

Agenda for a meeting of the Governance and Audit Committee to be held on Friday 30 October 2015 at 1100 in Committee Room 1, City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	THE INDEPENDENTS
Eaton	L Smith (Ch)	Naylor
	Thornton (DCh)	
	Swallow	

Alternates:

<i>Conservative</i>	<i>Labour</i>	<i>The Independents</i>
Ellis	K Hussain	Hawkesworth
	Ikram	

Notes:

- This agenda can be made available in Braille, large print or audio format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From:

Dermot Pearson
 Assistant City Solicitor
 Agenda Contact: Fatima Butt
 Phone: 01274 432227
 E-Mail: fatima.butt@bradford.gov.uk

To:



A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST (Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.
- (2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.
- (3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.
- (4) Officers must disclose interests in accordance with Council Standing Order 44.

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS (Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)



B. BUSINESS ITEMS

4. BRADFORD DISTRICT PARTNERSHIP GOVERNANCE

The Interim Assistant Director, Policy, Programme and Change will submit **Document “U”** which sets out the context and background to the evaluation of the Bradford District Partnership governance arrangements which was carried out from July – October 2015 and provides a summary of the key findings.

The report also summarises the subsequent role and governance arrangements of the Bradford District Partnership and identifies the key changes and actions to be progressed as a result of the evaluation process.

Recommended-

- (1) That the findings from the governance review and the associated changes to the Bradford District Partnership governance arrangements outlined in Section 3 of Document “U” be considered.**
- (2) That Members make any observation or comment on the content of the report and that these are referred to the Executive.**

(Imran Rathore – 01274 431730)

5. ANNUAL TREASURY MANAGEMENT REPORT 2014/15

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15.

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 09/12/2014)**
- a mid-year (minimum) treasury update report (Council 09/12/2014)**
- an annual review following the end of the year describing the activity compared to the strategy – Annual Treasury Management Report**

The Director of Finance will submit Document “V” which provides details of the Annual Treasury Management and the outturn position for treasury activities for the year ending 31 March 2015 and highlights compliance with the Council’s policies previously approved by members.

Recommended-

That the report be noted and referred to Council for adoption.

(David Willis – 01274 432361)



6. **TREASURY MANAGEMENT MID YEAR REVIEW UP TO 31 AUGUST 2015**

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly.

In accordance with the above the Director of Finance will submit **Document “W”** which reports on the Treasury Management Mid Year Review and ensures that this Council is implementing best practice in accordance with the above Code.

Recommended-

That the changes to the Treasury Policy set out in Section 2.8.6 of Document “W” be noted and referred to Council for adoption.

(David Willis – 01274 432361)

7. **MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 23 JULY 2015**

The Council’s Financial Regulations require the minutes of meetings of the WYPF Joint Advisory Group to be submitted to this committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Document “X”** which reports on the minutes of the meeting of the WYPF Joint Advisory Group held on 23 July 2015.

Recommended –

That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 23 July 2015 be considered.

(Rodney Barton – 01274 432317)

8. **EXCLUSION OF THE PUBLIC**

Recommended –

That the public be excluded from the meeting during the consideration of the items relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 23 July 2015 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to these items.



9. **MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL MEETING HELD ON 23 JULY 2015**

The Council's Financial Regulations requires the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication Document "Y"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 23 July 2015.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 23 July 2015 be considered.

(Rodney Barton – 01274 432317)

10. **PROPOSED AMENDMENTS TO THE CONSTITUTION**

Previous Reference: Council Minute 33 (2015/16)

Members are reminded that Council at its meeting held on 14 July 2015 resolved that:

“Council notes that there is no mechanism for changing the Chair of an Area Committee in the event that political balance changes during the municipal year.

Council asks the Acting City Solicitor to prepare amendments to Standing Orders 35 and 37 in order to allow for such circumstances and that these are presented to full Council for consideration during this municipal year.”

The Assistant City Solicitor will submit **Document "Z"** which sets out proposed amendments to the Council's Constitution to deal with the issue raised.

Recommended-

That Committee consider whether to recommend to Council that the Constitution be amended as set out at paragraph 3 of Document "Z".

(Dermot Pearson – 01274 432496)



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Report of the Chief Executive to the meeting of the Governance and Audit Committee to be held on 30th October 2015.

Subject:

U

Bradford District Partnership Governance

Summary statement:

This report sets out the context and background to the evaluation of the BDP governance arrangements which was carried out from July – October 2015 and provides a summary of the key findings. The report also summarises the subsequent role and governance arrangements of the Bradford District Partnership and identifies the key changes and actions to be progressed as a result of the evaluation process.

Sam Plum
Interim Assistant Director
Policy, Programme and Change

Portfolio: Leader

Report Contact:
Kate McNicholas, Policy, Programmes and Change Manager
Tel: 01274 431761
Imran Rathore, Interim Programme Lead (Strategy and Engagement)
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Katie Pierce, Strategy and Engagement Officer
Tel: 01274 437694

**Overview &
Scrutiny Area:
Corporate**

1. SUMMARY

- 1.1 This report sets out the context and background to the review of the BDP governance arrangements which was carried out July – October 2015 and provides a summary of the key findings.
- 1.2 The report also summarises the subsequent role and governance arrangements of the Bradford District Partnership and identifies the key changes and actions to be progressed as a result of the reviews process.

2. BACKGROUND

- 2.1 At its meeting on 22 May 2015, the BDP Board asked for a fundamental review of the Bradford District Partnership governance arrangements, to ensure it can be more effective in securing outcomes for the district, reflect a changing financial and policy landscape and support the co-production and redesign of services and interventions where required.
- 2.2 Bradford's Local Strategic Partnership has been in existence since 2001, and during that time a number of reviews have been undertaken in a bid to ensure that the LSP continues to add value and improve the quality of life for residents and communities throughout the District.
- 2.3 The current Bradford LSP governance structures were initially set in place to deliver the Council and partners statutory responsibility against the Community Strategy outcomes. The structure was last reviewed in 2013 when minor changes were made to how the Board and Strategic Delivery Partnerships operated.
- 2.4 The significant public sector budget reductions that have taken place and are expected in the coming years coupled with the projected growth in service demand, means it is imperative that the partnership infrastructure in the Bradford District is affordable, sustainable and continues to impact on delivering positive outcomes for its citizens.
- 2.5 The reduction in funding and the increase in service demand will require the Council and partners to work collaboratively, to innovate, and to change expectations, and behaviours and develop new relationships with people to emphasise the role, which they themselves can play in improving the wellbeing of the District.
- 2.6 In response to these pressures the Council is working with partners to develop new priority outcomes, known as the New Deal outcomes, for the district which will provide a clear direction of travel for the next 5-10 years. The key element of the New Deal approach is that the Council role in securing a better future for the District will shift to providing leadership, building and brokering positive relationships and helping to facilitate outcomes and be less about service delivery or direct investment compared to previous.
- 2.7 It is therefore appropriate to take stock and ensure that BDP governance structures are fit for purpose and can take ownership of the development and delivery of the New Deal outcomes and related priority delivery actions.

3. REVIEW

3.1 METHODOLOGY AND APPROACH

- 3.1.1 The scope of the governance review agreed by the BDP Board on 22 May 2015 included consideration of the following:

- **Governance Structures:** Build upon the existing commitment to partnership working and partner relationships and use lessons learnt from recent or ongoing partnership review work to ensure the governance arrangements deliver ND outcomes.
- **Benchmarking/Best Practice:** Incorporate lessons of best practice from other districts to ensure we consider relevant approaches while conducting the review and improving our governance arrangements. For example looking at relationships between LSPs and Health and Wellbeing Boards.
- **Affordability and Accountability:** Explore extent to which partners are willing to contribute to the pooling of joint resources to support the partnership governance arrangements, and ensure appropriate accountability via own reporting mechanisms.

3.1.2 Consultation with stakeholder was undertaken during June – September 2015, which focused on the following key questions:

- Which elements of the current BDP arrangements work well and need to be retained?
- Which elements of the current arrangements need to be improved, decommissioned or streamlined?
- What arrangements could be put in place to strengthen the strategic partnership to deliver improved outcomes for the District's citizens and to address new policies and financial pressures?
- Clarifying the role and remit of the partnerships.
- How the partnership structures could be aligned to the New Deal Outcomes?

3.1.3 Regular reports on progress have been submitted to BDP Board, partnerships and partners for comment/feedback throughout the period of the review culminating in the recommendations outlined in this report.

3.2 **KEY FINDINGS**

3.2.1 In the initial evidence gathering phase, the approaches adopted by other districts was considered, which highlighted the following:

- Some districts, like Ealing and Barnsley have significantly streamlined arrangements with only a couple of thematic partnerships.
- Others run partnership summits, community conferences or strategic forums, held once or twice a year, to inform the work of their thematic delivery groups or board.
- Where strategic partnerships have been weakened or decommissioned, peer reviews of local authorities suggest that it results in a relationship gap, reducing the opportunity for dialogue and engagement over key strategic issues at a point of fundamental challenge for Councils and partners as they manage significant changes to their roles.

3.2.2 The consultation with stakeholders highlighted a number of areas of broad consensus alongside some issues which needed further consideration. It was agreed that these issues should underpin any changes made to the BDP governance arrangement:

- Clear consensus to rationalise the Board and supporting partnerships, so that they are aligned to the New Deal outcomes.

- Clarifying the roles and relationships of supporting task and engagement groups.
- Decommissioning of groups that will not be essential to the delivery of the New Deal outcomes.
- BDP structures need to enable dialogue and engagement with partners across the region, within the district and at neighbourhood level.
- Maintaining the BDP structures in their current form would be unsustainable. It would not address silo working, inefficiencies in practice, and lack of clarity on role and relationships.
- Decommissioning all aspects of the BDP structure apart from those that have a statutory requirement (Community Safety Partnership and the Health and Wellbeing Board) would result in a loss of strategic accountability, policy direction and coordination of shared service delivery.
- Development of a Bradford district plan would articulate our shared ambitions on New Deal, set out policy direction, ambitions and success measures for the district and direct the work of the BDP family of partnerships.

3.3 **PROPOSALS FOR IMPROVEMENT**

3.3.1 In response to the key findings of the review outlined in Section 3.1 and 3.2, the following changes are proposed and an update on progress relating to each of the changes is given.

3.3.2 **Alignment of structures with New Deal outcomes**

There has been absolute agreement for the partnership structures to be aligned with New Deal outcomes and the diagram outlined in appendix 1 illustrates a more streamlined governance structure that is focused on providing a clear line of accountability for the development and delivery of the New Deal outcomes and related activity.

The key changes include:

- Main strategic delivery partnerships to align themselves to the New Deal outcomes.
- Clarification of role of BDP Board.
- Merger between safer and stronger partnerships.
- Decommissioning of the Health Improvement Partnership.
- Agreement to set up a fairness and inclusion task and finish board to bring together support activity for vulnerable individuals and communities.
- Clear description and alignment of Consultation and engagement structures
- Clarity of relationships between regional and local structures

3.3.5 **BDP Board focus and approach**

Detailed terms of reference will be developed once structures are agreed. However, in broad terms:

The Board will be responsible for:

- Providing strategic policy direction
- Overseeing New Deal delivery, and resolving barriers and blockages
- Focusing on issues that cut across New Deal outcomes

Strategic partnerships will be responsible for:

- Developing and delivering approaches to achieve New Deal outcomes
- Involving relevant engagement networks to gain input on policy and delivery.

3.3.6 **Better skills, more good jobs and a growing economy – Producer City**

There is a clear agreement for the Producer City Board to take ownership of the New Deal outcomes. However from a practical point of view it was felt that due to the strategic nature and make up of the Producer City Board, the development and delivery oversight of the New Deal outcome should be delegated to the producer city sub boards. This will enable clear lines of accountability, better communication flow and also strengthen relationships with other BDP structures.

There is an acceptance that this could require some minor adjustments in the terms of reference of the sub boards to align and clarify relationships with the New Deal outcomes and the other BDP structures. This work will take place over the next few months to ensure revised arrangements are in place for the start of the new year.

3.3.7 **Decent Homes that People can Afford to live in – Producer City Place Board**

Discussions between key stakeholders have resulted in a provisional agreement that the delivery of the outcome is embedded into the work of the Producer City Place Board and their delivery plans. We are aiming to firm up proposals at the December Place Board meeting.

This proposal embeds the outcome in the area where it is most relevant and removes the need for the creation of additional partnership structures. However there is recognition that the size and scale of the current workload of the Place Board would mean some further work to ensure the board has the appropriate support arrangements to take ownership of the activity.

3.3.8 **Better health, better Lives – Health and Wellbeing Board**

During 2015-16 the Bradford and Airedale Health and Wellbeing Board has commissioned work to put the district on track to accelerate improvements in health and wellbeing outcomes, and to create a sustainable health and wellbeing economy. Specifically the Board has agreed to work towards the establishment of a total pooled joint commissioning budget and a single prioritisation process for health and social care that reflects the ambitions outlined in the New Deal Outcome. The Board acknowledges that this is a long term objective and aims for this to be the position within five years.

The Board agreed that in the first instance, and with this aim in mind, it would accelerate the development of joint planning and commissioning by scoping a governance framework and developing the necessary financial arrangements to support real, joint prioritisation, planning and commissioning against shared priorities and outcomes. All parties are working to understand the legal and governance framework within which each participant undertakes their commissioning and procurement activities. The aim is that the governance framework will be ready for implementation from the start of the 2016/17 financial year.

As part of the revised governance arrangements, the Health & Wellbeing sector is proposing that the Health Improvement Partnership (HIP) is formally decommissioned and that any activity it oversaw is incorporated into the governance framework review activity for consideration.

3.3.9 **Good schools and a great start for all our children – Children's Trust**

At its meeting in October 2015, the Children's Trust agreed a revised approach which includes their intent to take ownership of the New Deal outcome. The Children's Trust sees itself as the key platform to oversee the delivery of support activities for children and young people around education improvement, safeguarding and wellbeing. In terms of practical day to day oversight and accountability of the New Deal outcome it has been suggested that this sits with the Education Improvement Board

The Children's Trust also recognises that the relationship with the Health & Wellbeing Board structure will need to be clarified from a Children and Young Peoples perspective as this is developed over the next few months.

The CT has agreed to hold a development session in December to agree and finalise the CT priority areas of work and required delivery arrangements. This will ensure clear lines of accountability for activity related to the delivery of the Children & Young Peoples Plan and New Deal outcomes.

3.3.10 **Safe, clean and active communities – Community Safety Partnership / Stronger Communities Partnership**

The Community Safety Partnership and Stronger Communities Partnership have both agreed for the partnerships to be merged to form a Safe, Clean and Active partnership. This approach will require the incorporation of statutory responsibilities; it provides the potential for the alignment of resources and an approach to commissioning between partners to remove duplication.

The partnerships are now working to finalise their terms of reference and sub structures to ensure there is clarity on roles and responsibilities for the revised governance structures and operational details. These revised arrangements will be finalised and ready for implementation by the start of the new financial year.

3.3.11 **Consultation and Engagement**

There is a clear agreement that the consultation and engagement networks have a crucial role to play in providing the wider partnership with the views of service users to help inform and shape policy direction and service delivery. The consultation and engagement networks view themselves as a single, loosely structured block which is cross cutting in terms of its relationship with the wider partnerships and this is reflected in the governance structure outlined in section 5.1.

The Stronger Communities Partnership has previously had oversight of thematic, place and people¹-based community engagement structures and as part of the revised governance proposals for the Safe, Clean and Active partnership, it has been proposed that the coordination of the Place-related engagement is overseen by the Safe, Clean and Active Partnership, while People and Theme are considered as part of the discussions around the role and remit of the Fairness and Inclusion Board.

There is a broad recognition that our approach to engage with these groups needs to be consistent across the wider partnership and to enable this, we are proposing that as part of the revised terms of reference, each partnership should clarify how they will engage with other partnerships, including engagement networks. The terms of reference will:

- Set out a key named officer for other partnerships to contact in order to coordinate

¹ **Theme** – This is where we organise engagement by partnership and service areas on particular topic or theme

Place – Where we organise engagement by geographic areas such as Wards.

People – This aspect covers engagement with communities of interest and equality groups who are not as involved through Theme and Place. It includes groups who are recognised as sharing a 'protected characteristic' within the Equalities Act 2010.

how other partnerships can be involved in the work of their partnership.

- Be committed to listening to the views of engagement partnerships as well as other partnerships.
- Advertise a forward plan of work for the forthcoming year to enable engagement partnership to work with people to seek their views in a timely manner.
- Make use of the engagement partnerships as a mechanism for finding out the views of people.
- Work with engagement partnerships to take forward issues that are a high priority for these networks and groups in the ethos of New Deal.

3.3.13 **Voluntary Sector Assembly forums**

The VCS Assembly Steering Group has confirmed that it will be undertaking a review of their VCS assembly forums to ensure they are aligned to the new BDP Governance arrangements.

The VCS assembly forums have been set up to reflect existing strategic partnership structures, with the aim of acting as the primary framework for engagement with the voluntary and community sector. The forums also provide formal VCS representation at the BDP partnerships and act as the main arena where the sector can share policy issues and other opportunities between themselves and other stakeholders.

3.3.14 **Resource costs and savings**

The streamlining of partnership arrangements, moving to a flexible approach focusing on (time limited) task and finish groups with reduced reliance on formal meetings, utilising technology platforms to share information and clarification of priorities, should create resource savings for all partners.

At present, the main partnership support arrangements are resourced by the Council, however as we move to a more flexible approach, with partners taking ownership of key partnership structures, we are expecting that this will change. We are already seeing a shift in support arrangements in a number of areas (e.g. Producer City and Safer, Stronger and Active) and this will continue to change as the partnership terms of reference and delivery plans are firmed up over the coming months.

If a partners wishes to set up a new task and finish group to oversee priority areas of activity, then it will be their responsibility to fund support arrangements.

3.3.15 **Accountability**

There is a clear agreement that the strategic delivery partnerships will be accountable to the BDP Board for the development and implementation of work related to the New Deal outcomes (District Plan) rather than everything else they oversee. This is to acknowledge that some strategic delivery partnerships (e.g. Safer, Stronger and Active Partnership, Health & Wellbeing Board and Producer City) have a much wider remit which requires accountability to other stakeholders.

Elected members will continue to have a lead role in informing the work of the Partnerships, particularly through the relevant Overview & Scrutiny (O&S) committees on a three to six monthly basis and through Area Committees, when specific locality based issues need to be considered. Progress reports on the partnership delivery plans will be submitted and the responsible officer and Chair(s) will give an account of the work of the partnerships to the relevant O&S committee. Where partnership work is being carried out in local communities (wards) and requires member input, issues will be raised with the relevant ward members.

Partnership paperwork and progress reports will be published online to ensure that both members and residents can see progress made against shared outcomes. We are currently working with ICT to explore whether this could be done through modern.gov or whether it should remain on the new internet platform which replaces the current www.bradford.gov.uk

3.4 **ADDITIONAL WORK**

3.4.1 The review has also identified a number of issues that need further work, these include the following:

3.4.1.1 **Fairness and Inclusion Board**

There has been a strong message for the need to improve the capacity of structures to support vulnerable people across the district. This is essential to ensure they have an equal opportunity to be heard, participate fully in activities in their community, have access to employment and services and to ensure that they are not marginalised due to their economic status.

This is a clear priority area for the Council and is reflected in the Council's corporate equality objectives and has also been ratified through the findings from the Corporate Overview Committee Poverty Enquiry.

In response to these issues we are proposing the creation of a fairness and inclusion task group that brings together the work of the Welfare Reform Strategic Coordination Group, Child Poverty Board, Warm Homes Partnership and Financial Inclusion Group, while also clarifying whether the Fairness and Inclusion Board should take oversight of the Theme and People- based engagement activity (e.g. Race and Ethnicity, Equalities Delivery Group and Community Relations Group) which have previously been part of the Safer Communities Partnership.

This will ensure that support for vulnerable people, those who fall within the protected characteristics including low income groups is effectively coordinated across the district and key issues are directed to the most appropriate partnership and partner to address as and when they arise.

There is a general acknowledgment that the set up of the task up will need to be carefully managed to ensure its scope and governance arrangements (timescale and reporting arrangements) are fit for purpose and reflect the demand and support needs of individuals and communities. Once the findings from the Poverty Enquiry are finalised we will hold a scoping session in late October / early November to initiate discussions with the aim to have the new task group in place for the Jan/Feb 2016.

It is suggested that the task group reports to the BDP Board, given that issues of fairness and inclusion are essential to the effective work of the whole BDP family of partnerships.

3.4.1.2 **District Plan and delivery planning**

New governance structures will only deliver tangible outcomes if effective partnership working is seen through to accountability and action. We are proposing that a District Plan is prepared that sets the direction, ambition and success measures to deliver the New Deal outcomes.

To ensure that we can establish clear lines of accountability and ownership of delivery activity, the strategic delivery partnerships will be asked to prepare delivery plans that set out planned actions, timescales and responsibility. The delivery plans will be ready for implementation for the start of the 2016-17 financial year.

A partnership performance management framework will oversee the monitoring and reporting of delivery progress and ensure that regular reports are submitted to key stakeholders including Overview and Scrutiny Committees, strategic delivery partnership board's and the BDP Board.

3.4.1.3 Relationship between local and regional governance structures

There is a strong message that relationships between the district partnerships and sub regional structures and partnerships are clearly articulated to ensure there is better connectivity and information flow between them to articulate a collective position and maximise outcomes for Bradford.

Terms of reference, developed as part of an overall partnership handbook once structures are agreed, will provide a detailed diagram illustrating key relationships and areas of synergy. Work is also being progressed to develop a membership register to ensure we have a clear understanding of membership of different groups so they can be adequately briefed on relevant issues of importance for Bradford.

3.4.1.4 Smarter ways of doing business

There is a clear message for the partnerships to move away from more traditional way of doing business and sharing information with stakeholders. The use of SharePoint and modern.gov are potential platforms to enable partnership working, consultation and engagement with stakeholders on a virtual basis. The technology is being piloted at the moment with the intention of rolling this out to the wider partnerships in the coming months.

We have initiated discussions with the CCG and VCS partners to explore how we align and streamline our consultation and engagement structures, and as part of this approach we are exploring the development of a shared Consultation Calendar and Repository. We are hoping that this could be made available to BDP partners to align approach and enable greater coordination of consultation and engagement activity.

3.4.1.5 Sustainability and wider environment issues

Although we have an agreement for the newly formed Safer and Stronger Partnership to take oversight of the clean agenda, we still need to address how we respond to the sustainability and wider environment issues and implications for the District. It has been suggested that this needs to be considered as part of the development process for the District Plan and reflected within the partnership delivery plans as a key principle.

4. NEXT STEPS

The revised arrangement outlined above will be considered by the BDP Board on 23rd October 2015 and the Council's Executive on 1 December 2015 for formal approval

We are aiming to complete the additional activity and formal implementation of the revised governance structures by the start of the new financial year. This would ensure that the governance arrangements are ready to be used to oversee the delivery of the District Plan, which will be presented to the BDP Board and Council's political leadership for sign off by March/April 2016.

5. FINANCIAL & RESOURCE APPRAISAL

N/A

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

The arrangements outlined in this report will support the Council's community leadership and place-shaper role through effective partnership working and delivery of joined up services to the people of the District. The risk will be managed through the performance management arrangements for the District Plan.

7 LEGAL APPRAISAL

The proposed amendments to the governance arrangements will need to take account of the existing and proposed legislative requirements. Legal Services will work with officers to ensure that in implementing the approved proposals such requirements are met.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

The work of the partnerships around the delivery of the New Deal outcomes will include the promoting equality for all communities and individuals. The proposed set up of the fairness and inclusion Board will take ownership and coordinate activity related to promoting equality for all communities and individuals and will ensure that this work is embedded in the work of the partnerships.

8.2 COMMUNITY SAFETY IMPLICATIONS

The set up of the Safe, Clean and Active Communities partnership will bring streamline support arrangements relating around Community Safety, Safeguarding, Tension and resilience related work

8.3 WARD IMPLICATIONS

The work of the Bradford District Partnership has a strong localities focus. The implementation work for the New Deal Outcomes will have implications for all Wards in Bradford District.

9. RECOMMENDATIONS

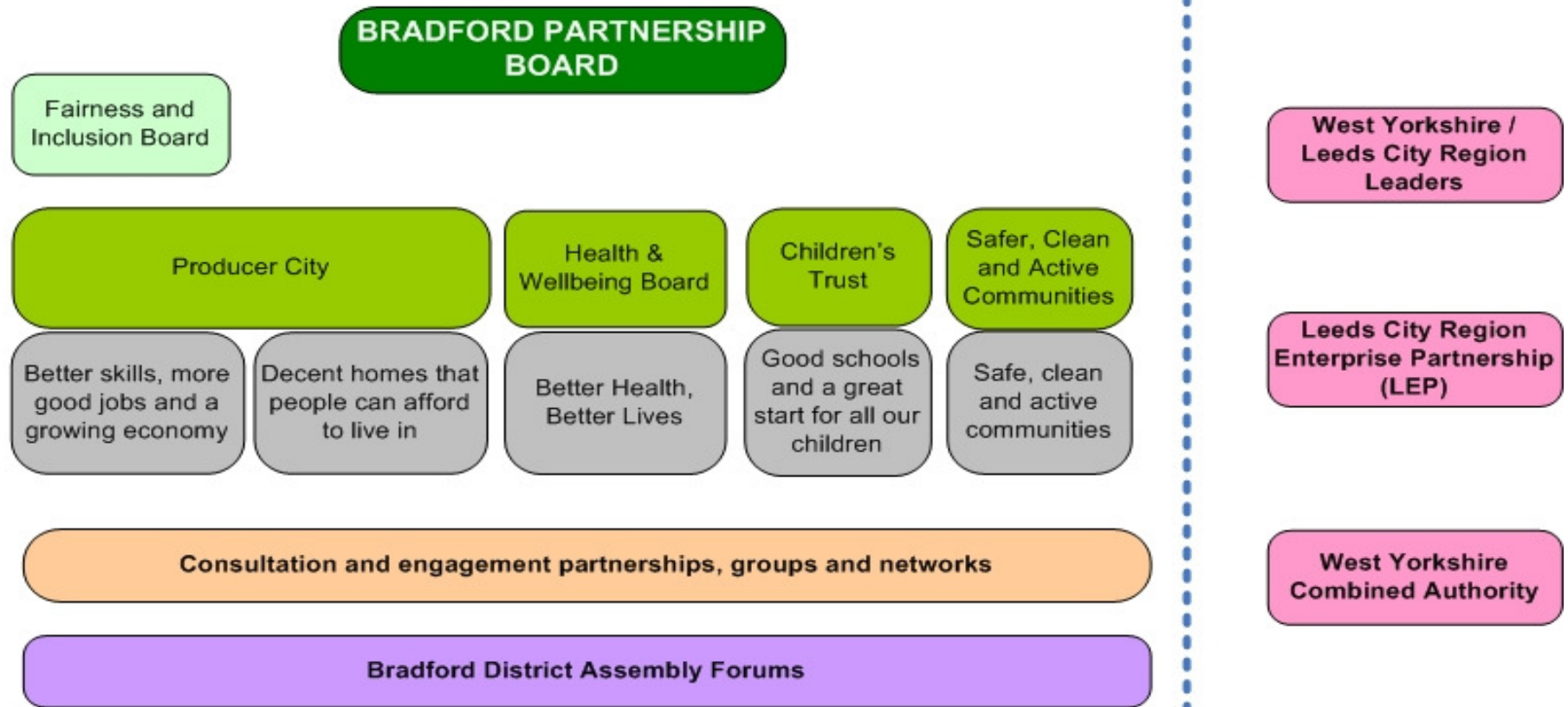
9.1 Members consider the findings from the governance review and the associated changes to the Bradford District Partnership governance arrangements outlined in section 3 of this report

9.2 Members make any observation or comment on the content of the report and that these are referred to the Executive.

BRADFORD DISTRICT PARTNERSHIP (BDP) – GOVERNANCE ARRANGEMENTS



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Shared Intelligence, Consultation, Commissioning and Procurement



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Report of the Director of Finance to the meeting of Governance and Audit Committee to be held on 30 October 2015.

Subject:

V

Annual Treasury Management Report 2014/2015.

Summary statement:

This report shows the Council's Treasury Management activities for the year ending 31 March 2015.

Stuart McKinnon- Evans
Director of Finance

Portfolio:
Leader

Report Contact: David Willis
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E-mail: david.willis@bradford.gov.uk

Overview & Scrutiny Area:
Corporate



Annual Treasury Management 2014/15

1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 09/12/2014)
- a mid-year (minimum) treasury update report (Council 09/12/2014)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council.

2.0 The Economy and Interest Rates

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in the Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European Central Bank was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. Consequently in mid-October, financial markets fell sharply before recovering a week later. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the Monetary Policy Committee would have great difficulty in raising the Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

UK government yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions due to uncertainty after the anti-austerity parties won power in Greece in January. Since then fears have increased that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the European Union and European Central Bank, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the Eurozone had been disproved. Another downward pressure on UK government yield was the announcement in January that the European Central Bank would start a major programme of quantitative easing, purchasing Eurozone government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be likely to follow it after strong growth over 2013 and 2014 and good prospects for a continuation into 2015 and beyond, although the general election in May has added political risk to the mix.

2.1 Overall Treasury Position as at 31 March 2015

At the beginning and the end of 2014/15 the Council's treasury position was as follows:

TABLE 1	31 March 2014 Principal	31 March 2015 Principal
Total debt	£418m	£391m
PFI & other	£212m	£204m
Finance Leases		
Total Debt	£630m	£595m
CFR	£688m	£679m
Over / (under) borrowing	(£58m)	(£84m)
Total investments	£138m	£112.3m
Net debt	£492m	£482.7m

2.2 The Strategy for 2014/15

The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be

dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

The actual movement in government yields meant that Public Works Loan Board rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.

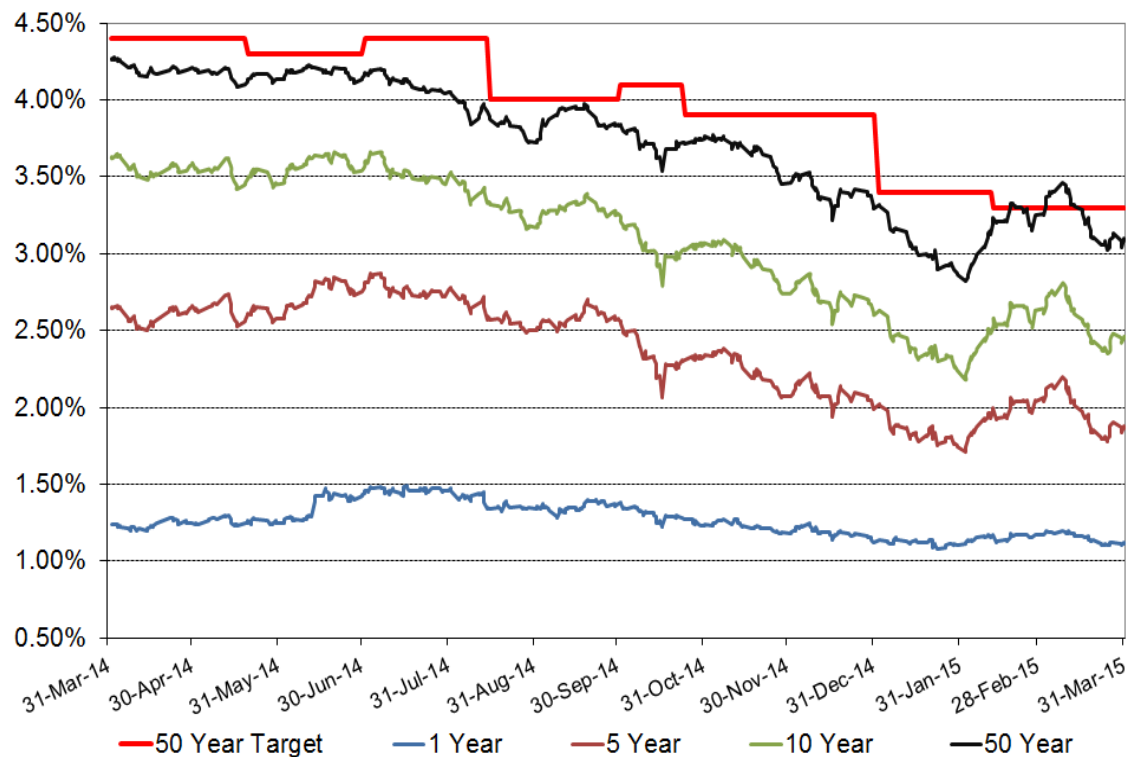
2.3 The Borrowing Requirement and Debt

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The CFR represents the sum of historic borrowing required to fund the Council's capital investment less any provision made for the repayment of that debt through the Minimum Revenue Provision (MRP). This does not necessarily equate to external borrowing as the Council can use its own cash balances to fund its borrowing requirements. Where this occurs it is sometimes referred to as being "under borrowed" as if those cash balances are exhausted the Council would need to go out and borrow externally.

	31 March 2014 Actual £m	31 March 2015 Budget £m	31 March 2015 Actual £m
CFR General Fund (£m)	688m	707m	679m

2.4 Borrowing Rates in 2014/15

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



2.5 Borrowing Outturn for 2014/15

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

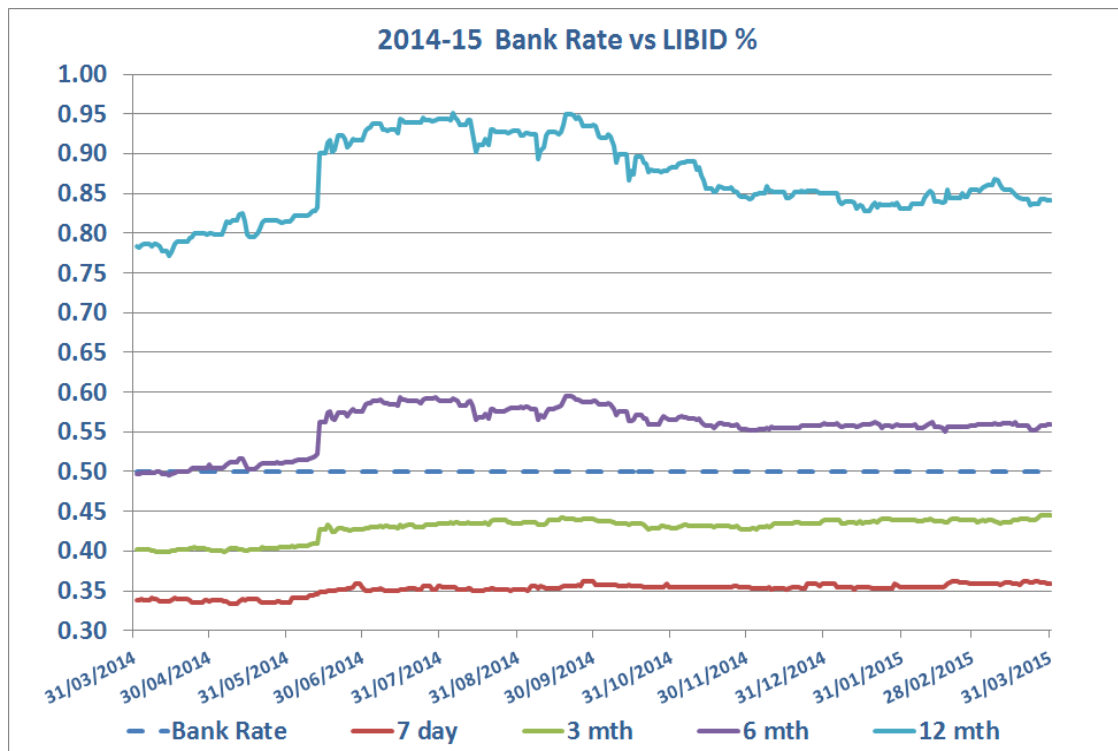
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

On 24/11/14 the Council repaid £25.9m of debt which matured on that date. This reduced the debt balance from £409.8m to £384m.

2.6 Investment Rates in 2014/15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



2.7 Investment Outturn for 2014/15

Investment Policy – the Council's investment policy is governed by CLG guidance, which has been implemented in the annual investment strategy approved by the Council on 12th October 2010. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council - the Council maintained an average balance of £138.6m of internally managed funds. The internally managed funds earned an average rate of return of 0.6%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.35%. This compares with a budget assumption of £100m investment balances earning an average rate of 0.5%.

2.8. Other Issues

No other issues

3. Other considerations

3.1 None

4 Financial and Resources Appraisal

4.1 The financial implications are set out in Section 2

5. Risk Management and Governance Issues

5.1 None

6. Legal Implications

6.1 Any relevant legal considerations are set out in the report.

7. Other implications

7.1 Equal & Diversity – no direct implications

7.2 Sustainability implications- no direct implications

7.3 Green Gas Emissions impact – no direct implications

7.4 Community Safety Implications – no direct implications

7.5 Human Rights Act – no direct implications

7.6 Trade Unions – no direct implications

7.7 Ward Implications – none

8. Not for publication documents

8.1 None

9. Recommendations

9.1 That the report be noted and referred to Council for adoption.

10. Appendices

Appendix 1 Prudential and Treasury Indicators

11. Background Documents

Treasury Management Practices

Treasury Management Schedules

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2013/14	2014/15	2014/15
	actual	original	actual
	£m	£m	£m
Capital Expenditure	£92m	£125m	£114m
Gross Borrowing	£418m	£418m	£391m
Ratio of financing costs to net revenue stream	13.8%	14.7%	15.5%
CFR	£688m	£707m	£679m
2. TREASURY MANAGEMENT INDICATORS	2013/14	2014/15	2014/15
	actual	original	actual
	£m	£m	£m
Authorised Limit for external debt - borrowing	£510m	£460m	£391m
other long term liabilities	£280m	£260m	£204m
TOTAL	£790m	£720m	£595m
Operational Boundary for external debt - borrowing	£490m	£440m	£391m
other long term liabilities	£270m	£250m	£204m
TOTAL	£760m	£690m	£595m
Upper limit for fixed interest rate exposure	+175%	+175%	+175%
Upper limit for variable rate exposure	+20%	+20%	+20%
Upper limit for total principal sums invested for over 364 /365days (per maturity date)	£40m	£40m	£0m

Maturity structure of fixed rate borrowing during 2014/15	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	90%	20%

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Report of the Director of Finance to the meeting of Governance and Audit Committee to be held on 30 October 2015.

Subject:

W

Treasury Management Mid Year Review up to 31 August 2015.

Summary statement:

This report shows the Council's Treasury Mid Year Review up to 31 August 2015.

Stuart McKinnon- Evans
Director of Finance

**Portfolio:
Leader**

Report Contact: David Willis
Phone: (01274) 432361
E-mail: david.willis@bradford.gov.uk

**Overview & Scrutiny Area:
Corporate**



Treasury Management Review up to 31 August 2015

1. Introduction and Background

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and midyear reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2.1 Economic Background

After strong UK GDP growth in 2013 at an annual rate of 2.7% and 3.0% in 2014, quarter 1 of 2015 was disappointing at only 0.4%, but rose to 0.7% in the second quarter. In its May quarterly Inflation Report, the Bank of England reduced its GDP forecast for 2015 from 2.9% to 2.5% and from 2.9% to 2.7% in 2016, while increasing its forecast for 2017 from 2.4% to 2.7%.

Uncertainty around the likely result of the UK general election in May has obviously now evaporated although this has been replaced by some uncertainty around the potential impact on the UK economy of the European referendum promised by, or in, 2017. In addition, the firm commitment of the Conservative Government to eliminating the deficit within the term of this Parliament will have an impact on Gross Domestic Product growth rates. However, the Monetary Policy Committee is fully alert to this and will take that into account, together with the potential spill over effects from the Greek crisis, when making its decisions on the timing of raising the Bank Rate.

US Gross Domestic Product expanded at 3.7% annual rate in the second quarter of 2015 as opposed to the 2.3% rate estimate last month. The larger growth in the economy was a result of the accumulation of inventories and greater consumer confidence, which accounts for two thirds of US economic activity. However, the instability caused by the slowdown of China's economy raised doubts that the US central bank would raise its interest rate in September.

In the Eurozone, the European Central Bank in January 2015 unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected Eurozone countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth, though the Eurozone economy grew less than expected in quarter 2 increasing in the year by 1.2% against a expected amount of 1.3%.

Global markets were significantly shaken in August by growing concerns about the outlook for the Chinese economy. The prospect of an economic slowdown in China triggered a worldwide sell-off in equities despite measures by officials in Beijing to restore confidence. Furthermore, US crude oil prices fell to almost \$40 a barrel in mid- August , the lowest since the global financial crisis of 2009.

In June Chinese shares had risen 150% year on year but this came to a shuddering halt in June as the Shanghai Composite index officially entered bear market conditions and fell 40%. This shock resulted in China devaluing the Yuan by approximately 4%, which served to intensify worries about the world's second-largest economy. This had multiple repercussions with World Stock markets falling in value(including the FTSE 100 which lost £74 billion) and commodities losing as much as a third of their value since June.

2.2 Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

Capita Asset Services undertook a review of its interest rate forecasts after the May Bank of England Inflation Report. The European Central Bank quantitative easing programme to buy up Eurozone debt caused an initial widespread rise in bond prices and, correspondingly, a fall in bond yields to phenomenally low levels, including the debt of some European countries plunging into negative yields. Since then, fears about recession in the Eurozone, and around the risks of deflation, have abated and so there has been an unwinding of this initial phase with bond yields rising back to more normal, though still historically low yields.

This latest forecast includes a move in the timing of the first Bank Rate increase in from quarter 1 of 2016 to quarter 2 of 2016 as a result primarily of poor growth in quarter 1, weak wage inflation, and the recent sharp fall in inflation due to depressed oil prices and the impact of that on core inflation. The UK fell marginally into deflation in April (-0.1%) and figures near zero will prevail for about the next six months until the major fall in oil prices in the latter part of 2014 falls out of the twelve month calculation of CPI inflation. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The Monetary Policy Committee is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting to recover as a result of recent increases in the rate of wage inflation, although some consumers will not have seen that benefit come through for them.

2.3 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and

- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods of up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period up to 31 August 2015.

Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme. The average level of funds available for investment purposes up to 31st August was £107.1m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

The Council investments returned 0.66% outperforming the benchmark by 30 bps. The Council's budgeted investment return for 2015/16 is £350k, and performance for the year to date is £100k above budget.

2.4 Borrowing

No new borrowing was undertaken up to 31st August 2015, but debt of £53.6m matured on the 27/4/15 and was repaid, the money coming from investments. This has reduced the councils debt from £383.9m to £330.3m and the investment balances have reduced also by £53.6m. Decisions will have to be taken whether to take new borrowing in the future at low rates or continue to reduce investments.

Public Works Loan Board certainty rates, ending 31st August 2015

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.33%	2.32%	3.04%	3.65%	3.55%
Date	31/08/15	31/08/15	31/08/15	31/08/15	31/08/15

2.5 Borrowing in advance of need

This Council has not borrowed in advance of need.

2.6 Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to government bond yields which has impacted Public Works Loan Board new borrowing rates since October 2010. Up to 31 August 2015, no debt rescheduling was undertaken.

2.7 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

There is no expectation that any of the Prudential Indicators will be breached. However, in the unlikely circumstances that there is a rapid and significant rise in long term rates in the current financial year there is a small risk that the Lender Options Borrower Option loans could be called in. If that were to happen the value of those loans combined with the PWLB loans that have already reached maturity this year would be greater than the 20 per cent of total debt allowed to mature in one year set by the maturity structure of borrowing target. The prudential and treasury Indicators are shown in Appendix 1.

2.8 Changes to Treasury Management Policy

2.8.1 During the period of this report, governments have brought changes in to remove implied sovereign support for major national banks of systemic importance. This is through changing the bail in rules if a bank gets into trouble. Overall the proposed changes will see some increase in preferential creditors ahead of unsecured depositors (Local Authorities) around 10% over and above existing amounts. This means it may be easier to isolate a failing bank from the wider market. This does not mean that these banks are of any lower credit worthiness than they were before the changes. The changes do though reflect the substantial improvement in the strength of bank balance sheets since the 2008 crisis and changes in the regulatory environment within which banks now have to work which means that their own strength should make it unnecessary for national governments to provide financial support to banks in any future financial crisis. While sovereign ratings will remain part of the Council's credit rating methodology, the impact of this change means that the rating of individual bank becomes more important.

2.8.2 At present the four main UK Banks HSBC Bank, Barclays, Lloyds and RBS Bank (Nat West Bank) all are treated separately from the other banks in our Treasury Management Policy (£60m limits) because of their size and importance to the UK and their high expectation of support if they were to get into trouble. This in future may not be the case.

2.8.3 To change the four main UK banks so that they are in line with the rest of the banks/building societies in the Treasury Policy would mean at present the limits for each would be as follows; £30 million for HSBC, £20 million for Lloyds, £7m for Barclays limited to 100 days and £0m for Nat West Bank.

2.8.4 This would raise two issues

i) The council banks with Nat West Bank

ii) Schools bank accounts – The schools have their own individual balances with the four main banks. On 31/3/15 these were £25.4m with Lloyds, £9.0m with Barclays, £2.1m with HSBC Bank, £3.3m with Nat West and £880k with Yorkshire Bank.

2.8.5 Proposal

i) Due to the unique situation of Nat West Bank being part owned by the government an investment limit of £20m is suggested. Once finally sold off by the government, if the credit limit is still below the limits for investments, balances will be kept to a minimum but there will always be day to day exposure.

ii) The issue with schools is not as easy to resolve. No investments going forward will be placed centrally for Lloyds or for Barclays unless Barclays credit rating improves. Current investments will not be reinvested when matured and a review of the school's bank accounts should be undertaken to see how to progress in the future.

2.8.6 Accordingly, it is recommended that members approve the following changes to the Treasury Policy;

The limits for the four main UK banks of £60m should be removed and changed to using the same credit criteria as all the other banks/building societies, with the exception of Nat West Bank which will have a limit of £20m due to it still been part owned by the UK government.

2.8.7 A review to be undertaken on the schools bank accounts.

2.9 Other Issues

No other issues

3.0 Other considerations

None

4.0 Financial and Resources Appraisal

The financial implications are set out in Section 2

5. Risk Management and Governance Issues

None

6. Legal Appraisal

Any relevant legal considerations are set out in the report.

7. Other implications

7.1 Equal & Diversity – no direct implications

7.2 Sustainability implications- no direct implications

7.3 Green Gas Emissions impact – no direct implications

7.4 Community Safety Implications – no direct implications

7.5 Human Rights Act – no direct implications

7.6 Trade Unions – no direct implications

7.7 Ward Implications – none

8. Not for publication documents

None

9. Recommendations

That the changes to the Treasury Policy set out in section 2.8.6 be noted by the Governance and Audit Committee and passed to full council for adoption.

10. Appendices

Appendix 1 Prudential and Treasury Indicators

11. Background Documents

Treasury Management Practices

Treasury Management Schedules

Treasury Management Policy

APPENDIX 1: Prudential and Treasury Indicators as at 31 August 2015

Treasury Indicators	2015/16 Budget £m	(Apr-August) Actual £m
Authorised limit for external debt	660m	660m
Operational boundary for external debt	600m	600m
Gross external debt	349m	349m
Investments	101m	71m
Net borrowing	248m	259m
Upper limit for principal sums invested over 365 days	£0m	£0m
Maturity structure of fixed rate borrowing	Upper Limit	(Apr-March) Actual
Under 12 months	20%	14%
12 months and within 24 months	20%	16%
24 months and within 5 years	20%	10%
5 years and within 10 years	50%	10%
10 years and above	90%	50%

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Report of the Director, West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 30 October 2015.

Subject:

X

Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 23 July 2015.

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Rodney Barton
Phone: (01274) 432317
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Overview & Scrutiny Area:
Corporate



Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday 23 July 2015 at West Yorkshire Pension Fund, Aldermanbury House, Bradford

Commenced 1300

Concluded 1415

PRESENT – Councillors

<u>Bradford Members</u> Thornton (Ch) Miller (DCh)	<u>Calderdale Members</u> Lynn Metcalf
<u>Kirklees Members</u> Mather Richards	<u>Leeds Members</u> Dawson
<u>Wakefield Members</u> Forster Jones	<u>Trade Union Representatives</u> I Greenwood – Unison L Bailey - Unison

Apologies: Councillor Speight (Wakefield); Councillor Firth (Kirklees); Councillor Baines (Calderdale); Councillors Davey and Harrand (Leeds), Scheme Member K Sutcliffe

1. ELECTION OF CHAIR**Resolved -**

That Councillor Thornton be elected Chair for the Municipal Year 2015/16.

Councillor Thornton in the Chair**2. ELECTION OF DEPUTY CHAIR****Resolved -**

That Councillor Miller be elected Deputy Chair for the Municipal Year 2015/16.



3. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all relevant business under consideration.

In the interest of transparency Ian Greenwood disclosed that he would shortly be involved in work for private equity providers Bridgepoint and declared that when that work was commenced he would no longer participate in discussions about that company.

Action: *Assistant City Solicitor*

4. MINUTES

Resolved -

That the minutes of the meeting held on 29 January 2015 be signed as a correct record.

5. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

6. WEST YORKSHIRE PENSION FUND (WYPF) ADMINISTRATION BUDGET OUTTURN 31 MARCH 2015

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document “A”**) summarised the total costs of administering pensions and investments costs for 2014/15.

Appended to the report was an analysis of the 2014/15 expenditure between pensions administration and investments and comparisons of those costs to the 2014/15 estimates and last year's spend.

The total cost of managing the portfolio was reported together with investment costs per member for 2014/15 which, it was revealed, was likely to be the lowest cost for Local Government Pension Scheme investments when figures were produced later in the year.

The report revealed a favourable variance between the estimate and outturn figure for 2014/15 and this was reported as being mainly due to reductions in accommodation costs; an under spend on the actuarial cost; reductions in employee costs due to staffing and systems efficiencies; reductions in support service recharges; printing and posting cost reductions and other running cost reductions as a result of efficiencies across the fund.

Members questioned what contribution the fund made towards training employees and the provision of apprentice schemes. They were advised that the fund had an established training and development programme for existing staff and had recruited four apprentices. The provision of graduate opportunities for young people was also being considered.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

7. **UNAUDITED REPORT AND ACCOUNTS 2014/15**

The Director, West Yorkshire Pension Fund submitted the unaudited Report and Accounts which provided a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2015 (**Document "B"**). It was reported that an update report would be presented after the completion of the year end audit by Mazars LLP.

Document "B" revealed the value of the Fund over the year to 31 March 2015 had increased by 9.17%. The closing net assets of the Fund over the previous five years were presented.

A significant reduction in net cash flow was reported compared to the 2013/14 figures as a result of a transfer of cash for Probation Services, Ministry of Justice Pensions, to Greater Manchester Pension Fund.

The return of investments was reported as above the Fund specific benchmark, however, was below the average return of all local authority pension funds and placed the Funding in the 73rd percentile of all local authority funds. Annualised averages for the medium and long term were provided. Active membership increases were reported and resulted in an increase of 4.8% from 256,561 to 268,780 members.

Reduced costs and increased membership were welcomed and the Director, West Yorkshire Pension Fund, attributed the success to the Fund's employees. It was explained that publicity, marketing and support for those auto enrolled to the scheme had resulted in members remaining with in the Fund.

Members questioned the key issues which trustees should consider regarding employee contributions and deficits. In response it was explained that a 22 year plan had been developed which would allow for a gradual adjustment of budgets to recover the deficit.

The return comparison for Property versus Gilt and UK Equity returns provided in the Investment Markets chapter of the accounts was discussed and an indication of investment in property in the Leeds City Region was requested. In response it was explained that the bulk of investments were spread throughout the country, however, details of investments of approximately £30million in the Yorkshire and Humberside Region were provided. It was requested that, when considering investment, the area of benefit for Members of the WYPF be considered.

Resolved -

That the unaudited Report and Accounts of the West Yorkshire Pension Fund for the financial year ended 31 March 2015, appended to Document "B", be approved.

ACTION: Director, West Yorkshire Pension Fund

8. **EXTERNAL AUDIT STRATEGY MEMORANDUM FOR WEST YORKSHIRE PENSION FUND 2014/2015**

The External Auditor (Mazars LLP) presented a report (**Document "C"**) which set out the plan in respect of the external audit of West Yorkshire Pension Fund for the year ending 31 March 2015. The document set out the audit approach, included an assessment of the significant risks of material misstatement in the accounts and outlined the proposed testing strategy to address the identified risks. It was reported that the document had been

approved by the Governance and Audit Committee and Members were asked to note the Audit Strategy Memorandum for 2014/15.

Members were advised that the International Standard on Auditing (ISAs) required external auditors to communicate with Those Charged with Governance (TCWG) on a number of matters including significant risks and how the auditor proposed to address them.

Significant risks and key judgement areas contained in the external audit plan included the auditor's responsibility to consider fraud in an audit of financial statement which required auditors to consider the potential for management override if controls were insufficient to detect error or may not be effective in detecting fraud. An additional risk identified was the valuation of unqualified investments. A bespoke range of audit procedures were in place to address risks and assurances were provided that no specific concerns had been identified in the way that the Fund operated. The requirement on TCWG was a standard which must be considered in all audit reports.

The Director, West Yorkshire Pension Fund, advised Members that the audit fee for the coming year had been secured at the rate for the previous year.

Resolved –

That the Audit Strategy Memorandum for 2014/15 be noted.

ACTION: Director, West Yorkshire Pension Fund

9. WEST YORKSHIRE PENSION FUND CONFLICT OF INTEREST POLICY

The Director, West Yorkshire Pension Fund presented a report, (**Document “D”**) which introduced the West Yorkshire Pension Fund Conflict of Interest Policy.

It was reported that from April 2015 certain public sector pension schemes must be governed and administered under the Public Service Pensions Act. Managers and Pension Board members must, therefore, comply with a number of legal requirements. One requirement was to ensure that any Conflict of Interest was properly identified and managed. It was explained that procedures had been in place for a number of years to address that issue but those procedures must now be formally documented.

A copy of the Conflict of Interest Policy was appended to the report and Members were advised that a Register of Interests would be established and available at each meeting.

Resolved –

That the Conflict of Interest Policy, attached as an appendix to Document “B” be approved.

ACTION: Director, West Yorkshire Pension Fund

10. LOCAL GOVERNMENT PENSION SCHEME 2014

The report of the Director, West Yorkshire Pension Fund (**Document “E”**) updated the Joint Advisory Group on changes to the Local Government Pension Scheme Regulations

(LGPS) 2014 including an update on the establishment of the West Yorkshire Pension Fund's (WYPF) Pension Board. It was reported that since the introduction of the new LGPS there had been two sets of amendment regulation issued:-

- Local Government Pension Scheme (Amendment) Regulations 2015
- Local Government Pension Scheme (Amendment) (Governance) Regulation 2015.

The first revision was a technical amendment. The second amendment was the requirement to establish a Pension Board and had been discussed at the meeting on 29 January 2015. The Terms of Reference for the Pension Board were appended to the report. It was explained that due to the strict time schedule for the organisation of the board its establishment and Terms of Reference had been approved at the Governance and Audit Committee.

Document "E" also reported overriding legislation which had been introduced covering Freedom of Choice and The Role of the Pensions Regulator.

Members of the Pension Board were currently being nominated and it was envisaged that the first meeting would be held in the autumn.

Resolved -

- (1) **That the report be noted**
- (2) **That the Pension Board's Terms of Reference, appended to Document "E" be noted.**

ACTION: Director, West Yorkshire Pension Fund

11. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

A report was submitted by the Director, West Yorkshire Pension Fund (**Document "F"**) in relation to the findings of the annual review of the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration.

Document "F" revealed that West Yorkshire Pension Fund had three Additional Voluntary Contribution Providers, namely:

- Equitable Life Assurance Society,
- Scottish Widows, and
- Prudential

Annually the West Yorkshire Pension Fund asked consulting actuary Aon Hewitt's Investment Consulting Division to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration. The report outlined the findings of the review.

A Member referred to the requirement to ensure that Additional Voluntary Contributions (AVCs) were procured to provide the best value for members. He questioned how value for money was demonstrated and why, when the retirement age had been extended, beneficiaries may be disadvantaged financially. In response it was explained that Aon Hewitt's Investment Consulting Division acted as the Fund's independent advisor and

compared the providers in the market. The code of practice and regulatory guidance followed was appended to Document "F". The Member questioned the rates quoted and it was agreed that he would discuss the issue with the Director, West Yorkshire Pension Fund, out side of the meeting.

The view that people having AVCs arranged by the WYPF would expect WYPF to be responsible for that provision was expressed and assurances were provided that Aon Hewitt met regularly with providers and AVC arrangements were monitored.

Resolved –

- (1) **That the outcome of the annual review of WYPF's Additional Voluntary Contribution Providers be noted.**
- (2) **That the recommendations of Aon Hewitt in respect of the changes to the lifestyle options as set out in paragraphs 3.6; 3.8 and 4.5 of Document "F", be approved.**
- (3) **That the changes to available funds set out in section 5 of Document "F" and the list of approved funds set out in Appendix D to Document "F" be approved.**

ACTION: Director, West Yorkshire Pension Fund

12. **ACTUARIAL VALUATION 2016**

The report of the Director, West Yorkshire Pension Fund, (**Document "G"**), informed Members that the triennial actuarial valuation of the West Yorkshire Pension Fund was due on 31 March 2016 and would determine the level of employers' contributions from April 2017 onwards. An initial meeting with the Actuary would be arranged in the autumn when the issues relating to the valuation and investment markets would be explored in some depth.

In response to discussions about the issues to be discussed at that meeting a Member stressed his belief that stability of contributions was a key factor. He believed that there would be some scope to reduce optimism in some assumptions but that maintaining the level of contributions would be the sensible approach to take.

It was stressed that as the data for the valuation would be submitted soon after the financial year end employers would be reminded that meeting the deadline for year end returns at 31 March would be essential to ensure the data submitted to the actuary was as accurate as possible. Following questions it was confirmed that there had been problems obtaining that information on time for previous valuations and officers were working hard to ensure that monthly contribution returns were received.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

13. RISK MANAGEMENT

The Director, West Yorkshire Pension Fund presented the latest Risk Management Report for the West Yorkshire Pension Fund (**Document “H”**).

The report identified 43 risks associated with the operation of the West Yorkshire Pension Fund which was a reduction from 46 in the previous report. The risks which had been removed were the introduction of the Local Government Pension Scheme 2014; the relocation of the WYPF head office and security in the previous Argos Chambers location. Members were advised that the new premises had the benefit of 24 hour security and alarms.

It was explained that officers had identified all risks which had been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The matrix measured each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

Resolved –

That the latest Risk Management Report for the West Yorkshire Pension Fund, appended to Document “H”, be noted.

ACTION: Director, West Yorkshire Pension Fund

14. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND

West Yorkshire Pension Fund's shared service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF) commenced on 1 April 2015. The report of the Director, West Yorkshire Pension Fund, (**Document “I”**), provided an update on the partnership to date.

Document “I” revealed that the transfer of service from Mouchel, the previous administrator, to WYPF had gone smoothly with little impact on the wider membership of both WYPF and LPF.

A number of issues had arisen including some overpayments made by the previous administrators which were now being addressed. Difficulties had also been incurred in obtaining pensions information regarding Lincoln County Council employees from Serco, who provided the Human Resources Function for Lincoln City Council, as they lacked the resources or expertise to provide that information. Serco were recruiting staff to alleviate the issue and WYPF was supporting them by providing staff who could extract the information required.

It was explained that following the announcement that Contracting Out would cease in 2016, HM Revenue and Customs (HMRC) had arranged for Pension Schemes to reconcile the Guaranteed Minimum Pensions (GMPs) with records held by the Department for Work and Pensions (DWP). The Pensions Unit had registered their interest with HMRC and had now received initial data. It was felt that potential issues could arise if DWP records were inaccurate and the issue may be the subject of a future report to the Joint Advisory Group.

In response to questions about the level of satisfaction with the transfer a Member referred to a meeting he had attended where it had been reported that the level of cooperation provided by WYPF had been outstanding.

Following questions about the cost effectiveness of the partnership it was reported that the cost per member was estimated to meet targets and expected to reduce further.

Members questioned if lessons had been learned throughout the transfer process which could be utilised in the future. In response it was confirmed that issues had been minor and had been recorded and would be reviewed. Some difficulty had been experienced because of the condition of record keeping which had been unknown at the commencement of the process.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

15. TRAINING, CONFERENCES AND SEMINARS

Members were advised that the training of Joint Advisory Group Members to understand their responsibilities and the issues they would be dealing with was treated as a high priority.

The Director, West Yorkshire Pension Fund submitted a report, (**Document “J”**), which informed Members of training courses, conferences and seminars which may assist them. Full details of those events were available at the meeting.

Members were requested to give consideration to attending the training courses, conferences and seminars set out in Document “J”.

No resolution was passed on this item.

16. ANNUAL MEETINGS

The report of the Director, West Yorkshire Pension Fund (**Document “K”**) informed Members that the West Yorkshire Pension Fund would hold two Annual Meetings in 2015, with one meeting being for employers and one arranged for scheme members.

Resolved –

That the details of the WYPF Annual Meetings for 2015 be noted.

ACTION: All Members

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the Committee.

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Report of the Assistant City Solicitor to the meeting of Governance and Audit Committee on 30 October 2015

Subject:

Z

Proposed Amendments to the Constitution

Summary statement:

At the meeting of Council on 14 July 2015 Council resolved:

Council notes that there is no mechanism for changing the Chair of an Area Committee in the event that political balance changes during the municipal year.

Council asks the Acting City Solicitor to prepare amendments to Standing Orders 35 and 37 in order to allow for such circumstances and that these are presented to full Council for consideration during this municipal year.

This report sets out the requested amendments to the Council's Constitution so that the Governance and Audit Committee may make appropriate recommendations to Council.

Dermot Pearson
Assistant City Solicitor

Portfolio:

Corporate

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Phone: (01274) 432496
E-mail: dermot.pearson@bradford.gov.uk

Improvement Area:



1. Summary

1.1 At the meeting of Council on 14 July 2015 Council resolved:

Council notes that there is no mechanism for changing the Chair of an Area Committee in the event that political balance changes during the municipal year.

Council asks the Acting City Solicitor to prepare amendments to Standing Orders 35 and 37 in order to allow for such circumstances and that these are presented to full Council for consideration during this municipal year.

This report sets out proposed amendments to the Council's Constitution to deal with the issue raised.

2. Background

2.1 Rule 35 of the Rules of Procedure at Part 3A of the Council's Constitution provides:

35 Chairing Meetings

35.1 The Council will, with the exception of area committees, appoint chairs and deputy chairs of committees and committees will appoint chairs and deputy chairs of subcommittees for the Municipal Year. Area committees will appoint a chair and deputy chair at their first meeting in the Municipal Year. If a vacancy occurs, a new chair or deputy chair shall be appointed as soon as practicable.

35.2 If the Council fails, except in the case of area committees, to appoint the chair of a committee or a committee fails to appoint the chair of a sub-committee for the Municipal Year, a chair for that meeting must be elected. If this fails, the meeting must be adjourned.

35.3 If for any reason the chair and deputy chair of a committee or sub-committee are absent at the start of or during a meeting, the meeting itself shall elect a chair for the meeting or part of it. If this fails, the meeting must be adjourned.

35.4 Joint meetings of committees or sub-committees will elect a chair for that meeting only.

35.5 Any political group may nominate spokespersons and deputy spokespersons for committees and sub-committees.

2.2 Accordingly the Chairs and Deputy Chairs of Area Committees are appointed by the Area Committees at the first meeting in each Municipal Year. There is currently no provision for the removal of a Chair or Deputy Chair during the Municipal Year. In particular there is no provision to deal with circumstances in which the membership of an Area Committee changes during the course of the Municipal Year, for example as the result of a by-election. A situation can therefore arise where the Chair and Deputy Chair appointed at the start of the Municipal Year may at some point in the Year no longer be the Chair and

Deputy Chair which the Area Committee would appoint if given a further opportunity to do so.

3. Proposed Amendments to the Constitution

- 3.1 If Council wishes to amend the Constitution to allow for the replacement of the Chair and Deputy Chair of an Area Committee during the course of the Municipal Year this could be achieved by inserting the following wording into Standing Order 35 of the Council Procedure Rules:

35.1A If at least one half of the members of an Area Committee inform the City Solicitor in writing, no later than 5 working days before a scheduled meeting of the Area Committee, that they wish the next meeting of the Area Committee to commence with consideration of the appointment of a Chair and Deputy Chair then the City Solicitor shall inform all the members of the Area Committee that such written notice has been received as soon as is practicable and that meeting of the Area Committee shall commence with the consideration of the appointment of a Chair and Deputy Chair.

And with the following consequential amendment to Standing Order 37.6.

37.6 Except for meetings convened under Standing Order 37.5 above, or Area Committee meetings to which Standing Order 35.1A applies, and provided that the agenda for the meeting has not been published, the City Solicitor, with the agreement of the chair or, in her/his absence, the deputy chair, may cancel, postpone or bring forward a meeting.

4. Financial and Resource Appraisal

- 4.1 The resources required to amend the Constitution can be met from existing provision.

5. Legal Appraisal

- 5.1 As set out above.

6. Other Implications

- 6.1 There are no equal rights, sustainability, community safety, Human Rights Act or trade union implications of this report.

7. Not for Publication Documents

- 7.1 None

8. Recommendation

- 8.1 That Committee consider whether to recommend to Council that the Constitution be amended as set out at paragraph 3 above.

9. Background Papers

- 9.1 None

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