Maximise improvements and savings in 'back office' functions' and 'Make sure we get best value from resources across the public sector, including our people and assets' represent two of the eight key objectives underlying the corporate priority 'Better services with less money' and the strategic objectives.

3.3 Relevant Council strategies and policies include the following:

- Medium Term Financial Strategy;
- Treasury Management Strategy;
- Debt Management Strategy;
- Insurance Strategy;
- Risk Management Strategy; and
- Capital, Assets and Property Strategy.

4. RISK MANAGEMENT ISSUES

4.1 The revised forecast level of balances needs to be considered in light of the risks identified in 4.2 below.

4.2 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other council priorities will be required.

4.3 The integrated corporate risk register is attached at Appendix A.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Financial monitoring is important in ensuring resources are used to deliver equitable services to all members of the community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance and Value for Money, Staffing, ICT, Property, Sustainability)

6.1 Robust budget and performance monitoring plays an essential part in enabling an organisation to deliver its objectives efficiently and effectively.

6.2 Use of Resources implications are covered within Section 9 of the body of the report and in the attached appendices.

7. LEGAL ISSUES

7.1 None arise over and above those referred to within the body of the report.

8. CONSTITUTIONAL POWERS

8.1 The Council's Constitution, in Part 3, Responsibility for Functions, states in paragraph 3.6 the functions of the Cabinet Resources Committee including:
(a) Monitor the trading position of appropriate Council services, carry out debt analysis and look at income sources and charging policies;
(b) To write off debt;
(c) To determine external or cross-boundary trading limit; and
(d) Approval of schemes not in performance management plans but not outside the Council's budget or policy framework.

8.2 Financial Regulations section 4.17 states the Chief Finance Officer will report in detail to Cabinet Resources Committee at least four times a year on the revenue and capital budgets and wider financial standing in addition to two summary reports at the beginning and end of the financial year.

9. BACKGROUND INFORMATION

9.1 <u>2010/11 Revenue Monitoring</u>

9.1.1 Table 1 gives a summary of the 2010/11outturn analysis compared to the revised budget position (excluding schools). There is a net overspend of £3.391m being forecast at the end of quarter 2. A breakdown of revenue monitoring by each service directorate is set out in Appendix A.

Table 1: 2010/11 Revenue Outturn Analysis – Summary

Description	Original Budget £000	Revised Budget as at 30/09/10 £000	Forecast Outturn as at 30/09/10 £000	Forecast Outturn Variation as at 30/09/10 £000	Performance			
					Green	Green Amber	Amber	Red
Adults	96,232	96,265	96,775	510	2	1		
Central Expenses	53,879	51,756	51,756	-	n/a	n/a	n/a	n/a
Chief Executive	11,962	11,816	11,708	(108)	4	1		
Childrens Services	48,945	48,210	49,491	1,281	4	1		3
Commercial Services	15,632	15,531	15,531	-	4			
Corporate Governance	5,951	5,960	5,985	25	4			
Deputy Chief Executive	11,374	11,697	12,080	383	1			
Environment & Operations	23,351	23,968	25,268	1,300				2
Planning, Housing & Regeneration	2,028	2,124	2,124	-	1			4
Total 2010/11 General Fund Forecast	**269,354**	**267,327**	**270,718**	**3,391**	20	3	0	9
Allocations agreed from GF Balances	-	-	-					
General Fund Balances as at 01/04/10	-	-	-	(15,780)				
Projected General Fund Balances (excluding schools balances) at 31/03/11	**-**	**-**	**-**	**(12,389)**				

Description	Original Budget £000	Revised Budget as at 30/09/10 £000	Forecast Outturn as at 30/09/10 £000	Forecast Outturn Variation as at 30/09/10 £000
Dedicated Schools Grant	(124)	(142)	392	534
Housing Revenue Account	-	-	(482)	(482)

9.1.2 Directors are reminded that they are accountable for any budget variations within their services and the associated responsibility to ensure costs and income are managed within agreed budgets. To ensure this is successfully achieved, it is essential that Directors develop action plans for all significant emerging variances, with the aim of ensuring that overall expenditure is kept within the total budget available.

9.2 <u>Quarter 2 Performance by Directorate</u>

9.2.1 This quarter there is data available for 32 of the 41 indicators. Amongst those reported, 20 have been met (62%) and 12 have been missed (38%). There are still 10 indicators where no data has yet been reported, of which 3 relate to residents' perceptions.

Three indicators reported in this quarter that were not reported in quarter one and have met their targets are rehabilitation/intermediate care for older people, GCSE attainment and Early Years attainment. A target missed in quarter one but met this quarter is the proportion of customer phone calls answered within five rings.

Two targets met in quarter one but missed this quarter are the proportion of children in care in a Barnet foster placement and the number of net additional homes provided.

Whilst the number of children in care is currently within target, the volume of cases currently being seen by the courts means it is likely that the number of children in care will rise in quarters three and four.

Performance on waste levels and recycling has deteriorated compared to this same point last year. The level of households accepted as homeless is off target and slightly higher than the level in the same quarter last year.

A summary of the results is detailed in table 1.

9.3 <u>Commentary about Revenue Outturn and Corporate Plan Performance</u>

9.3.1 The Council's commentary for Revenue and key performance indicators are set out in Appendix A.

9.4 <u>Virements</u>

9.4.1 The virements below are all in excess of £1m and require member approval.

9.4.2 **<u>One Barnet Programme</u>**

As part of the One Barnet Programme service directorates agreed budget savings totalling £1.435m in the July CRC (Para 9.1.4) to be taken from 2010-11. The proposed savings virements by directorate are detailed below:

Table 2: One Barnet Programme Savings 2010/11

Directorate	£
Adult Social Services	(96,040)
Chief Executive	(37,520)
Children's Service	(264,530)
Commercial Services	(446,580)
Corporate Governance	(12,430)
Deputy Chief Executive	(179,540)
Environment & Operations	(348,740)
Planning, Housing & Regeneration	(49,620)
Central Contingency	1,435,000
Total	**-**

9.4.3 **<u>1% Salary claw back</u>**
Provision for 1% pay award was assumed and included in the 2010/11 budget.

Local Authority pay is frozen for 2010/11 and therefore the table below shows the proposed virement to central contingency.

Table 3: 1% Salary Claw back 2010/11

Directorate	£
Adult Social Services	(189,190)
Central Expenses	(1,880)
Chief Executive	(73,033)
Children's Service	(294,140)
Commercial Services	(56,610)
Corporate Governance	(58,160)
Deputy Chief Executive	(138,387)
Environment & Operations	(172,300)
Planning, Housing & Regeneration	(87,640)
Central Contingency	1,071,340
Total	**-**

9.4.4 **<u>Supporting People</u>**
The virement below represents the re-alignment of budget from Adults to Children’s for services provided by Children’s Service Directorate in respect of supporting people.

Table 4: Supporting People Virement

Directorate	£
Adult Social Services	(1,301,395)
Children's Service	1,301,395
Total	**-**

9.5 <u>Recharges Review</u>

9.5.1 A review of support service recharges has been undertaken with particular emphasis on charges to the Special Parking Account (SPA). The review is ongoing but the initial focus has been on those services where a more suitable basis for recharging is required, in particular Information Systems and building occupancy. The initial results indicate that in 2009/10 the SPA would have seen a reduction of approximately £124,000 in support service recharges, assuming that the level of activity for 2009/10 was similar to that in the first quarter of 2010/11. Any reduction in charges to the SPA will result in a commensurate reduction in income to the General Fund.

9.6 S106 Improvements to parks

9.6.1 Environment & Operations would like to undertake improvements to six of the borough's Parks and Open Spaces. The proposed works include improvements to a play area, fencing, footpaths and furniture. All of the projects contribute to the corporate priority of 'A Successful London Suburb' by making the footpaths in Mill Hill, Watling and Highlands Gardens accessible and safe to use for all users. The replacement of the wooden fence with a new stronger metal fence at Friary Park will ensure a reduction in the annual maintenance costs and improve the appearance and safety of the play area, which contributes to the corporate priority of better services with less money. Risk management issues are addressed as the project to improve the play equipment at Old Court House, will replace equipment that is life expired, thereby increasing public satisfaction. Some re-sitting of equipment to enable age zones will also contribute to reducing risk of injury to users by separating age groups.

Table 5: S106 Improvements

Location	Nature of Improvement	£
Old Court House - play equipment	Open space improvements to the Underhill Ward	10,500
Watling Park - footpath and furniture improvements	Towards improving the open spaces and facilities on sites controlled by the council in the Burnt Oak Ward	30,275
Mill Hill Park - footpath and fencing improvements	Improvement and enhancement of recreational public amenity open space within the Mill Hill Ward	9,340
	Public amenity open space in (Mill Hill Ward) to include drainage, fencing, resurfacing, safety in parks and disability access	4,859
Friary Park - improvements to fencing	Improvement to Open Space in Friary Park	10,000
Stoneyfields Park - new furniture	Improvements to public amenity open space in Hale Ward	1,611
Highlands Gardens - drainage and footpath improvements	Landscaping incl. safety (within vicinity of development of 102-108 station road)	5,000
Total Funded by S106		**71,585**

9.7 Agency Costs

9.7.1 The table below details agency costs of temporary staff procured through Hays tempdesk. Expenditure has dramatically decreased in September, though this appears to be an exceptional month and spend could return to normal levels. From 18 October the new reduced mark rates come into force and this should further lower the average monthly spend.

If current spend is projected, the estimated outturn for the year ending 2010/11 would be approximately £9.55m, this is £2.14m less than in 2009/10.

Table 6: Agency Costs to 30 September 2010

Service	Qtr 1 Agency Spend	Qtr 2 Agency Spend
	£	£
Adult Social Services	471,086	432,085
Chief Executive's Service	85,347	84,218
Children's Service	620,824	588,781
Commercial	348,093	314,808
Corporate Governance	55,134	52,007
Deputy Chief Executive	289,695	269,194
Environment & Operations	408,392	417,781
Planning, Housing and Regeneration	181,796	160,123
Grand Total	**2,460,367**	**2,318,997**

9.8 <u>Drawdown from Contingency</u>

9.8.1 The drawdown from Contingency requested below has been assumed in the Revenue Monitoring in Appendix A.

9.8.2 £390k from contingency to cover the costs of rent for NLBP building 2 and building 4. This is because we have now come to the end of the rent free period. This will be an ongoing budget requirement.

9.8.3 £530k from general contingency to cover the management cost of the approved new establishment in Commercial.

9.9 <u>Write Offs under Chief Finance Officer's Authority</u>

9.9.1 The constitution gives the Chief Finance Officer the authority, as an Executive function, to write-off individual debts up to £5,000, subject to discussion with the Assistant Director of Legal and reporting this action retrospectively to Cabinet Resources Committee.

The amounts written off for Council Tax and Business Rates are £4.565m and £0.234m respectively. The total written off for Accounts Receivable is £0.720m and the total amount written off for Housing Benefit and Council Tax Benefit Overpayments is £0.441m.

9.10 <u>2010/11 Capital Programme Monitoring</u>

9.10.1 Directors are reminded they need to continue to ensure that capital projects are closely managed during 2010/11 to ensure that they are delivered within budget and in accordance with the agreed timeframe.

9.11 <u>Children's Capital redirection of funds</u>

9.11.1 On 6 September 2010 Cabinet approved the redirection of the funds contained within the Children's service Capital Programme (£6.9m) 2010/11 and 2011/12 projects is included in the Capital Monitoring set out in Appendix A.

9.11.2 Cabinet also approved a review of Council-owned assets, including the school estate, to establish any opportunities for capital receipts to help meet the funding requirement for the demand for primary school places

9.12 <u>Redirection of Accommodation Project Funds</u>

9.12.1 That the funds of £465k set aside for building enhancement to enable the move of the CCTV within the Accommodation Project in Commercial Services, be vired to Customer Services for the development of the web project within the Chief Executive Service.

9.13 Capital Monitoring Analysis

9.13.1 The Capital Monitoring summary and details by service directorate is set out in Appendix A.

9.14 Proposed changes to the Capital Programme

9.14.1 Appendix B gives details of the proposed changes to the Capital Programme. These include proposed additions and deletions as well as budget movements.

Table 7: Capital Funding Changes

	Grants £000	S106 / Other £000	Capital Receipts £000	Revenue £000	Borrowing £000	Total £000
Adult Social Services	-	-	-	-	-	-
Central Expenses	-	-	-	-	-	-
Chief Executive	-	-	-	-	465	465
Children's Service	(3,360)	95	(5,902)	-	(2,665)	(11,832)
Corporate Governance	-	-	-	-	-	-
Commercial Services	-	-	-	-	(1,950)	(1,950)
Deputy Chief Executive	-	-	-	-	-	-
Environment & Operations	328	654	-	-	-	982
Planning, Housing and Regeneration	-	(1,650)	(1,583)	-	-	(3,233)
General Fund Programme	**(3,032)**	**(901)**	**(7,485)**	-	**(4,150)**	**(15,568)**
HRA Capital	-	-	-	-	-	-
Total Capital Programme	**(3,032)**	**(901)**	**(7,485)**	-	**(4,150)**	**(15,568)**

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – MM
CFO – MC

AGENDA ITEM: 9 Pages 50 – 54

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Land East of Arkley Lane, Arkley EN5**
Report of	Cabinet Member for Resources and Performance
Summary	To recommend the sale of the Council's freehold interest in the land East of Arkley Lane on the terms recommended in the accompanying exempt report.

Officer Contributors	Suzanna Ellis – Principal Valuer (Property Services)
Status (public or exempt)	Public (with a separate exempt report)
Wards affected	Totteridge
Enclosures	Location Plan No. 205/2
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Suzanna Ellis, Principal Valuer (Property Services), 020 8359 7356, suzanna.ellis@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 That the Council's freehold interest in the land edged red on the attached plan no 205/2 be sold to Mr James Copeland and Mrs Maggie Copeland on the terms set out in the accompanying exempt report.

2. RELEVANT PREVIOUS DECISIONS

2.1 Short form Delegated Powers Report no.264 dated 23 October 2009 authorised by the Executive Director of Resources, agreed the rent review to be implemented on 29 September 2009.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan 2010-2013 commits the Council to delivering 'Better services with less money'. A key principle of the medium term financial strategy is to continually review the use of Council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. The sale of the land to the East of Arkley Lane will provide a capital receipt which will support the Council's priorities.

4. RISK MANAGEMENT ISSUES

4.1 The offer has been made by the existing tenant of the land, Mr James Copeland. The land has been leased to Mr James Copeland since 11 August 1985. If the proposed disposal does not proceed the land will continue to be occupied under an agricultural tenancy and the opportunity of realising a capital receipt may be foregone until the tenant dies or otherwise vacates the land.

4.2 Under the sale documentation the use of the land will be restricted to agricultural, equestrian and/or such similar uses as may be agreed. The location of the land within the green belt limits the use of the land which is reflected in the value. There may be a risk at a future date of the restrictions in the sale documentation being released in order to allow alternative development without the Council obtaining a sufficient capital receipt – e.g. reflecting the enhanced value of the land. Whilst in the Council's separate roles, as respectively planning authority and landowner of the land (being green belt and agricultural land) enables the Council to have greater control over any future proposed alternative development, more recent case law has given rise to the possibility of restrictions imposed on freehold land being released more readily than previously thought. As a consequence consideration (in conjunction with the Council's Legal Department) will be given with a view to mitigating such risk within the sale documentation.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 This recommendation has been evaluated against the principles in the Equalities Policy and Equalities scheme and there are no adverse implications for specific groups.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 There are no procurement, performance and value for money, staffing, IT or sustainability implications. The financial and property implications are set out in paragraph 9 below and in the accompanying exempt report.

6.2 The proceeds of the sale will produce a 100% useable capital receipt for the General Fund.

7. LEGAL ISSUES

7.1 None except as mentioned in this Report or the Exempt Report and any which may arise on investigation of the legal title of the land.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

9.1 The subject land is shown as the area outlined in red on the attached plan having an area of around 6.84 Hectares (16.9 Acres). The land comprises poor quality grassland, the boundaries are marked by broken hedge lines, interspersed with mature trees and rough post and barbed wire fencing.

9.2 The land is accessed off Arkley Lane which leads to an area used for vehicular parking, general storage and stabling. The stables consist of a range of looseboxes of timber construction under a corrugated asbestos cement roof.

9.3 The property is located on the east side of an unsurfaced track at the northern end of Arkley Lane. The land falls within the metropolitan green belt with the northern perimeter forming part of the northern boundary of the London Borough of Barnet.

9.4 The land is accessed off the A411 (Arkley to Barnet) which leads onto Arkley Lane. Arkley Lane is an unclassified dead-end land serving private residential and agricultural property. At the end of the lane an unmade bridleway continues on to the A1.

9.5 The freehold of the land is owned by the Council and is currently let to Mr James Copeland (the potential purchaser of the land) under a lease dated the 11 August 1985 for a term of 2 years thereafter continuing from year to year. Currently an annual rent is payable and is detailed in the accompanying exempt report.

9.6 Mr James Copeland has used the land for equestrian activities for over 10 years and the London Borough of Barnet granted planning permission on 16 January 1990 for the development of 3 loose boxes which was also granted retrospective Landlords Consent on 4 October 1991.

9.7 Mr James Copeland is proposing to buy the land to enable improvements to the land for the equestrian activities to better benefit the community, particularly to explore the potential of providing horse ball activities which links into the young within the Borough, as well as better provision for riding for the disabled. To do this will require further investment into the land through seeking planning permission and to put in better electricity and water supplies. Mr James Copeland and his wife, Mrs Maggie Copeland have an established record of linking in with a wide age range of people within the borough including school youngsters.

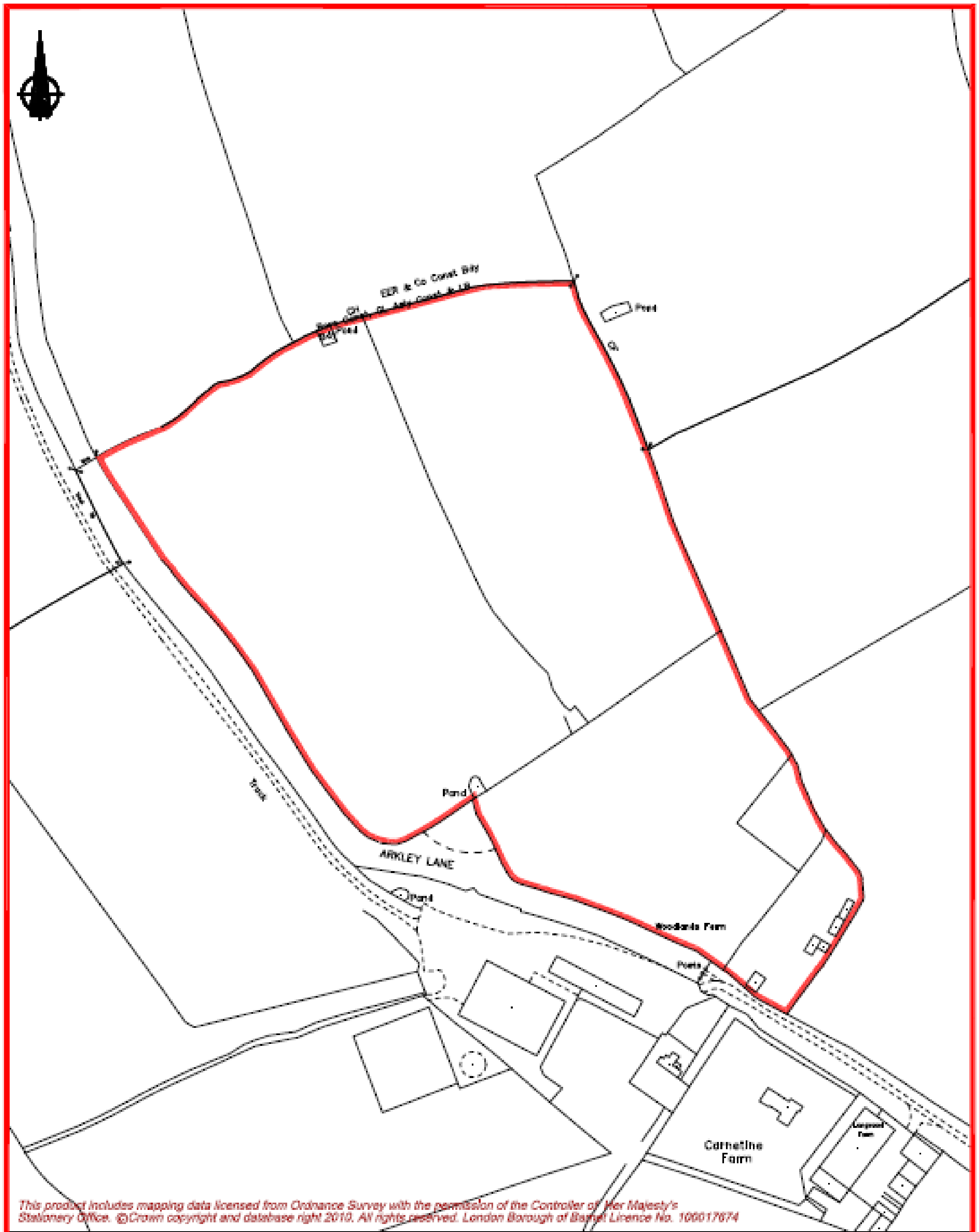
9.8 Mr Copeland has sought to acquire the freehold from the Council over a number of years, but agreement of terms has to date not been achieved. The agreement now reached is considered to represent best value to the Council, and reflects an element of marriage value due to the merging of the interests. Independent advice has been sought in this regard.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – JO'H
CFO – MC

Site Plan



Initiated by G.R.C	SCHEME: FIELDS 1300 & 2578 OFF ARKLEY LANE, BARNET	Craig Cooper, Commercial Director.	BARNET LONDON BOROUGH VALUERS SECTION
Drawn by AJS			
Checked by MK	TITLE: PLAN FOR LETTING	London Borough of Barnet, North London Business Park, Oakleigh Road South, New Southgate, London, N11 1NP, Tel, 020 8359 2000	DRAWING No. 205/2
Date 8/8/97	Scales 1:2500		

AGENDA ITEM: 10 Pages 55 – 63

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Stanley Road Playing Fields and Former Herbert Wilmot Centre, East Finchley N2**
Report of	Cabinet Member for Resources and Performance
Summary	To seek approval that the land be declared surplus to the Council's requirements and that it be advertised on the open market to enable submission of schemes and initial bids for the Council's freehold interest. The appraisal and result of the open market testing will be reported to a future Cabinet Resources Committee meeting for consideration.

Officer Contributors	Suzanna Ellis – Principal Valuer (Property Services)
Status (public or exempt)	Public (with separate exempt report)
Wards affected	East Finchley
Enclosures	Location Plan No. 24177 and Photos
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Suzanna Ellis, Principal Valuer (Property Services), 020 8359 7356, suzanna.ellis@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 That the Council's freehold interest in the land edged red on the attached plan no. 24177 be declared surplus to its requirements.

1.2 That the disposal of the freehold interest be advertised on the open market to seek details of proposed schemes and initial bids.

1.3 That the appraisal and results of the open market testing be reported to a future meeting of the Cabinet Resources Committee for further consideration.

2. RELEVANT PREVIOUS DECISIONS

2.1 Land and Buildings Executive Committee, 12 September 1991 – approved that the part of the site hatched orange and blue on the plan be appropriated from education to recreational purposes. It also approved a short-term letting of the land hatched orange and blue on the plan to the Stanley Road Association.

2.2 Short form Delegated Powers Report No.125 dated 28 October 2009 authorised by the Executive Director of Resources approved a 6 month rolling licence be granted to Apollo Group Holdings Ltd (a contractor working for the Council) in relation to the land hatched green on the plan. The licence was granted for the storage of materials and plant equipment.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan 2010-2013 commits the Council to delivering 'Better services with less money'. A key principle of the medium term financial strategy is to continually review the use of Council assets so as to reduce the cost of accommodation year on year and to obtain best consideration for any surplus assets to maximise funds for capital investment and/or the repayment of capital debt. The sale of the former Stanley Road Playing Fields and Herbert Wilmot Centre would provide a capital receipt which would support the Council's priorities and bring this currently unused area of land back into use.

4. RISK MANAGEMENT ISSUES

4.1 It is considered likely that the sale of this land will raise significant levels of public concern and will give rise to policy considerations. We expect local residents to actively have a particular focus on the future of this site.

4.2 The legal title to the land has been investigated and a restrictive covenant is detailed in the Conveyance dated 24 June 1914 which prevents the construction of a factory or workshop on the land. This covenant does not extend to residential development or to temporary workshops to be used during building operations. The burden of this covenant now rests with the Council. As it would be very difficult to establish who now has the benefit of this covenant it is considered unlikely that it would be enforced. However, it may be prudent to obtain an indemnity insurance to cover this possibility.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The recommendation has been evaluated against the principles in the Equalities Policy and Equalities scheme and there are no adverse implications for specific groups.

5.2 The receipt from the disposal of this site will feed into the Council's Capital Programme which supports the overall aim of the Council's Equalities Policy and supports the equality priorities outlined in Council's Equality Scheme.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 There are no procurement, performance and value for money, staffing, IT or sustainability implications. The financial and property implications are set out in paragraph 9 below and in the accompanying exempt report.

6.2 The proceeds of the sale will produce a 100% useable capital receipt for the General Fund.

7. LEGAL ISSUES

7.1 None, other than as mentioned in the body of the report.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

9.1 The site under consideration is outlined in red on the attached plan and is made up of two parcels of land which total some 1.2 Ha/3.1 acres, separated by a public footpath.

9.2 The first parcel of land bordering the railway line and north of the footpath (hatched orange and blue on the attached plan), is some 1 Ha/ 2.7 acres. It is an irregular piece of land, which is bordered to the north and the east with residential uses, to the west by railway line and to the south is the Holy Trinity VA School. The second parcel of land, (hatched in green on the attached plan), south of the footpath accessed from Eagans Close is some 0.2 Ha/0.4 acres. It lies opposite the south east corner of the first parcel of land and is bordered by residential properties to the east, the Holy Trinity VA School to the west.

9.3 The Site is owned freehold by the Council under three titles (hatched blue, orange and green on the plan). The land shown hatched blue on the attached plan is subject to restrictive covenants that may be of significance in considering its future use as outlined in paragraph 4.3. The parcel of land bordering the railway is currently vacant being managed by the Commercial Directorate, pending a decision regarding its future. The land hatched green on the attached plan is currently occupied by Apollo Group Holdings Ltd as detailed in paragraph 2.2.

9.4 The Site was originally purchased by the Middlesex County Council for education use, and became vested in the London Borough of Barnet in 1965 following the abolition of Middlesex County Council. As the part of the Site hatched orange and blue on the plan was no longer required for school use, on 26 March 1991 the Education Committee declared it surplus to its requirements and the land was thereafter appropriated to recreational purposes as detailed at paragraph 2.1.

9.5 The Stanley Road Association ('the Association') held a lease of the land hatched orange and blue on the plan for 4 years from 1 April 1992. Following expiry of the lease in 1996, the Association held over until June 2010 when the Council reclaimed possession of the land. Whilst the land was the responsibility of the Association there were numerous complaints regarding the lack of management and upkeep of the land. The land is now in a very poor condition with little of the redgra surfacing of the playing field remaining, the land being overgrown with vegetation. It is not currently capable of being put to any form of sporting use.

9.6 Over the years 2003 to 2005 a number of groups expressed interest in the Site and put forward various proposals for its development for community/sporting and residential uses. These proposals did not progress as the Association remained in occupation of the land.

9.7 The land hatched green accessed from Eagans Close was originally acquired by Middlesex County Council. The land was used by a youth centre which was known as the Herbert Wilmot Centre. The youth centre provided the changing facilities for community groups who used the football pitch on the land bordering the railway. The use of the youth centre declined and the building fell into disrepair to a dangerous extent. The land was cleared and on 30 June 2008 a 6 month Licence was granted to Apollo Group Holdings Ltd as detailed at paragraph 2.2.

9.8 Following possession of the land by the council the future options for the site have been examined.

Planning Advice

9.9 Planning advice is that the site forms a sizeable parcel of land bounded by a railway line, established residential development and a school.

9.10 The land is unkempt and clearly unusable in its current condition as a formal recreational amenity. There are signs indicating its former use which includes two remaining goal posts and floodlighting.

9.11 Although the Borough is generally well served by playing space, a recent audit highlights a concern in relation to the quality of such facilities and indicates that this area of the Borough has been identified as having notable deficiencies in playing pitch provision.

9.12 Opportunities for the re-use and/or redevelopment of the land will depend on whether it can be demonstrated that there is no longer a need for the playing area in its current form or that any such demand is or can be adequately catered for elsewhere. Any assessment of provision must be subject to consultation with Sport England.

9.13 A range of development possibilities exist including residential and/or community and education uses. These may serve as stand alone or enabling developments to secure improvements to recreational space/facilities if identified on or off-site.

9.14 Any new development should demonstrate compliance with Unitary Development Plan policies and guidance and have regard to the emerging policy context in relation to the Local development Framework. Development should in particular respect adjoining residential boundaries and uses and ensure adequate access arrangements in addition to securing any necessary planning obligations.

9.15 Residential densities should reflect the character of the surrounding area and provide for a range of accommodation types.

Summary

9.16 In view of the above legal and planning advice, there is significant potential for various forms of development of this land subject to planning permission and consent from Sport England. Over the years there has been market interest in the land for a variety of use ranging from residential development to development for sport and recreation, or educational uses, and despite the down turn in the market there is an indication that a market exists for this site.

9.17 In order to fully examine the potential development opportunities for the site together with the likely capital receipts that may be achieved, and market appetite for this site it is recommended that a two phase approach is adopted with an initial marketing campaign to identify the possible proposals and likely bids which can then be assessed and considered against the planning criteria and the Council's objectives.

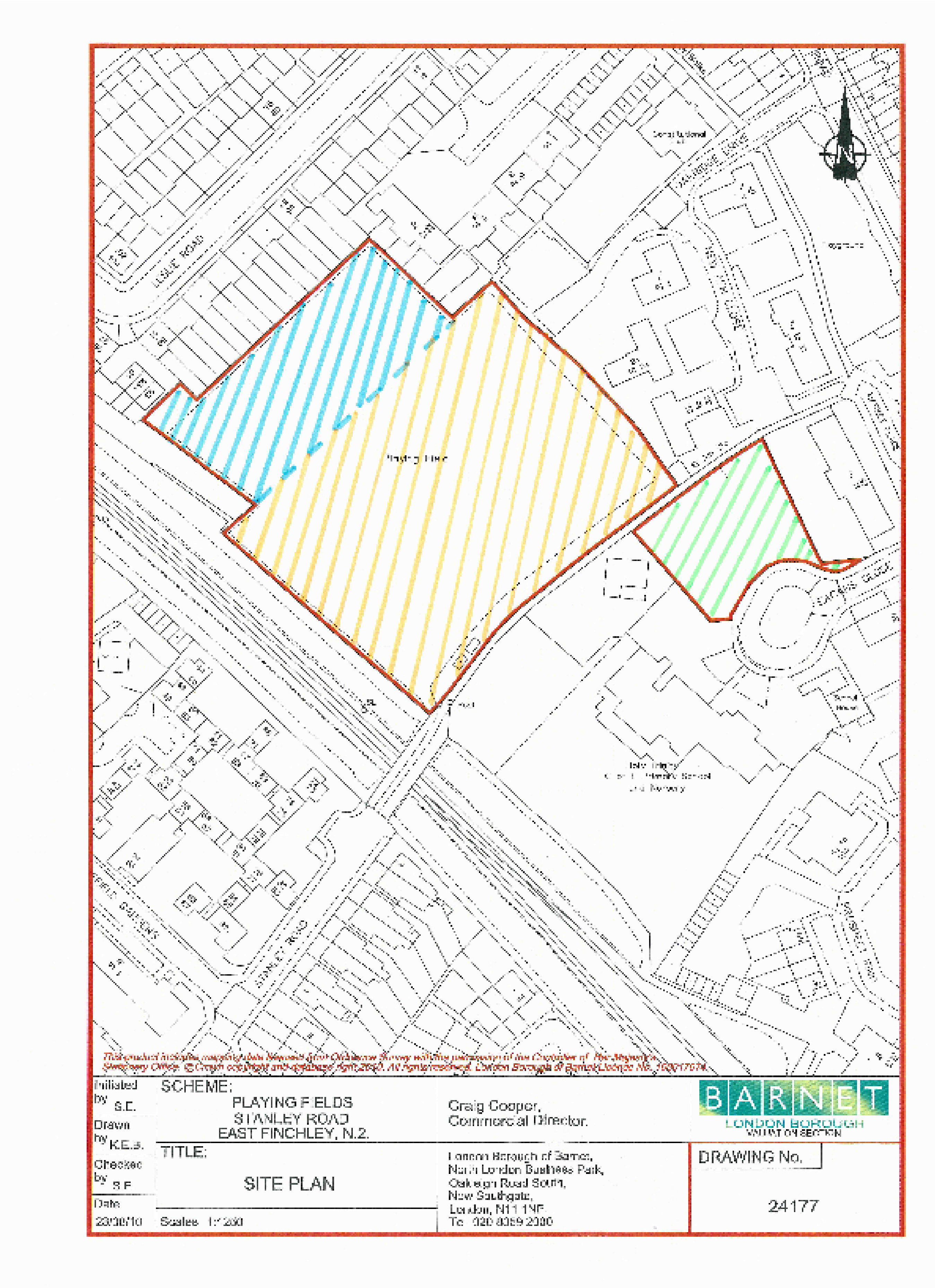
9.18 The open market testing will be reported back to a future Cabinet Resources Committee meeting for a further decision on the proposal / proposals to be pursued.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – JKK
CFO – MC

Site Plan


Playing Field
LISLE ROAD
STANLEY ROAD
SCHEME:
PLAYING FIELDS
STANLEY ROAD
EAST FINCHLEY, N.2.
Craig Cooper,
Commercial Director.
BARNET
LONDON BOROUGH
TITLE:
SITE PLAN
DRAWING No.
24177
Initiated by S.E.
Drawn by K.E.S.
Checked by S.E.
London Borough of Barnet,
North London Business Park,
Oakleigh Road South,
New Southgate,
London, N11 1NP

Photos

Access to the land hatched orange and blue from the public footpath.

View of the land hatched blue and orange from the Northern boundary.

View over the land hatched orange West to East.

Stanley Road linked to the public footpath leading to the site from the South West.

Land hatched green from Eagans Close.

Land hatched green from Eagans Close.

AGENDA ITEM: 11 Pages 64 – 67

Meeting	Cabinet Resources Committee
Date	30 November 2010
Subject	**Request by a Member for an Indemnity in respect of Legal Costs**
Report of	Director of Corporate Governance / Monitoring Officer
Summary	This report informs the Committee of a request by a Member for an indemnity to cover the cost of their own choice of legal representation in respect of a complaint concerning an alleged breach of the Members' Code of Conduct.

Officer Contributors	Jeff Lustig, Director of Corporate Governance (Monitoring Officer), Seye Aina, Senior Governance Advisor
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Seye Aina, Senior Governance Advisor, 020 8359 7156, seye.aina@barnet.gov.uk.

1. RECOMMENDATIONS

1.1 That the Committee consider a request by a Member to be provided with an indemnity for costs incurred upon their own choice of legal representation in respect of dealing with a complaint concerning an alleged breach of the Members' Code of Conduct.

1.2 That, if the request is considered favourably, it be considered whether a financial limit be placed on such indemnity.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet, 17 January 2007 (Decision item 4) – approved the grant of indemnities to Members and Officers within the terms set out in that report.

2.2 Cabinet, 18 June 2007 (Decision item 4) – approved an amendment to the previously approved arrangements and noted external insurance cover was arranged in relation to certain types of investigation.

2.3 Cabinet, 22 February 2010 (Decision item 8.3) – approved that it was appropriate to continue with the principle of external insurance cover being called upon in all cases where a Member indicates a wish to have legal advice and representation funded by the Council.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The Corporate Plan 2010-2013 priority 'A Successful London Suburb' has a top improvement initiative to "increase opportunities for civic and democratic engagement'. Members of the Council when undertaking their engagement duties require suitable indemnity in respect of any complaints against them.

4. RISK MANAGEMENT ISSUES

4.1 Since the implementation of the Local Government Act 2000, Executive Members have carried a portfolio representing a function or functions of the Council. Within guidelines, they may take individual decisions and are attributed direct responsibility and accountability for these decisions. Non-executive Members perform other Council duties and regularly serve as Council representatives on outside bodies. Powers delegated to Chief Officers have increased since the Council adopted its Constitution in 2001. Generally, Officers are carrying out council functions in the performance of their duties. Members and Officers who do not believe that they will be indemnified whilst performing their duties for the Council, may not be willing to undertake those duties, if they consider that they may be held personally liable for costs associated with proceedings lodged in connection with matters relating to their Council duties.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 The proposals in this report address an issue that potentially impedes Members from participating fully in public service within the wider community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 If an indemnity is sought through the Councils external insurance arrangement there will be no financial implications up to the limit of indemnity of £50,000 any one claim.

6.2 If external insurance does not operate the indemnity costs will be required to be funded from the Council's accumulated reserves and balances.

6.3 In the circumstances described in paragraph 6.2, the terms of the indemnity would not require the Council to make any payment of the Member's legal costs and require the Member to repay any sums paid on account of such legal costs in the event of a finding that the Member had breached the Members Code of Conduct. However, consideration would need to be given to whether a financial limit should be placed on the indemnity. However, consideration would need to be given to whether a financial limit should be placed on the indemnity. It is suggested that such financial limit should not exceed £3,000 and that any extension beyond this limit would require the express approval of the Committee or, in case of urgency, the Cabinet Member for Resources.

7. LEGAL ISSUES

7.1 The legal issues in relation to grant of indemnities to Members and officers were set out in the previous reports.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibility for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including approval of schemes not in performance management plans but not outside the Council's budget or policy framework.

9. BACKGROUND INFORMATION

9.1 On 18 June 2007, Cabinet agreed an amendment to the criteria for the provision of indemnity for members and officers and noted that external insurance cover had been arranged for members effective from May 2007 in relation to Standards Board, Ethical Standards and Monitoring Officer Case Tribunal investigations.

9.2 In respect of the external arrangement it was reported, in 2007, that although the insurer was not bound to accept a Member's proposal, a Member might, if they wished, propose a choice of legal representative.

9.3 In April 2009, the first call on these arrangements was made. However, the insurer did not agree the Member's proposed representative on the basis that the firm was not on their approved panel and unlikely to gain approval because of cost, although they were willing to put the case through their internal processes.

9.4 On 22 February 2010, Cabinet agreed that it was appropriate to continue with the principle of external insurance cover being called upon in all cases where a Member indicates a wish to have legal advice and representation funded by the Council. However, in circumstances where the Member was not happy with the lawyer chosen by the external insurer, Cabinet further agreed that alternative provision could be considered in exceptional cases.

Application for the Council to provide an indemnity for the Member's legal costs in these circumstances would be made to the Director of Corporate Governance and submitted by the Director for consideration and decision by the Cabinet Resources Committee or, in case of urgency, by the Cabinet Member for Resources. The terms of such indemnity would not require the Council to make any payment of the Member's legal costs and would require the Member to repay any sums paid on account of such legal costs in the event of a finding that the Member had breached the Members Code of Conduct.

9.5 On 14 September 2010, the Standards Committee referred a complaint against a Member to the Monitoring Officer for investigation. The subject Member has made a request for an indemnity for costs incurred upon the provision of legal advice and representation but does not wish to use the legal representative proposed by the Council's insurers.

9.6 The subject Member has informed the Director of Corporate Governance that exceptional circumstances apply because the complaint is against a Member of the Standards Committee and that the case requires an expert lawyer in the field who has dealt with Standards cases in Barnet and elsewhere, and has a successful track record. The subject Member wishes to instruct Mr. Stephen Hocking of Beachcroft LLP, Solicitors.

9.7 William Graham Law, Solicitors, of Cardiff have been proposed by the Council's insurers to act on behalf of Members who are the subject of complaints of breach of the Members Code of Conduct. The Insurer Zurich Municipal has confirmed that William Graham Law are appointed nationally on almost all Member conduct matters, are selected to deal with cases on their individual merits and are the most appropriate Panel Solicitors. They have also confirmed that William Graham Law would be the approved firm of solicitors for the purposes of the indemnity being provided to the subject Member.

9.8 In considering the request by the subject Member, the Committee will need to consider whether the arguments put forward by the subject Member in paragraph 9.6 constitute sufficient exceptional circumstances to justify a departure from the normal provision approved by the Cabinet for legal representation to be provided under the Council's insurance arrangements.

10. LIST OF BACKGROUND PAPERS

10.1 None.