

13 July 2018

To: All Members of the Full Council

Dear Member,

Full Council - Monday, 16th July, 2018

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

- 9. To make appointments to outside bodies.[Pages 1- 4]**
- 11a. Report from Standards Committee - Members Allowance Scheme Amendment.[Pages 5-28]**
- 11b. Report from Corporate Committee - Treasury Management Outturn report.[Pages 29-43]**

Yours sincerely

Ayshe Simsek
Acting Democratic Services and Scrutiny Manager
0208 489 2929

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Report for: Full Council – 16 July 2018

Title: **Amendments to appointments to outside bodies 2018/19**

Authorised by : Bernie Ryan – Assistant Director Corporate Governance & Monitoring Officer

Lead Officer: Ayshe Simsek, Acting Democratic Services and Scrutiny Manager
0208 489 2920 ayshe.simsek@haringey.gov.uk

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Non Key Decisions

1.Describe the issue under consideration

- 1.1 To advise the Council of amended and new nominations of Council representatives to fill current vacancies on outside bodies and seek approval for appointments.

2.Cabinet Member Introduction

- 2.1 N/A

3.Recommendations

- 3.1 That the amendments and new outside body appointments, as set out in the attached schedule, be approved.

4.Background information

- 4.1 Part 2 of the Constitution, paragraph 4.02 (p) indicates that full Council will appoint representatives to outside bodies unless the appointment is a Cabinet function or has been delegated by the Council.
- 4.2 Section 10.08 of Part 2 of the Constitution advises that the Council has nomination rights to a large number of different external bodies, referred to as 'organisations'. The practice of making nominations to organisations is a benefit to the Council and the links created contribute to the social well-being of the borough.
- 4.3 These organisations can be categorized as follows:
- A. Association bodies, such as the Local Government Association or Association of London Government joint committees and panels.
 - B. Community or voluntary bodies which cover a very wide spectrum of organisations serving the community , or community groups, in various ways.

- C. Partnership bodies which will usually involve the Council working with other agencies on local issues or projects.
- D. Statutory bodies, where the Borough of Haringey needs to be represented by law.
- E. Trusts and Foundations which generally have more specific and prescribed objectives.

- 4.4 As set out in section 10.08(b) the nominations to all outside bodies are made and confirmed at each Annual General Meeting. Where there is an association or partnership body exercising executive functions, then nominations of the Cabinet Member will be made by the leader of the council, or the Cabinet with the Leader's agreement and recorded in the list approved at the AGM.
- 4.5 The attached appendices provides amendments and new appointments made at Full Council on 24 May. These will be recorded in the minutes and nominations will be stated as being made "at the request of the Council".
- 4.6 The constitution continues to advise that future nominations to voluntary or community bodies will generally be in a non – voting, "observer" capacity only, in order to avoid the greater potential for conflicts of interest. Nominated members will not participate in management or decision – making within the organization. Their role will be to assist in the exchange of information and views between the organisation and the council .
- 4.7 Nominations to other organisations will generally be in a full voting capacity, that is the member should participate fully in management and decision making within the organisation.
- 4.8 Following a change in the Articles of the Hornsey Town Hall CreativeTrust, they no longer require nominations from the Council and will be making their own arrangements for appointing councillors.

5. Use of Appendices

- 5.1 Appendix 1 – The amendments to member appointments to outside bodies 2018/19

6. Local Government (Access to Information) Act 1985

- 6.1 Background documents:
 - Appointments to outside bodies 2018/19
- 6.2 The background papers are located at River Park House, 225 High Road, Wood Green, London N22 8HQ.
- 6.3 To inspect them or to discuss this report further, please contact Ayshe Simsek on 0208 489 2920.

Outside Body Councillor/Representative	Party	Special responsibilities	Appointment expiry date
African-Caribbean Leadership Company			
Cllr Opoku		Replace Cllr Opoku with Cllr. Ogiehor	21 May 2019
Haringey Chinese Centre			
Labour vacant – Please remove	Lab	Remove body from list	
Haringey Racial Equality Council, Executive Committee			
Cllr Basu	Lab	Remove body from list	
Cllr White	Lab		
Cllr Ogiehor	LD		
Hornsey Parochial Charities			
Paula Lanning	Lab	Appointment to expire in October 2018	
Cllr Emery	LD	Remove both appointments – no vacancies	
Cllr Weston	Lab		
Reserve Forces and Cadets Association for London (RFCA for London)			
Cllr Emery	LD	3 year appointment	
		New appointment	May 2021
Lea Valley Regional Park Authority, The Authority			
Cllr Bevan	Lab	Cllr Bevan is main member and Cllr Gordon is deputy	May 2021
Cllr Gordon - Deputy	Lab		
Standing Advisory Council on Religious Education, The Conference			
Cllr Moyeed	Lab	Replace Cllr Moyeed with Cllr Peacock	
Finsbury Park Trust			
Cllr Stone	Lab	Change to 3 year appointments	
Cllr James	Lab	Deputy	21 May 2021
Hornsey Town Hall Creative Trust			
Cllr Diakides	Lab		21 May 2019
Cllr Cawley-Harrison	LD		
Selby Trust - Board of Trustees			
Cllr Bull	Lab	4 year appointment	
		Remove Cllr Bull and replace with Cllr Hakarta	May 2022
Cllr Chenot		Remove Cllr Chenot and replace with Cllr das Neves	May 2022
Wood Green Urban District Charity, The Management Committee			
Cllr Mitchell	Lab	4 year appointment	
		Remove Cllr Mitchell and replace with Cherry McAskill	
Cllr das Neves		Remove Cllr das Neves and replace with Cllr Chenot	

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REPORT OF STANDARDS COMMITTEE**FULL COUNCIL 16 JULY 2018**

Chair: Councillor Opoku

INTRODUCTION

The report of the Standards Committee on 10 July 2018 requested that the Committee recommend to full Council an amendment to the Members' Allowance Scheme for the period 1 April 2018 to 31 March 2019, following the appointment of two Deputy Cabinet Members by the Leader of the Council.

MEMBERS' ALLOWANCES 2018/19

Following a discussion the Committee resolved not to recommend amendment to the Members' Allowance Scheme for 2018/19. The Committee agreed, to recommend to full Council, that it keep under review the activity and outcomes of the work carried out by the Deputy Cabinet Member positions, and make a decision on remuneration, based on this information, in March, when the Member's Allowance Scheme is due to be revoked and renewed

We recommend to defer amendment of the Member's Allowance scheme to March 2019, when the current scheme is due to be revoked and renewed.

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Report for: Standards Committee 10 July 2018

Title: Amendment to Members' Allowances Scheme 2018/2019

Report

Authorised by: Bernie Ryan, Assistant Director Corporate Governance and Monitoring Officer

Lead Officer: Ayshe Simsek | 020 8489 2920
|ayshe.simsek@haringey.gov.uk|

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non-Key

1. Describe the issue under consideration

- 1.1 This report requests that the Standards Committee recommend to full Council an amendment to the Members' Allowances Scheme for the period 1 April 2018 to 31 March 2019, which was agreed by full Council on 19 March 2018. The revised Members' Allowances Scheme is set out at Appendix A attached.
- 1.2 The Committee, at its meeting in March, noted that the scheme may need to be reconsidered if there were changes after the election. Given the Leader has appointed two Deputy Cabinet Members and these positions will have specific responsibilities, for Women and Equalities, and for Broadwater Farm engagement, it is recommended that these roles are reflected in the Member's Allowance Scheme with a Special Responsibility Allowance.
- 1.3 It is proposed that Band one, of the Member's Allowances scheme set out at Appendix A, be subdivided into two, Band 1a and Band 1b. The remuneration figure for allowances in Band 1b reflects the decision making and close involvement in the democratic process of these Member roles. The two Deputy Cabinet Members are recommended to be included in Band 1a and receive an allowance of £5000 for their specific duties supporting the Cabinet.
- 1.4 The proposed figure of £5000 reflects the cross cutting nature, and community relations support role, these two positions will encompass.

2. Cabinet Member Introduction

N/A.

3. Recommendations

The Committee is asked:

- 3.1 To recommend the amended Members' Allowances Scheme set out at Appendix A to Full Council for adoption.

4. Reasons for decision

- 4.1 The Council has a legal duty under the Local Authorities (Members Allowances) (England) Regulations 2003 to adopt a Members' Allowances Scheme before the end of each year to cover the following year. The Council can amend a scheme any time during the year but can only revoke a scheme with effect from the beginning of the year. The scheme must make provision for basic allowances and, if they are to be paid, special responsibility, dependents' carers, travelling and subsistence and co-optees' allowances.

5. Alternative options considered

- 5.1 To not amend the scheme. This would mean not remunerating the Deputy Cabinet Members for the additional specific duties that they will be undertaking in the preceding 9 months.
- 5.2 To amend the scheme in March 2019, when the current scheme is due to be revoked and renewed. This option was not recommended given the current nature of the specific duties and responsibilities.

6. Background information

- 6.1 This Committee has responsibility for considering and recommending changes to the Member's Allowance scheme, to full Council for adoption. This report asks Standards Committee to consider an amendment to the scheme proposed for 2018-19 and recommend it for approval by full Council, in accordance with Article 14.03 of the Council's Constitution. The amendments to the Scheme for 2018-19 are shown in italics and underlined appendix A.
- 6.2 The Committee, at its meeting in March, noted that the scheme may need to be reconsidered, if there were changes after the election. Given the Leader has appointed a Deputy Cabinet Member for Women and Equalities and a Deputy Cabinet Member for Broadwater Farm Resident engagement, and these positions will have specific responsibilities, it would be appropriate to reflect this in the Member's Allowance scheme with a Special Responsibility Allowance.
- 6.3 The definition of the Assistant Cabinet Members from the Constitution (Part 3, Section C, section 4 – advises that:

The Council may appoint Assistant Cabinet Members to provide an effective link between the Cabinet and other Councillors and to assist Cabinet Members generally and with specific roles within their portfolio.

The Assistant Cabinet Members:-

- (a) May not take Cabinet decisions
- (b) May have specific areas of focus within the relevant portfolio area
- (c) Will be able to substitute in certain circumstances for the Cabinet Members but not if a decision is to be made as part of the Cabinet arrangements

- (d) Can attend and participate in the absence of the relevant Cabinet Member at meetings of the Cabinet with the permission of the Leader but cannot vote
- (e) Cannot participate in a Scrutiny Panel or Review that is examining an area of policy within the relevant Cabinet Member portfolio responsibilities
- (f) May put questions to Cabinet Members at Council Question time but not in respect of the portfolio to which they have responsibility as an Assistant Cabinet Member
- (g) Assistant Cabinet Members may not take part in Cabinet decision-making in any way.

- 6.4 Whilst the Deputy Cabinet Members will not be taking decisions, they will likely take forward joint working with partners and communities, have increased meetings to attend, and provide support for specific major projects such as the Violence against Women & Girls (VAWG) strategy and the future of Broadwater Farm Blocks. They will respectively have a critical role in ensuring equalities considerations are at the heart of decision making, and have a pivotal role in community relations activities in Broadwater Farm. Therefore, the Deputy Cabinet Member roles will likely involve the designated councillors going above and beyond the back bench councillor remit, assisting the Cabinet in matters of significant strategic importance to the Council, requiring remuneration for specific duties as set above.
- 6.5 To assess whether the specific responsibilities of the Deputy Cabinet Members warrant a Special Responsibility Allowance, the Council has a duty to consider the recommendations of an Independent Remuneration Panel in relation to the payment of Members Allowances.
- 6.6 The Local Authorities (Members Allowances) (England) Regulations 2003 allow London Boroughs to use an independent remuneration panel set up for the purpose of making recommendations across London. London Councils set up a panel for this purpose in 2001 and its most recent report was published in January 2018 and is attached as Appendix B. Although the IRP makes recommendations, it is for each individual council to decide the level of remuneration and for which roles. The 2018 recommendations have been considered in the preparation of the proposals at Appendix A. This includes the guidance criteria for Special Responsibility Allowances at page 7 of Appendix B. and lists the posts envisaged as being considered Band one, including Cabinet Assistants.
- 6.7 The Committee are further asked to note that with the addition of the two Deputy Cabinet Members, the number of Members that receive an allowance would increase from 28, to 30. Although the guidance advises that no more than 50% of Members should receive an SRA, the Mayor and Deputy Mayor are excluded from this calculation as they are not provided with an SRA, but rather an allowance to reflect the expenditure incurred in the course of their mayoral duties. This is set out at page 6 of the guidance (under "Allowances for Mayor or Civic Head"). Therefore, if the Committee are minded to recommend the amendment to the Member Allowance Scheme for approval by full Council, this would still be in line with the guidance.

- 6.8 With regard to funding the additional two roles, the previous Member's Allowance Scheme re - banding exercise, completed by the Committee between March 2017 and March 2018, generated a net saving of £25,193 against expenditure in 2017-18. Full Council further agreed a 1% uplift to allowances in March. Therefore, the saving from the rebasing covers the 1% uplift as well as the two new SRA's.

7. Contribution to strategic outcomes

Members of the Council are directly responsible for the setting and oversight of all strategic priorities.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

The proposals contained in this paper are contained within the available budget.

Legal

Legal implications are contained within the body of this report.

Equality

The decision to approve allowances to members does not have a direct impact on the equality duty of the council, other than that the scheme includes provision for payment for parent/carers allowances to facilitate the attendance of parents and carers at meetings and in relation to carrying out the general responsibilities of councillors.

The inclusion of a Deputy Cabinet Member for Women and Equalities will provide for specific democratic oversight of equalities considerations taken by the council in policy and decision making. This will provide protected groups in the borough with assurance and a point of contact in the heart of the council.

BAME communities are disproportionately represented in tenant and leaseholder population of the Broadwater Farm Estate. The Deputy Cabinet Member for Broadwater Farm Resident Engagement will provide additional support to the Cabinet in this critical year, for rehousing of tenants in Tangmere block and making key decisions about the future of the blocks on the estate. This Deputy Cabinet role will help the Council fulfil its duty in mitigating any discrimination that may occur and fostering ongoing good relations between communities, both within the estate and in the areas in which tenants are rehoused.

9. Use of Appendices

Appendix A: Amended Draft Members' Allowances Scheme 2018-19

Appendix B: 2018 report of the Independent Panel on the Remuneration of Councillors in London

10. **Local Government (Access to Information) Act 1985**
N/A

Part 6

Members' Allowances Scheme

1. SCHEME FOR THE PAYMENT OF MEMBERS' ALLOWANCES

- 1.01 Made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 and in force for the municipal year 2018/19 1 April 2018 to 31 March 2019).

2. BASIC ALLOWANCE

- 2.01 Each Councillor will be entitled to receive the sum of £10, 810 by way of Basic Allowance.
- 2.02 If a Councillor does not serve as such for the whole 12-month period or becomes disqualified, he/she will only be entitled to receive pro-rata payment for the period(s) during which he/she actually was a serving Councillor. This principle applies to education representatives on scrutiny bodies and employee and employer representatives on the Combined Pensions Committee and Board (co-optees).

3. INCLUDED EXPENSES

- 3.01 Travel Expenses.
The Basic Allowance includes all travel within the M25. Councillors are not entitled to any form of concession or special permit as Councillors for parking in the Borough.
- 3.02 Telephones and I.T.
The Basic Allowance includes Councillors' telephone call charges, both mobile and landline, for which Councillors are billed individually. The Council meets the rental for apparatus, including broadband, and all data charges.

4. MAYORAL ALLOWANCES

- 4.01 The additional allowances for the Mayor and Deputy Mayor are:
- (a) The Mayor is entitled to an additional allowance of £16,965.
 - (b) The Deputy Mayor is entitled to an additional allowance of £4,238.

Appendix A

5. SPECIAL RESPONSIBILITY ALLOWANCES

5.01 For the period 1 April 2018 to 31 March 2019, Haringey Council will allocate Special Responsibility Allowances in six bands, to Councillors who take on certain additional roles, in accordance with Table A below. If a Councillor does not serve as such for the whole period or becomes disqualified, he/she will only be entitled to receive pro-rata payment for the period(s) during which he/she actually was a serving Councillor.

Table A

Band	Position	Special Allowance	Total Allowance
Band 4	<ul style="list-style-type: none"> • Leader 	£33,926	£44,736
Band 3B	<ul style="list-style-type: none"> • 9 or fewer x Cabinet Members 	£25,443	£36,253
Band 3A	<ul style="list-style-type: none"> • Chair of Overview and Scrutiny Committee 	£23,134	£33,944
Band 2B	<ul style="list-style-type: none"> • Chief Whip • Chair of Regulatory Committee • Chair of Alexandra Palace and Park Board • Leader of the Principal Opposition 	£16,965	£27,775
Band 2A	4 x Councillors serving on Overview and Scrutiny Committee	£15,421	£26,231
Band 1B	<ul style="list-style-type: none"> • Chair of Combined Pensions Committee and Board • Chair of Staffing and Remuneration Committee • Chair of Standards Committee • Chair of Corporate Committee • Vice Chair of Regulatory • Leader of the second Opposition Group or Deputy Leader of the Principal Opposition • Chief Whip of the Principal Opposition 	£8,482	£19,292

Appendix A

Band 1a	<u>Deputy Cabinet Member for Women and Equalities</u> <u>Deputy Cabinet Member for Broadwater Farm Engagement</u>	<u>£5000</u>	<u>£15,810</u>
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6. MULTIPLE RESPONSIBILITIES

- 6.01 Where a Councillor holds more than one post of special responsibility, he/she may only receive one Special Responsibility Allowance. Where a Councillor holds more than one post of special responsibility and the posts have Special Responsibility Allowances of different monetary values, the Councillor would receive the higher one. For the purposes of this paragraph, the Mayor and Deputy Mayor count as posts of special responsibility.

7. CO-OPTES' ALLOWANCES

- 7.01 Each education representative on scrutiny bodies and each employee and employer representative on the Combined Pensions Committee and Board is entitled to an allowance of £154 per meeting attended, to a maximum of £616. No allowances are payable to others who are not elected Councillors.

8. BABYSITTING AND DEPENDANTS ALLOWANCE

- 8.01 Councillors and non-elected members can claim this allowance based on the following:
- (a) That reimbursement be made at the London Living Wage. The period of payment should include the time of the meeting, together with reasonable travelling time of the member, plus any necessary travelling expenses of the carer to and from their home.
 - (b) Children over the age of 16 must not be claimed for, unless suffering from an illness or disability making constant care essential.

9. TRAVELLING AND SUBSISTENCE ALLOWANCE

Appendix A

9.01 Councillors can claim this allowance for attending approved meetings, training and conferences etc. only to the extent that it involves travel outside the M25. Claims must be based on the following:

(a) The mileage rate for travel by private car is 34.6 pence per mile. An extra 3 pence per mile is payable for each passenger for whom a travelling allowance would otherwise be payable. The cost of tolls, ferries and parking charges can be claimed.

(b) The mileage rate for travel by solo motor cycle is :

Not exceeding	150 cc	8.5 pence per mile
Over	150 cc but not over 500 cc	12.3 pence per mile
Over	500 cc	16.5 pence per mile

(c) On public transport only the ordinary or cheaper fare can be claimed where more than one class is available.

(d) The cost of a taxi, including a reasonable tip, can be claimed only in case of urgency or where public transport is not practicable or reasonably available.

(e) The maximum rates for subsistence allowance on approved duties are as follows:

For an absence of more than 4 hours before 11.00 £4.92

For an absence of more than 4 hours including lunchtime between 12.00 and 14.00 £6.77

For an absence of more than 4 hours including the period 15.00 to 18.00 £2.67

For an absence of more than 4 hours ending after 19.00 £8.38

10. CLAIMS AND PAYMENTS

10.01 Where a Councillor is also a Councillor of another authority, that Councillor may not receive allowances from more than one authority in respect of the same duties.

10.02 The Basic Allowance and Special Responsibility Allowances will be paid in equal monthly instalments.

10.03 The Co-optees' Allowance must be claimed by, and will be paid at, the end of the municipal year, subject to paragraphs 2.02 above and 10.05 below.

10.04 All claims for Travelling and Subsistence Allowance and Babysitting and Dependants Allowance must be made within two months of the relevant meeting or the costs being incurred by the Councillor or non-elected member, subject to paragraph 10.05 below.

Appendix A

10.05 If any Allowance under paragraphs 10.03 or 10.04 is not claimed within the prescribed time limit, the Democratic Services Manager shall have a discretion to make the payment nonetheless.

10.06 Any Councillor or non-elected member may elect to forego his/her entitlement to all or part of any allowance by giving written notice at any time to the Democratic Services Manager.

The Remuneration of Councillors in London 2018

Report of the Independent Panel



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Introduction

The Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations') authorise the establishment by the Association of London Government (now London Councils) of an independent remuneration panel to make recommendations in respect of the members' allowances payable by London boroughs. Such a panel ('the Panel') was established and reported in 2001, 2003, 2006, 2010 and 2014. It now comprises Sir Rodney Brooke CBE DL (Chair), Steve Bundred and Anne Watts CBE.

The Regulations require a review of the scheme every four years as a minimum. The current Panel has therefore completed a review of remuneration for councillors in London. We present our findings and recommendations in this report.

As a preparation for our work, we invited all London boroughs to give their views on the operation of the existing scheme. We are grateful for the feedback, which confirms that the existing London scheme of members' allowances is still fit for purpose. We make recommendations accordingly (**recommendations throughout the report are in bold type**). However, where issues have arisen from the comments we received, we have addressed them in this report.

The role of elected members

In our previous reports we reflected on the importance of the role of elected members. We repeat at Appendix B the job profile for councillors which we originally included in our 2010 report. The feedback we have received is that it continues to be appropriate.

The Local Governance Research Unit, based at Leicester Business School, recently launched a Councillor Commission as an independent review of the role and work of the councillor. The Commission's report points out that councillors oversee million-pound budgets, balancing complex financial pressures at a time of severe cutbacks in local authority spending, making decisions which will affect their areas for decades to come. In London each Borough Council is responsible for services crucial to its residents. Each has a revenue budget of up to £1.4bn as well as a substantial capital programme. The scale of their turnover and other financial activities are in many instances comparable with those of large publicly quoted companies.

Councillors are faced with unenviable choices. Demand for local authority services continues to grow. In particular, there is rapid growth in the number of old people with a corresponding increase in demand for social care. London itself faces acute housing problems. Councillors have an increased responsibility for health. Thus the strain on and competition for resources increase the demands made on elected members. The responsibilities and accountabilities are made clear after a tragedy like the Grenfell Tower fire.

The evidence we received confirms that the workload and responsibilities of councillors continue to increase and that their role has become more complex, and not only in the areas of social care, housing and health. There has been growth in the number of sub-regional meetings, partnerships and joint bodies (such as Boards for Health & Wellbeing and Safer Neighbourhoods) which require the commitment and time of leaders, cabinet members and front-line councillors. Partnership engagement makes great demands on councillors. There has been a marked increase in informal meetings, such as working groups, forums and community gatherings as well as formal meetings like local authority companies. The expectations of the public continue to rise.

While valuable to democracy, the use of social media adds to the pressure on councillors by increasing demands from their constituents in several different ways. Communication with councillors is not only easier but immediate. The public expects a speedy response, so that it is now more difficult for councillors in employment to deal with concerns as quickly as voters expect. Not only do social media make it easier for their constituents to get hold of councillors, but they also enable an isolated concern to become an organised campaign.

Recruitment of councillors

We received evidence that it is increasingly difficult to recruit people of quality who are prepared to stand for office as councillors. Though the low level of allowances was mentioned as a reason for this, a major disincentive is the time commitment required of a councillor. That time commitment (as well as finance) can make it difficult to combine the role with a job and a family life. As one councillor commented to the Leicester Business School Commission, 'Serving on outside bodies means that I am working every day of the week, weekends too'. As was pointed out in responses we received, the problem is exacerbated in London, where councillors are on the whole younger than in other parts of the country and often in employment. They also face substantially higher costs of living.

Though the time commitment may be the main disincentive to service as a councillor, it is important that, as far as reasonably possible, financial loss does not prevent people from becoming councillors. Allowances are not shown by polls to be something which influences councillors to take on the role, though they are instrumental in making it possible for some people to do so. Allowances should be set at a level that enables people to undertake the role of councillor, while not acting as an incentive to do so. If it is important that there are no financial incentives to being a councillor, it is equally important that there should not be a financial disincentive. It is clearly desirable that service as a councillor is not confined to those with independent means.

Since our last report the Government has removed the possibility of councillors joining the local government pension scheme. We believe that access to the pension scheme can be an important factor in making service as a councillor financially possible for a wider range of people. It is particularly significant for those who, like elected mayors, leaders and portfolio holders, give most or all of their time to service in local government and lose the opportunity to contribute to a pension scheme elsewhere. Loss of access to a pension scheme imposes a further financial penalty on councillors.

We do not repeat the arguments for appropriate remuneration for councillors which we have set out in our previous reports. We believe them to be self-evident. But we do repeat our belief in the importance of local democracy and the role of councillors within it.

The current financial and political climate

Because of the current financial climate, the local government pay settlement in recent years has been severely limited. Since our last report there have been three awards of 1%. Acutely sensitive to the current financial austerity, some boroughs have frozen members' allowances and failed to apply the pay awards to them. Indeed some boroughs have even reduced members' allowances.

Our recent reports have made no recommendations for increasing the levels of members' allowances other than continuing provision for annual adjustments in accordance with the annual local government pay settlement. As the Government-appointed Councillors' Commission pointed out in their 2007 report, the recommendations of the London Panel has led to some convergence of members' allowances across London. Indeed, the Councillors' Commission recommended a similar system for the country as a whole. Following our recommendations, there is now considerable congruity in the basic allowance made by London boroughs.

However, most London boroughs have not adopted our recommendations in their entirety and there remain substantial differences in the amount of special responsibility allowances. We fully recognise that now is not the time to contemplate a general increase in councillors' allowances. Nevertheless we hope that in the longer term the financial situation will permit further convergence of members' allowances around our recommendations.

Level of Basic Allowance

In our last report we recommended that there should be a Basic Allowance paid to every councillor of £10,703. Updated for the local government staff pay awards since then, the figure is now £11,045. Given the loss of pension rights; growth in the volume and complexity of the work of councillors; and the limited increase in the Basic Allowance since our last report, we believe that there is a strong case for considering a larger increase. The basic allowance is now less than the allowances paid by many similar authorities outside London. In Wales, for example, the government-

appointed commission sets the basic allowance at £13,400 for members of local authorities with populations which are generally substantially lower than those of London boroughs.

However we reluctantly accept that, in the current financial climate, it would be inappropriate to recommend a general increase in members' allowances (beyond the annual updating). Pegging an annual increase to staff pay awards will ensure that councillors can receive annual increases which are in line with those received by staff. **We therefore recommend that the Basic Allowance be set at £11,045.** We believe that it remains sensible to frame recommendations which are common across London.

Special Responsibility Allowances

Given the extent of the responsibilities of leaders of London boroughs, the Panel's first report in 2001 recommended that their remuneration should equate to that of a Member of Parliament. [Our recommendations for other special responsibility allowances are related to that recommended for leaders.]

Since then the increase in the remuneration of Members of Parliament has substantially exceeded the annual local government pay increase to which we tied the special responsibility allowance for the leader of a London borough. At the time of our last report an MP received a salary of £67,060 while our recommendation for a borough leader (increases having been restricted to the local government staff pay increases) was for total remuneration of £65,472, a difference of £1,588. Updated for the local government pay awards, our recommendation for the current total remuneration of a London borough leader would be £68,130. Meanwhile the salary of MPs has increased to £76,011, a difference of £7,881. Moreover MPs continue to be entitled to a pension as well as to sundry other benefits (such as termination payments) which are not available to leaders.

In our current consultation we enquired whether the remuneration of an MP remains a sound comparator to fix the remuneration of a borough leader. In general the responses agreed that the comparator was appropriate and, if anything, that the Leaders of London boroughs warranted a higher remuneration than an MP, because they had greater financial responsibility and legal burdens, and especially given the differential pension arrangements. Indeed one respondent authority suggested that the direct responsibilities of a Leader should command the salary of a Junior Minister.

We sympathise with the responses. Certainly the way in which MPs' remuneration has outpaced that of leaders would prompt a review of the Leaders' allowances had the Panel not had regard to the current stringent economic circumstances. For the same reasons which prompt us to peg the Basic Allowance, **we recommend that the special responsibility allowance for a Leader should be in accordance with our former recommendation, plus the subsequent local government staff pay awards, ie £57,085. We recommend the maintenance of its relation to other special responsibility allowances, as set out in the Appendix to this report.** Nevertheless we hope that parity of the remuneration of the Borough leaders with the remuneration of Members of Parliament will be restored when the economic situation eases and that the other Special Responsibility Allowances will then be adjusted accordingly.

Interpretation of the Scheme

The responses from the boroughs generally indicated no problems with interpretation of our recommendations, though many had adopted lower figures, especially for special responsibility allowances. We continue to believe that the scheme we propose is sufficiently flexible to accommodate the varying political management arrangements of different London boroughs. Specifically, we were asked for guidance on what percentage of councillors should receive a special responsibility allowance. **We reiterate our view that no more than 50% of councillors should receive a special responsibility allowance. We also continue to believe that no member should receive more than one special responsibility allowance though we accept that there might exceptionally be special circumstances where allocation of more than one Special Responsibility Allowance might be justified, eg where members undertake a number of different time-consuming roles such as sitting on licensing hearings.**

We were asked to give more detailed guidance on the roles allocated to different bands and whether these could be tied to the time commitment required of a role, expressed as a percentage of the time commitment of the Leader. However, we believe that the percentages we identify should be tied not only to time commitment but also to levels of responsibility.

Training and Support

The responsibilities of councillors are substantial, extensive and complex. We have mentioned the Grenfell Tower tragedy as a chilling instance of those responsibilities. **We believe that every borough should have an ongoing programme of member training and development and that members should be expected to participate. We believe that members should be provided with logistical and clerical support to help them deal with their workload.**

Barriers to being a councillor

It is important that obstacles to becoming a councillor should be removed wherever possible. Child care costs can be a significant deterrent to service as a councillor. **We repeat our strong view that in appropriate cases when they undertake their council duties, councillors should be entitled to claim an allowance for care of dependents. The dependents' carers' allowance should be set at the London living wage but (on presentation of proof of expense) payment should be made at a higher rate when specialist nursing skills are required.**

We also repeat our belief that members' allowances schemes should allow the continuance of Special Responsibility Allowances in the case of sickness, maternity and paternity leave in the same terms that the council's employees enjoy such benefits (that is to say, they follow the same policies).

Travel and Subsistence allowances

We continue to believe that the Basic Allowance should cover basic out-of-pocket expenses incurred by councillors, including intra-borough travel costs and expenses. The members' allowances scheme should, however, provide for special circumstances, such as travel after late meetings or travel by councillors with disabilities. The scheme should enable councillors to claim travel expenses when their duties take them out of their home borough, including a bicycle allowance.

Allowances for Mayor or Civic Head

Many councils include the allowances for the mayor (or civic head) and deputy in their members' allowance scheme. However these allowances do serve a rather different purpose from the 'ordinary' members' allowances, since they are intended to enable the civic heads to perform a ceremonial role. There are separate statutory provisions (ss 3 and 5 of the Local Government Act 1972) for such allowances and councils may find it convenient to use those provisions rather than to include the allowances in the members' allowance scheme.

Update for inflation

We continue to recommend that for a period of four years the allowances we recommend should be updated annually in accordance with the headline figure in the annual local government pay settlement.

We have been asked whether it is necessary for the annual updating to be formally authorised by the council each year. The Regulations do seem to make this obligatory.

Sir Rodney Brooke CBE DL

Steve Bundred

Anne Watts CBE

London, January 2018

Appendix A

Basic allowance £11,045

Special responsibilities – beyond the basic allowance

The case for special allowances

The reasons for payment of additional special responsibility allowances should be clearly set out in local allowances schemes. Special allowances should come into play only in positions where there are significant differences in the time requirements and levels of responsibility from those generally expected of a councillor.

Calculation of special allowances

The proposed amounts for each band are a percentage of the figure suggested for a council leader depending upon levels of responsibility of the roles undertaken and are explained below. We believe that the SRA, which the previous panel recommended for the leader of a London council (updated), continues to be appropriate.

Categories of special allowances

The regulations specify the following categories of responsibility for which special responsibility allowances may be paid:

- Members of the executive where the authority is operating executive arrangements
- Acting as leader or deputy leader of a political group within the authority
- Presiding at meetings of a committee or sub-committee of the authority, or a joint committee of the authority and one or more other authorities, or a sub-committee of such a joint committee
- Representing the authority at meetings of, or arranged by, any other body
- Membership of a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods
- Acting as spokesperson of a political group on a committee or sub-committee of the authority
- Membership of an adoption panel
- Membership of a licensing or regulatory committee
- Such other activities in relation to the discharge of the authority's functions as require of the member an amount of time and effort equal to or greater than would be required of him by any one of the activities mentioned above, whether or not that activity is specified in the scheme.

Local discretion

It is for the councils locally to decide how to allocate their councillors between the different bands, having regard to our recommendations and how to set the specific remuneration within the band. They must have regard to our recommendations. We believe these should have the merits of being easy to apply, easy to adapt, easy to explain and understand, and easy to administer.

BAND ONE

The posts we envisage falling within band one include:

- Vice chair of a service, regulatory or scrutiny committee
- Chair of sub-committee
- Leader of second or smaller opposition group
- Service spokesperson for first opposition group
- Group secretary (or equivalent) of majority group
- First opposition group whip (in respect of council business)
- Vice chair of council business
- Chairs, vice chairs, area committees and forums or community leaders
- Cabinet assistant
- Leadership of a strategic major topic
- Acting as a member of a committee or sub-committee which meets with exceptional frequency or for exceptionally long periods
- Acting as a member of an adoption panel where membership requires attendance with exceptional frequency or for exceptionally long periods
- Leadership of a specific major project.

Remuneration

We propose that band one special responsibility allowances should be on a sliding scale of between 20 – 30 per cent of the remuneration package for a council leader.

This would be made up as follows:

Basic allowance: £11,045

Band One allowance: £2,582 to £9,397

Total: £13,627 to £20,442

BAND TWO

The types of office we contemplate being within band two are:

- Lead member in scrutiny arrangements, such as chair of a scrutiny panel
- Representative on key outside body
- Chair of major regulatory committee e.g. planning
- Chair of council business (civic mayor)
- Leader of principal opposition group
- Majority party chief whip (in respect of council business).

Remuneration:

We propose that band two allowances should be on a sliding scale between 40 – 60 per cent, pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance £11,045

Band two allowances: £16,207 to £29,797

Total: £27,252 to £40,842

BAND THREE

We see this band as appropriate to the following posts:

- Cabinet member
- Chair of the Health and Wellbeing Board
- Chair of the main overview or scrutiny committee
- Deputy leader of the council

Remuneration:

We propose that band three allowances should be between 70 – 80 per cent pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance: £11,045

Band three allowance: £36,917 to £43,460

Total: £47,962 to £54,505

BAND FOUR

Leader of cabinet

This is a full-time job, involving a high level of responsibility and includes the exercise of executive responsibilities. It is right that it should be remunerated on a basis which compares with similar positions in the public sector, while still retaining a reflection of the voluntary character of public service.

Remuneration:

We propose that the remuneration package for a council leader under band four of our scheme should be £68,130.

This is made up as follows:

Basic allowance: £11,045

Band four allowance: £57,085.

Total: £68,130

BAND FIVE

Directly elected mayor

A directly elected mayor has a full-time job with a high level of responsibility and exercises executive responsibilities over a fixed electoral cycle. It is right that it should be remunerated on a basis which compares with similar positions in the public sector, while still retaining a reflection of the voluntary character of public service. However we believe this post remains different to that of the strong leader with cabinet model. The directly elected mayor is directly elected by the electorate as a whole. The strong leader holds office at the pleasure of the council and can be removed by the council. We believe that the distinction is paramount and this should be reflected in the salary level.

Remuneration:

We propose that a directly elected mayor should receive a remuneration package of 25 per cent higher than that recommended for a council leader and that it should be a salary set at **£85,162**.

Appendix B

On behalf of the community – a job profile for councillors

Purposes:

1. To participate constructively in the good governance of the area.
2. To contribute actively to the formation and scrutiny of the authority's policies, budget, strategies and service delivery.
3. To represent effectively the interests of the ward for which the councillor was elected, and deal with constituents' enquiries and representations.
4. To champion the causes which best relate to the interests and sustainability of the community and campaign for the improvement of the quality of life of the community in terms of equity, economy and environment.
5. To represent the council on an outside body, such as a charitable trust or neighbourhood association.

Key Tasks:

1. To fulfil the statutory and local determined requirements of an elected member of a local authority and the authority itself, including compliance with all relevant codes of conduct, and participation in those decisions and activities reserved to the full council (for example, setting budgets, overall priorities, strategy).
2. To participate effectively as a member of any committee or panel to which the councillor is appointed, including related responsibilities for the services falling within the committee's (or panel's) terms of reference, human resource issues, staff appointments, fees and charges, and liaison with other public bodies to promote better understanding and partnership working.
3. To participate in the activities of an outside body to which the councillor is appointed, providing two-way communication between the organisations. Also, for the same purpose, to develop and maintain a working knowledge of the authority's policies and practices in relation to that body and of the community's needs and aspirations in respect of that body's role and functions.
4. To participate in the scrutiny or performance review of the services of the authority, including where the authority so decides, the scrutiny of policies and budget, and their effectiveness in achieving the strategic objectives of the authority.
5. To participate, as appointed, in the area and in service-based consultative processes with the community and with other organisations.
6. To represent the authority to the community, and the community to the authority, through the various forums available.
7. To develop and maintain a working knowledge of the authority's services, management arrangements, powers/duties, and constraints, and to develop good working relationships with relevant officers of the authority.
8. To develop and maintain a working knowledge of the organisations, services, activities and other factors which impact upon the community's well-being and identity.
9. To contribute constructively to open government and democratic renewal through active encouragement of the community to participate generally in the government of the area.
10. To participate in the activities of any political group of which the councillor is a member.
11. To undertake necessary training and development programmes as agreed by the authority.
12. To be accountable for his/her actions and to report regularly on them in accessible and transparent ways.

Appendix C

The independent panel members

Sir Rodney Brooke CBE DL had a long career in local government, including as chief executive of West Yorkshire County Council, Westminster City Council and the Association of Metropolitan Authorities. He was knighted in 2007 for his contribution to public service.

Steve Bundred was chairman of Monitor, chief executive of the Audit Commission and chief executive of the London Borough of Camden.

Anne Watts CBE has an extensive career in equality and diversity and governance that spans the private, voluntary and public sectors with organisations including the Open University, the University of Surrey, the Commission for Equality and Human Rights and Business in the Community. She chaired the Appointments Commission.

REPORT OF THE CORPORATE COMMITTEE No. 1, 2018/19**COUNCIL 16 JULY 2018**

Chair:
Councillor Isidoros Diakides

Deputy Chair:
Councillor Dana Carlin

INTRODUCTION

- 1.1 This report to Full Council arises from the report on the Treasury Management 2018/19 Outturn, considered by the Corporate Committee at their meeting on the 9 July 2018.

SUMMARYTreasury Management 2017/18 Outturn

- 2.1 We considered a report on the Treasury Management 2018/18 Outturn, which provided an update on the Council's treasury management activities and performance in the year to 31st March 2018, in accordance with the CIPFA Treasury Management Code of Practice. The Treasury Management Outturn report indicated that the Council had not breached any of its treasury management or prudential indicators in 2017/18. The presentation covered the general definition of treasury management, borrowing, investments, roles and responsibilities and the key aspects of the outturn report.
- 2.2 We asked around the Council's borrowing strategy and what the impact would be if interest rates were to rise. The Head of Pensions advised that an increase in interest rates would not necessarily have an immediate impact as most of the borrowing that the Council undertook was done on a fixed rate basis. The Head of Pensions also outlined that the borrowing costs were linked to gilt yields rather than the Bank of England base rate, so an increase in the base rate would not necessarily result in a commensurate increase in the Council's borrowing rates.
- 2.3 We asked what potential costs were involved with restructuring the LOBO loans. The Head of Pensions advised that the lenders involved would have to agree to repayment terms and that this would involve a cost to the Council. The Head of Pensions explained that there may be some circumstances in which changes in interest rates made repaying the loan and seeking alternative borrowing arrangements financially advantageous to the Council.
- 2.4 We sought some clarification on the difference between borrowing limits and current borrowing levels. The Head of Pensions explained that current levels of borrowing are some way below borrowing limits and that this was due to the use of internal borrowing, and as well as capital plans that had yet to be delivered.

WE RECOMMEND

That Full Council note the Treasury Management 2017/18 Outturn as attached.

Report for: Corporate Committee 9 July 2018

Item number:

Title: Treasury Management Outturn 2017/18

Report

authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

Report for Key/

Non Key Decision: Non Key decision

1. Describe the issue under consideration

- 1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.2. The Council's Treasury Management Strategy for 2017/18 was approved by Full Council on 27 February 2017.
- 1.3. This report updates the Committee on the Council's treasury management activities and performance in the year to 31st March 2018 in accordance with the CIPFA Treasury Management Code of Practice.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That members note the Treasury Management activity undertaken during the year to 31st March 2018 and the performance achieved.
- 3.2. That members note that all treasury activities were undertaken in line with the approved Treasury Management Strategy: in particular the prudential indicators with fixed limits shown in appendix 1.

4. Reason for Decision

- 4.1. None.

5. Other options considered

- 5.1. None.

6. Background information

- 6.1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually, Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local Council'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."
- 6.2. The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.
- 6.3. However, overall responsibility for treasury management remains with Full Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2017/18 on 27 February 2017. The Corporate Committee is responsible for monitoring treasury management activity and this is achieved through the receipt of quarterly reports.
- 6.4. Government guidance on local Council treasury management states that local authorities should consider the following factors in the order they are stated:

Security - Liquidity - Yield

- 6.5. The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury activity is without risk and the effective identification and management of risk are integral to the Council's treasury management activities.

7. Contribution to Strategic Outcomes

- 7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances continued in 2017/18. Borrowing is taken when required

for liquidity purposes with the preference being short term local authorities' loans, given the low interest rates these currently attract. Longer term borrowing is required as the Council's capital programme continues to grow, and the treasury team monitor interest rates daily to enable borrowing to be taken should rates fall to levels that are opportunistically low. The ability to take advantage of lower interest rates via Local Authority borrowing, and via careful monitoring of the interest rate environment has resulted in savings on the treasury management budget, and will provide value for money for the Council in the longer term.

Legal

- 8.2. The Assistant Director for Corporate Governance has been consulted on the content of this report which is consistent with legislation governing the financial affairs of the Council. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

Equalities

- 8.3. There are no equalities issues arising from this report.

9. Use of Appendices

- 9.1. Appendix 1 – Prudential Indicators

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.

11. External Context and Economic Commentary and Outlook (from Haringey's Treasury Advisor, Arlingclose)

Economic background:

- 11.1. 2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.
- 11.2. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.
- 11.3. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.
- 11.4. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017 to 0.50%. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely, although this did not occur.
- 11.5. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US

economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets:

- 11.6. The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.
- 11.7. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.
- 11.8. The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

- 11.9. In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.
- 11.10. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.
- 11.11. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority

deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Money Market Fund regulation:

- 11.12. The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

- 11.13. The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.
- 11.14. Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).
- 11.15. Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.
- 11.16. Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.
- 11.17. S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Other developments:

- 11.18. In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of

severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

- 11.19. In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes:

- 11.20. Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. CIPFA have clarified that these changes should be implemented from 2019/20, as the late publication in December 2017 meant that the vast majority of Authorities were unable to implement these for the 2018/19 year.
- 11.21. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.
- 11.22. Haringey has an existing capital strategy, this will be refreshed in line with CIPFA guidance for the new capital strategy requirement, which will be published later in 2018. The capital strategy will be published before the 2019/20 financial year.
- 11.23. In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

MHCLG Investment Guidance :

- 11.24. Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g.

temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

MHCLG Minimum Revenue Provision (MRP):

- 11.25. In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).
- 11.26. The definition of prudent MRP has been changed to “put aside revenue over time to cover the CFR”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

MiFID II:

- 11.27. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.
- 11.28. Haringey has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, and to financial advice.

12. Local Context

- 12.1. At 31/3/2018 the Council’s underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR), and shown in the Council’s Statement of Accounts was £592.0m. The Council had actual borrowing of £365.4m and £45.9m of investments. The difference represents timing differences in cash received and paid, internal borrowing, i.e. the use of cash which represents reserves and balances rather than the externalising of debt, and the use of lease-type arrangements for the acquisition of assets.

- 12.2. The Council's current strategy is to maintain borrowing below the Capital Financing Requirement (CFR), this is referred to as internal borrowing.
- 12.3. The Council has an increasing CFR over the next 3 years due to the capital programme, but minimal investments which can be used to fund capital plan cashflows. The Council is likely to need to borrow over the forecast 3 year period.

13. Borrowing Strategy During the Year

- 13.1. At 31/03/2018 the Council held £307.4m of long term loans, (an increase of £36.8m on 31/3/2017).
- 13.2. The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 13.3. For the majority of the year the "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate value in borrowing **in advance** for future years' planned expenditure and therefore none was taken.

Borrowing Activity

Borrowing	Balance at 1 Apr 2017 £'000	Borrowing Raised £'000	Maturities £'000	Balance at 31 March 2018 £'000	Avg Rate %
Short term Borrowing					
- UK Local Authorities	76,400	282,000	300,400	58,000	0.35
Long Term Borrowing					
- PWLB	145,646	50,000	13,265	182,381	5.18
- LOBO	125,000	0	0	125,000	4.72
TOTAL BORROWING	347,046	332,000	313,665	365,381	4.26

- 13.4. The Council holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £75m of these LOBOS had options during the 2017/18 financial year, none of which were exercised by the lenders. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

14. Investment Activities

- 14.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Average investment balances were £25m in 2017/18.
- 14.2. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles
- 14.3. The Council has sought to minimise its security risk by setting limits on each institution on the lending list. The Council has complied with all these limits during the financial year to date.
- 14.4. The economic environment remains uncertain, and given this background, the Council has kept cash investments to a minimum and short term. Money Market Funds continue to be used extensively as the portfolios are spread across a range of underlying investments to diversify risk. They also provide instant access enabling officers to take action quickly if there are any concerns about creditworthiness. The remainder of the Council's investments are held with the DMO (government agency).

Investment Activity

Investments	Balance at 1 Apr 2017 £'000	Investments Made £'000	Maturities £'000	Balance at 31 March 2018 £'000	Avg Rate /Yield %
Short term Investments (call accounts, deposits)					
- Banks & Building Societies	0	0	0	0	0
UK Government:					
- Deposits at Debt Management Office	10,000	747,240	721,295	35,945	0.19
- UK Local Authorities	0	10,000	0	10,000	0.75
Money Market Funds	8,575	340,455	349,030	0	0.24
TOTAL INVESTMENTS	18,575	1,097,695	1,070,325	45,945	0.25

*The balances shown above as at 1 April and 31 March represent a snapshot on a particular day, balances can move significantly from day to day dependent on the Council's cashflows at a point in time.

Credit Risk

- 14.5. The table below shows counterparty credit quality as measured by credit ratings on the final day of each quarter during the year. The table also shows the percentage of the in-house investment portfolio exposed to bail-in risk. Bail-in is the response to the government bail-outs in the global financial crisis, when a number of banks failed and received government bail-outs in 2008. Under bail-in, unsecured deposits made with certain financial institutions would be at risk, should the institution fail, and investors would lose a portion of their invested funds. The below table shows a snapshot at a point in time, and movements in the figures do not reflect changes in policy or

strategy, but are indicative of the Council's cashflows on that particular date.

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating	Investments exposed to bail-in risk
					%
31/03/2017	3.49	AA	3.06	AA	46
30/06/2017	4.54	A+	4.54	A+	100
30/09/2017	4.39	AA-	4.39	AA-	100
30/12/2017	4.25	AA-	3.78	AA-	60
31/03/2018	3.14	AA	3.60	AA-	0

Scoring:

- Value weighted average reflects the credit quality of investments according to the size of the deposit
- Time weighted average reflects the credit quality of investments according to the maturity of the deposit
- AAA = highest credit quality = 1
- D = lowest credit quality = 26
- Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Budgeted Income and Outturn

- 14.6. The UK Bank Rate had been maintained at 0.25% since August 2016, but was increased to 0.50% on 2 November 2017. Short-term money market rates have increased slightly, but not commensurately, and but remain at historically low levels.
- 14.7. Treasury Investments generated an average rate of 0.25%. The Council's investment income for the year totalled £63.5k against a budget of £136.5k.
- 14.8. Borrowing costs were £14.0m (£3.5m General Fund, £10.5m HRA) against a budget of £18.1m (£5.7m General Fund, £12.4m HRA). The underspend has occurred due to a number of factors, including: the current lower interest rate environment reducing interest costs for the Council, and delays in the capital programme's delivery.

15. Compliance with Prudential Indicators

- 15.1. The Council confirms compliance with its Prudential Indicators for 2017/18, which was set in February 2017 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicator

- 15.2. The Council measures and manages its exposures to treasury management risks using the following indicators.
- 15.3. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable

rate interest rate exposures, expressed as the proportion of net principal borrowed were:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	81%		
Upper limit on variable interest rate exposure	60%	60%	60%
Actual	19%		

15.4. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

15.5. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are:

Maturity structure of borrowing (U: upper, L: lower)	L	U	Outturn as at 31 Mar 2018
under 12 months	0%	60%	19.1%
12 months & within 2 years	0%	40%	2.3%
2 years & within 5 years	0%	40%	5.4%
5 years & within 10 years	0%	40%	5.2%
10 yrs & within 20 yrs	0%	40%	4.7%
20 yrs & within 30 yrs	0%	40%	15.1%
30 yrs & within 40 yrs	0%	50%	25.1%
40 yrs & within 50 yrs	0%	50%	23.2%
50 yrs & above	0%	40%	0.0%

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

15.7. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. Given the policy of spending down cash balances and use of internal borrowing the Council does not expect to invest beyond 364 days in the medium term.

Appendix 1: Treasury & Prudential Indicators

No.	Prudential Indicator	2017/18 Original Indicator	2017/18 Outturn Position
CAPITAL INDICATORS			
1	Capital Expenditure	£'000	£'000
	General Fund	133,941	40,381
	HRA	68,901	38,966
	TOTAL	202,842	79,347
2	Ratio of financing costs to net revenue stream	%	%
	General Fund	2.18	1.41
	HRA	9.87	9.59
3	Capital Financing Requirement	£'000	£'000
	General Fund	374,671	343,306
	HRA	278,721	248,670
	TOTAL	653,392	591,976
4	Incremental impact of capital investment decisions	£	£
	Band D Council Tax	13.75	5.91
	Weekly Housing rents	0.20	0.00
5	Borrowing Limits	£'000	£'000
	Authorised Limit / actual debt	536,063	365,381
	Operational Boundary/actual debt	481,105	365,381

No.	Prudential Indicator	2017/18 Original Indicator	31-Mar-18
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6	HRA Debt Cap	£'000	£'000
	Headroom	56,442	78,868

7	Gross debt compared to CFR	£'000	£'000
	Gross debt	347,046	365,381
	CFR	653,392	591,976

8	Upper limit – fixed rate exposure	100%	80.9%
	Upper limit – variable rate	60%	19.1%

9	Maturity structure of borrowing (U: upper, L: lower)	L	U	31-Mar-18
	under 12 months	0%	60%	19.1%
	12 months & within 2 years	0%	40%	2.3%
	2 years & within 5 years	0%	40%	5.4%
	5 years & within 10 years	0%	40%	5.2%
	10 yrs & within 20 yrs	0%	40%	4.7%
	20 yrs & within 30 yrs	0%	40%	15.1%
	30 yrs & within 40 yrs	0%	50%	25.1%
	40 yrs & within 50 yrs	0%	50%	23.2%
	50 yrs & above	0%	40%	0.0%

10	Sums invested for > 364 days	£0	£0
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11	Adoption of CIPFA Treasury Management Code of Practice	√	√
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12	LOBO Adjusted Maturity structure of borrowing (U: upper, L: lower)	L	U	31-Mar-18
	under 12 months	0%	60%	46.4%
	12 months & within 2 years	0%	40%	9.2%
	2 years & within 5 years	0%	40%	5.4%
	5 years & within 10 years	0%	40%	5.2%
	10 yrs & within 20 yrs	0%	40%	4.7%
	20 yrs & within 30 yrs	0%	40%	12.3%
	30 yrs & within 40 yrs	0%	50%	14.2%
	40 yrs & within 50 yrs	0%	50%	2.6%
	50 yrs & above	0%	40%	0.0%

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