Surrey Heath Borough Council

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Monday, 3 September 2018

To: The Members of the **EXECUTIVE**
(Councillors: Moira Gibson (Chairman), Richard Brooks, Mrs Vivienne Chapman, Paul Deach, Colin Dougan, Craig Fennell, Josephine Hawkins, Alan McClafferty and Charlotte Morley)

Dear Councillor,

A meeting of the **EXECUTIVE** will be held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on Wednesday, 12 September 2018 at 6.00 pm. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

Pages

Part 1
(Public)

1. Apologies for Absence

2. Minutes **3 - 8**

To confirm and sign the open minutes of the meeting held on 17 July 2018 (copy attached).

3. Declarations of Interest

Members are invited to declare any interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic Services Officer prior to the meeting.

4. Questions by Members

The Leader and Portfolio Holders to receive and respond to questions from Members on any matter which relates to an Executive function in accordance with Part 4 of the Constitution, Section B Executive Procedure Rules, Paragraph 16.

Part 2
(Exempt)

To confirm and sign the exempt minutes of the meeting held on 17 July 2018 (copy attached).

To review those items or parts thereof which can be released as information available to the public.

Minutes of a Meeting of the Executive held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on 17 July 2018

+ Cllr Moira Gibson (Chairman)

+	Cllr Richard Brooks	+	Cllr Craig Fennell
+	Cllr Mrs Vivienne Chapman	+	Cllr Josephine Hawkins
+	Cllr Paul Deach	+	Cllr Alan McClafferty
+	Cllr Colin Dougan	-	Cllr Charlotte Morley

+ Present
- Apologies for absence presented

In Attendance: Cllr Rodney Bates, Cllr Bill Chapman, Cllr Rebecca Jennings-Evans, Cllr Katia Malcaus Cooper, Cllr David Mansfield, Cllr Chris Pitt, Cllr Joanne Potter, Cllr Valerie White and Cllr John Winterton

11/E Minutes

The open and exempt minutes of the meeting held on 19 June 2018 were confirmed and signed by the Chairman.

12/E Introduction of Parking Charges at Frimley Lodge Park

The Executive considered a report proposing the introduction of parking charges at Frimley Lodge Park. The report outlined the reasons for introducing a charge, which principally concerned addressing the poor state of the park's car park and future maintenance of the park. The Council's Section 151 Officer also provided the wider context of the Council's financial position and the anticipated budget position in the coming years.

Conservative estimates based on recent studies showed that approximately 100,000 cars parked in Frimley Lodge Park car park per year. The current parking facilities were considered to be of a poor standard and often did not provide adequate capacity, which led to dangerous parking at peak times.

The cost to resurface and re-line the current car park and install pay and display machines was expected to be in the region of £200,000. It was estimated that parking tariffs could generate additional income of up to £90k per annum, based upon current visitor levels.

The Executive considered the proposal and reviewed the costs outlined in the report. Queries were raised about whether the estimated £90k income, based on current figures, was achievable as introducing charges could result in a reduction of use of the car park, although it was advised that this was a conservative estimate. It was also felt that the proportion of the income which was proposed to be re-invested in the facilities should be better defined.

The proposed repairs to the surface of the car park were discussed and it was emphasised that any resurfacing must be in keeping with the surroundings of the park.

Members agreed that a consultation with stakeholders and an Equality Impact Assessment would need to be undertaken before any decision to introduce charges could be made. Furthermore, it was felt that greater details were needed on the variable parking rates, the practicalities of implementing the charges, and the impact of the proposals on Blue Badge Holders.

Concerns were raised that introducing parking charges at the park would negatively affect parking on surrounding roads. It was also felt that introducing these charges did not support the healthy living agenda.

The Executive discussed whether the proposals should be deferred or refused and agreed by a majority not to introduce charges at Frimley Lodge Park.

RESOLVED that parking charges at Frimley Lodge Park would not be introduced.

13/E Car Parking Tariff Review

The Executive agreed to defer a report requesting the increase of car parking tariffs to enable the matter to be further considered by the Full Council. This would enable the opportunity to further consider a number of aspects of the report, conduct any necessary consultation, and carry out an Equality Impact Assessment on the proposals.

RESOLVED to defer the item for discussion by Full Council.

14/E Draft Windlesham Neighbourhood Plan 2018-2028 - Examination

The Executive received a report seeking authority to submit the Windlesham Neighbourhood Plan for public examination.

The Neighbourhood Plan had been submitted to Windlesham Parish Council, which had arranged for its statutory publication on 6 April 2018. In accordance with regulations, the opportunity had been provided for interested persons to make representations on the draft Neighbourhood Development Plan. A number of objections to the Plan had been made, which were noted by the Executive.

It was advised that this Council was now required to appoint an examiner who would conduct an investigation into the contents of the Plan and, in due course, would make recommendations to the Council to consider prior to a referendum being conducted in the area affected by the proposed Plan.

Members recognised the efforts undertaken by the volunteers on the Neighbourhood Plan Steering Group and thanked them for their hard work.

RESOLVED that

(i) the Windlesham Neighbourhood Plan be submitted to an independent and qualified Examiner; and

(ii) an examination be conducted into the representations duly made and the compliance with statutory requirements.

15/E Economic Development Strategy Update 2018

The Executive considered an updated Economic Development Strategy.

The updated Strategy documented the statistical information demonstrating the borough's growth. It also further solidified the Council's commitment to delivery of economic growth support to business and making the borough a prosperous place to live, work and visit.

Members noted the borough's economic profile, including factors such as the Gross Value Added, which had risen from c. £2.5bn to £3.3bn since the previous reporting period, and that the number of registered businesses in the borough had increased by 500 during this period. The population demographics were also noted.

The Action Plan had been updated to reflect any changes to dates, funding gained and new developments proposed since the last publication. As with the previous Action Plan, some actions would be the direct responsibility of the Council's Economic Development Team, including business engagement, Open For Business, and the Kevin Cantlon Shop Front Improvements Scheme, whilst other actions, including the Town Centre improvements works and transport and connectivity improvements, would be delivered by others and supported by the Team.

RESOLVED to approve the updated Economic Development Strategy.

Note: In accordance with the Members' Code of Conduct, Cllr Paul Deach declared a pecuniary interest as he worked for Collectively Camberley and left the room during the consideration of the item.

16/E Requests for Carry Forward of Unspent Budget from 2017/18 to 2018/19

The Executive considered a report seeking authority to carry forward unspent budget from 2017/18 to 2018/19, in line with financial regulations.

Carry forwards fell into two categories:

(i) Those which arose from budget underspends in the previous year, which were a result of works being deferred into the current year.

(ii) Those which arose from the receipt of Government Grants which were received too late in the year to be spent.

The carry forwards would result in £872,243 being charged against general fund reserves in 2018/19.

RESOLVED to agree the budget carry forwards for 2018/19 totalling £872,243, as set out at Annexes A and B of the agenda report.

17/E Review of the Corporate Capital Programme 2017/18

The Executive received a report detailing the capital outturn for 2017/18 and requesting approval for any carry forward of budgets into the 2018/19 Capital Programme. Actual capital expenditure during 2017/18 had been £4.174 m.

RECOMMENDED to Full Council that

(i) the carry forward budget provision of £8.4million from 2017/18 into 2018/19 be approved; and

(ii) the revised 2018/19 Capital Programme of £16.984 million be noted.

18/E Exclusion of Press and Public

In accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended) and Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the press and public were excluded from the meeting for the following items of business on the ground that they involved the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act as set out below:

Minute	Paragraph(s)
11/E (part)	3
19/E	3
20/E	3

Note: Minute 19/E is a summary of matters considered in Part II of the agenda, the minutes of which it is considered should remain confidential at the present time.

19/E Grounds Maintenance Contract

The Executive made decisions regarding the awarding of a Grounds Maintenance Contract from 1 February 2019 for an initial five year period with an option for a further two year extension at the end of this period.

20/E Review of Exempt Items

The Executive reviewed the reports which had been considered at the meeting following the exclusion of members of the press and public, as it involved the likely disclosure of exempt information.

RESOLVED that the decision be made public after the award of the contract, but the information contained at minute 19/E, the associated agenda report and tendering documentation remain exempt for the present time.

Chairman

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Camberley Multi-story Car Parks Tariff Review

Summary

Car parks are often the first impression that visitors have of a town and so it is vital that they are maintained to a high standard reflecting the overall experience the town has to offer.

Maintaining car parks to a high standard requires regular and significant investment so that they continue to meet the ongoing requirements of customers, as the Council continues to lead in the improvement of the retail/leisure experience in Camberely

Although £800,000 has been invested in the Council owned town centre car parks, charges have remained frozen since April 2014 and it is now considered appropriate to review these charges in line with inflation.

Portfolio: Places & Strategy
Date Portfolio Holder consulted: 4 September 2018

Wards Affected: Town

Recommendation

The Executive is advised to RESOLVE that

(i) The car parking tariffs, as set out at Annex 1 be agreed, to come into effect as soon as the statutory Traffic Regulatory Order process is complete;

(ii) Subsidised annual permits of £150 p.a. be made available for Camberley Town Centre workers earning the living wage or below; and

(iii) The Scheme of Delegation of Functions to Officers be amended to authorise the Executive Head of Business, in consultation with the Places and Strategy Portfolio Holder, to review and amend parking tariffs for the Main Square and Knoll Road Multi-story car parks every 2 years in line with RPI in relation, following the statutory Traffic Regulatory Order process.

1. Resource Implications

1.1 Following the last tariff increase in 2014, the cost of running and maintaining the car parks has increased. The cost of energy and staffing has risen together with business rates and maintenance costs. This, coupled with the need to invest in order to improve the car parks and the customer experience, has created a budgetary pressure which now needs to be addressed.

1.2 Since 2014 Members have approved over £800,000 of investment in the car parks to upgrade the car parks to increase efficiency and enhance the customer experience. This has included the introduction of a ticketless ANPR system, resurfacing of floors (including the provision of wider spaces) and refurbishing stair cores and lifts. Members agreed at the time expenditure was approved that they would consider a tariff increase once the works were completed.

1.3 In the current year, a further £670,000 of funding was approved to resurface the remaining three floors in Main Square Car Park, replace current lighting with energy efficient LED lighting and further upgrades to the stair cores and other public areas. This work commenced in August 2018.

1.4 The funding of these improvement works alone over a 25 year period will cost the Council approximately £90,000 per year. The proposed tariff increase, which is estimated could generate an additional £170,000 pa, will be used to cover this cost as well as fund further enhancements and deal with the increase in costs suffered since 2014.

2. Key Issues

2.1 This report covers proposed tariff changes for the two council owned multi-story car parks in Camberley Town Centre known as Knoll Road and Main Square.

2.2 Tariffs in the two multi-story car parks have been frozen since April 2014 and yet costs have continued to rise. Since this time inflation has risen cumulatively by 9%, using the Bank of England's online inflation calculator, up to 2017. The proposed tariff changes are in line with inflation and a full breakdown showing current and proposed charges is attached at Annex 1.

2.3 In response to modern parking requirements, significant investment has already been made but further improvements will be required if the car park is to complement the enhanced SQ shopping centre. This investment can only be delivered by increasing parking charges.

2.4 Whilst increasing rates for visitors to the town centre, the Council is keen to support workers based within Camberley and is therefore recommending that the current annual season ticket price for Knoll Road be frozen at the current rate of £825 per annum. This represents a discount of 22.7% against the new daily rate. Season ticket prices for Main Square will be increased in order to encourage workers to use Knoll Road thereby freeing up spaces in this car park for shoppers

2.5 Whilst a season ticket does represent good value and a substantial discount on the daily tariff, it is recognised that for some workers, particularly those working in the retail and service industries, even this cost represents a significant proportion of their earnings. To assist

these workers it is proposed to introduce a new parking season ticket for Camberley Town Centre workers earning the “living wage” or less (currently £8.45 per hour) which will enable holders to park in Knoll Road Multi Story Car Park on working days at a price of £150 each per annum. Up to 100 discounted season tickets will be available on a first-come, first served basis and will require the applicant to provide a copy of a payslip or a letter from their employer as proof of earnings.

2.6 Following the tariff changes Camberley parking charges will remain in the mid-range of parking charges when compared with similar centres in the local area. Annex 2 provides details of comparator information.

3. Options

3.1 The Executive has the options to:

(i) agree the proposed charging regime
(ii) amended the charging regime
(iii) reject the proposed charging regime

4. Proposals

4.1 It is proposed that the Executive:

(i) agree the proposed charging regime;
(ii) agree to the introduction of a subsidised parking permit for low paid workers; and
(iii) amends the Scheme of Delegation of Functions to Officers be amended to authorise the Executive Head of Business, in consultation with the Places and Strategy Portfolio Holder to review and amend parking tariffs in relation to Main Square and Knoll Road car parks every 2 years in line with RPI, following any necessary legal procedures.

5. Corporate Objectives And Key Priorities

5.1 Place: Delivering an improved Camberley Town Centre for the benefit of the Borough.

5.2 Prosperity: Strengthen the Council’s financial independence by increasing our own income.

6. Policy Framework

6.1 This proposal supports Council Policies to develop and improve Camberley Town Centre.

7. Equalities Impact

7.1 An Equality Impact Assessment has been produced which assesses

the impact on the protected groups identified under the Equality Act 2010.

8. Legal Issues

8.1 Changes to parking charges will require a Notice of Variation to be published in accordance with the Road Traffic Regulation Act 1984 and be placed in each affected car park giving 21 days' notice of the variation of parking tariffs.

9. Sustainability

9.1 The car parks will require continued investment if they are to meet the Council's aspirations for the regeneration and improvement of Camberley town centre. Unless other Council services are reduced this can only be funded through increased charges.

10. Risk Management

10.1 There is a risk that the full increase in income may not be achieved as this is dependent on car park usage.

10.2 In addition there is a risk that if tariffs are not increased, funding may not be available for further improvements to the car parks thereby making Camberley a less attractive place for companies to invest in and shoppers to visit.

11. Community Safety

11.1 Upgrading of the car parks, such as through new lighting, creates a safer and more attractive environment for users.

12. Consultation

12.1 Notices will be erected in each car park affected and on the council's website informing the public and town centre stakeholders of the proposed tariff variations giving instructions on how to comment or object to the proposals.

12.2 Comments and unresolved objections will be forwarded to the Executive Head of Business for consideration.

13. PR and Marketing

13.1 This is a good opportunity to emphasise that the Council will continuing with its investment programme in its car parks to ensure high standards are maintained and to support the marketing of the Town Centre.

13.2 It should also be stated that this is the first price rise in 4 years for the two multi-story car parks.

14. Officer Comments

14.1 Car parks are often the first and last impression that visitors have of a town and so it is vital that they are maintained to a high standard reflecting the overall experience that the town has to offer. Maintaining car parks to a high standard requires regular and significant investment so that they continue to meet the ongoing requirements of customers.

14.2 This applies not only to shoppers and workers, but also potential investors and businesses looking to locate to Camberley Town Centre.

Annexes	Annex 1 – Proposed Charges Annex 2 – Charging Comparison with other Local Authorities
Background Papers	None
Author/Contact Details	Eugene Leal – Parking Services Manager Eugene.leal@surreyheath.gov.uk
Head of Service	Daniel Harrison - Executive Head of Business

Consultations, Implications and Issues Addressed

Resources	**Required**	**Consulted**
Revenue	✓	✓
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	**Required**	**Consulted**
Corporate Objectives & Key Priorities	✓	✓
Policy Framework		
Legal	✓	✓
Governance	✓	✓
Sustainability	✓	✓
Risk Management	✓	✓
Equalities Impact Assessment	✓	✓
Community Safety		
Human Rights		
Consultation	✓	✓
P R & Marketing	✓	✓

ANNEX 1 Proposed Charges

Multi-story car parks

Main Square – Daily Fees

Duration	Customer p/a	Existing Tariff	Recommendation*
2 hours	482,980	£1.80	£2.00
3 hours	101,044	£2.30	£2.50
4 hours	34,602	£3.50	£3.70
6 hours	16,778	£5.00	£5.50
10 hours	15,862	£7.00	£7.50
Evening	33,198	£2.00	£1.50**
Sunday	99,145	£1.50	£2.00
Income (Net VAT)		£1,360,758	£1,504,940
		Increase in income	£144,182

* 9.26% rounded to nearest 10p
** Evening tariff reduced to support night time economy

Main Square – Season Tickets

Period	Customer p/a	Existing Tariff	Recommendation*
12 months	18	£995	£1,085
6 months	9	£575	£630
3 months	21	£290	£315
**1 month	new	-	£92
Income (Net VAT)		£24,313	£26,512
		Increase in income	£2,200
	*9.26% rounded to nearest £5		

**Monthly price is for online permits only where and when available.

Knoll Road – Daily Fees

Duration	Customer p/a	Existing Tariff	Recommendation*
1 hour	36,917	£1.00	£1.10
2 hours	47,344	£1.50	£1.60
3 hours	19,535	£2.00	£2.20
4 hours	8,076	£3.00	£3.30
10 hours	28,990	£4.00	£4.40
evening	7,805	£1.50	£1.50**
Sunday	8,280	£1.50	£2.00
Income (Net VAT)		£259,432	£284,842
		Increase in income	£25,410

*9.26% rounded to nearest 10p
** Evening tariff frozen to support night time economy

Knoll Road – Season Tickets

Period	Customer p/a	Existing Tariff	Recommendation* No change
12 months	245	£825	£825
6 months	0	£475	£475
3 months	7	£240	£240
**1 month	new	-	£70
Income (Net VAT)	0	£169,838	£169,838
		Increase in income	-
	*9.26% rounded to nearest £5		

* No change to support local businesses and town centre workers

**Monthly price is for online permits only where and when available.

** Business Permits have reduced in price to reflect the reduction in the All day parking tariff from £2.50 to £2.00

Annex 2: Comparative Charges with proposed changes applied.

Multi-story Car Parks

	Daily Tariff Type				Annual
Location	2 hours	10 hours	Sunday	Evening	Season Ticket
Fleet/Hart	£1.00	£7.00	£1.00	£1.00	£1,200
Aldershot	£1.00	£3.60	£0.60	£1.00	£1,468
Farnborough	£1.20	£5.00	£0.60	£1.00	-
Wokingham	£1.20	£4.00	£1.00	£1.00	£900
Camberley Knoll Road	**£1.60**	**£4.40**	**£2.00**	**£1.50**	**£825**
The Atrium	**£1.70**	**£6.90**	**£1.50**	**£1.50**	**-**
Camberley Main Square	**£2.00**	**£7.50**	**£2.00**	**£1.50**	**£1,085**
Basingstoke	£2.00	£10.00	As weekday	£1.00	-
Farnham	£2.00	£13.00	Free	Free	£1,145
Guildford	£2.40	£12.00	£1.50	£1.00	£2,146
Bracknell	£2.50	£8.30	As weekday	£1.50	£1,000
Woking	£2.80	£11.00	£3.00	£1.40	£2,250
Windsor	£3.70	£13.00	As weekday	£1.50	-
Reading	£4.00	£20.00	As weekday	£3.50	-

Out of Town Pay & Display Car Park Tariff Review

Summary

The Council currently operates four out of town pay and display car parks in Bagshot, Burrell Road (Frimley), Chobham and Watchetts Road Camberley. Although each car park supports its local area, collectively they cost Surrey Heath Council Tax payers approximately £50,000 pa, after deducting charges, to operate and maintain.

The last time car parking tariffs for these car parks were reviewed was in 2009 and since then costs, such as business rates, maintenance and staffing, have all increased. In addition, the car parks are in need of upgrading in terms of resurfacing and improved lighting for which no funds are available. Hence it is now necessary to increase charges to cover this rise in costs since 2009 and to fund future improvements.

In addition, in order to increase churn within these car parks, up to 8 free of charge 30 minute parking spaces will be created in each car park for short stay users. This will ensure that spaces are available for quick “stop and shop” visits to support local retailers in these areas

Recommendation

The Executive is advised to RESOLVE that:

(i) the car parking tariffs, as set out at Annex 1 be agreed, to come in effect as soon as the statutory Traffic Regulatory Order process is complete;

(ii) the Executive Head of Business be authorised to resolve any objections received as part of the consultation process; and

(iii) the Scheme of Delegation of Functions to Officers be amended to authorise the Executive Head of Business, in consultation with the Places & Strategy Portfolio Holder to review and amend parking tariffs for these four car parks every 2 years in line with RPI, following any necessary legal procedures.

Portfolio: Places & Strategy
Date Portfolio Holder consulted: 4 September 2018

Wards Affected: Bagshot, Chobham, Frimley and Watchetts

1. Resource Implications

1.1 The out of town car parks require an annual subsidy of over £50,000 per annum as set out in Annex 2. It is estimated that the proposed weekday tariff changes could provide £45,000 towards this.

1.2 Furthermore extending the weekday charges to include Saturdays could generate further additional £16,000 per annum which could be used to fund improvements in these car parks.

2. Key Issues

2.1 The changes outlined in this paper affect the following out of town car parks:

- Bagshot
- Burrell Road (Frimley)
- Chobham
- Watchetts Road

2.2 Tariffs in these car parks have been frozen since 2009 and yet costs have steadily increased since that time. Using the Bank of England's online inflation calculator inflation has risen by 27.5% from 2009 to 2017.

2.3 The proposed tariff changes are in line with inflationary rises and a full breakdown showing current and proposed charges is attached at Annex 1.

2.4 In order to support local workers and businesses, annual season tickets prices will be unchanged and the daily business permit rate will be reduced to bring it in to line with the proposed reduction of the all-day tariff.

2.5 It is recognised that a number of local businesses depend on short "stop and shop" visits by customers. In order to support this business up to 8 free of charge 30 minute parking spaces for short stay use will be made available in each car park. The users of the bays would need to obtain and display a ticket and will not be able to return to the car park within 2 hours of leaving.

2.6 Minor changes to the Surrey Heath Borough Off-Street Parking Order will be required to define the free parking scheme and some minor lining and signing work on each car park will enable any change to be implemented and enforced.

2.7 In addition to the existing parking pay machines the council will consider implementing a cashless system such as RINGO to make it easier for car park users to pay without having to find the exact change.

2.8 Comparator tariff information with similar car parks in the surrounding areas is listed in Annex 3. This shows that even with the proposed increases these car parks would still offer the cheapest parking charges for two hours compared to similar locations.

2.9 It is essential that car parks are invested in in order to support local

businesses and residents. These increases will provide the resources to enable this investment to be made and for the car parks to be properly maintained with the cost falling on car park users rather than the Surrey Heath council tax payer.

3. Options

3.1 The Executive has the options to:

(i) agree the proposed charging regime
(ii) amended the charging regime
(iii) reject the proposed charging regime

4. Proposals

4.1 It is proposed that the Executive:

(i) agree the suggested charging regime
(ii) the Scheme of Delegation of Functions to Officers be amended to authorise the Executive Head of Business, in consultation with the Places and Strategy Portfolio Holder to review and amend parking tariffs for these four car parks every 2 years in line with RPI, following any necessary legal procedures.

5. Corporate Objectives And Key Priorities

5.1 Prosperity: Strengthen the Council's financial independence by increasing our own income.

6. Policy Framework

6.1 This proposal supports the Council's Medium Term Financial Strategy.

7. Equalities Impact

7.1 An Equality Impact Assessment has been produced which identifies the impact on the protected groups identified under the Equality Act 2010. Free parking for blue badge holders will continue in these car parks and no other group is affected directly or indirectly.

8. Legal Issues

8.1 Changes to parking charges will require a Notice of Variation to be published in accordance with the Road Traffic Regulation Act 1984 and be placed in each affected car park giving 21 days' notice of the variation of parking tariffs.

9. Sustainability

9.1 The additional income generated will not only make the car parks more financially sustainable but also allow for further investment in

these facilities.

10. Risk Management

10.1 Whilst it is estimated that the reviewed tariffs could generate additional income of circa £61,000 per annum, this is based on usage staying at current levels.

11. Consultation

11.1 Notices will be erected in each car park affected and on the councils website informing the public and stakeholders of the proposed tariff variations giving instructions on how to comment or object to the proposals.

11.2 Comments and unresolved objections will be forwarded to the Executive Head of Business and for consideration.

12. PR and Marketing

12.1 This is a good opportunity to emphasise that the Council will sustainably investing in its car parks to ensure high standards and support the local economic areas. It is also supporting local businesses through the provision of new “stop and shop” spaces.

12.2 It should also be emphasised that this is the first price rise in 9 years for the borough’s pay & display car parks, despite increases in costs over that period, and is in line with inflation.

Annexes	Annex 1 – Proposed Charges Annex 2 – Charging Comparison with other Local Authorities Annex 3 - Costs and Income for Out of Town Car Parks
Background Papers	None
Author/Contact Details	Eugene Leal – Parking Services Manager Eugene.leal@surreyheath.gov.uk
Head of Service	Daniel Harrison - Executive Head of Business

Consultations, Implications and Issues Addressed

Resources	**Required**	**Consulted**
Revenue	✓	✓
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	**Required**	**Consulted**
Corporate Objectives & Key Priorities	✓	✓
Policy Framework		

Resources	Required	Consulted
Legal	✓	✓
Governance		
Sustainability	✓	✓
Risk Management	✓	✓
Equalities Impact Assessment	✓	✓
Community Safety		
Human Rights		
Consultation		
P R & Marketing	✓	✓

Annex 1 - Proposed Charges

Out of town Pay and Display – Daily Fees (Bagshot, Burrell Road, Chobham and Watchetts)

Duration	Customer p/a	Existing Tariff	Recommendation
First 30 mins free*	58,240**	-	-
2 hours	148,046	£0.00	£0.40
3 hours	8,887	£0.40	£0.50
4 hours	4,340	£0.80	£0.80
5 hours	2,786	£1.20	£1.20
6 hours	716	£1.60	£1.60
7 hours	1,397	£2.00	£2.00
8 hours	958	£2.40	£2.00
All day	4,253	£2.50	£2.00***
Income (Net VAT)		£22,701	£70,699
		Increase in income	£47,998
Saturday	51,721	Nil	As above
Income (Net VAT)		Increase in income	£16,022

* Limited to 8 designated spaces per car park
** Based on 4 car parks x 8 spaces x 7 estimated uses per day x 260 days per year
*** Business Permits have reduced in price to reflect the reduction in the all day parking tariff from £2.50 to £2.00

Out of town pay and display – season tickets (Bagshot, Burrell Rd, Chobham, Watchetts Rd)

Period	Customer p/a	Existing Tariff	Recommendation
Business 12 month	56	£375	No Change
Business 1 month	new	-	£33
Resident Annual	27	£100	No change
**Resident 1 month	new	-	£10
Income (Net VAT)		£17,500	No Change
		Increase in income	-

**Monthly price is for online permits only where and when available.

Annex 2 - Costs and Income for Out of Town Car Parks

Costs	Bagshot Car Park	Burrell Rd Car Park	Chobham Car Park	Watchetts Rd Car Park	Total
Staff Costs	£7,883	£6,839	£9,305	£4,411	£28,438
Non Domestic Rates	£7,381	£5,324	£6,171	£2,420	£21,296
Grounds Maintenance	£6,884	£4,276	£8,659	£4,706	£24,525
Machine Maintenance	£1,957	£961	£1,081	£961	£4,959
Vandalism /Service costs	£3,213	£890	£1,102	£1,576	£6,780
Call Centre/Finance/ ICT costs	£3,289	£2,631	£3,289	£2,631	£11,841
	£30,606	£20,921	£29,607	£16,705	£97,839

Income	Bagshot	Burrell Rd	Chobham	Watchetts Rd	Total
Car Park Tariffs	£8,904	£5,548	£9,573	£1,878	£25,903
Penalty Charge Notices	£3,344	£3,157	£4,628	£963	£12,093
Rent / Access Licences	£589	£3,613	£1,439	£2,217	£7,857
	£12,837	£12,318	£15,640	£5,058	£45,853

	Bagshot	Burrell Rd	Chobham	Watchetts Rd	Total
Deficit	**-£17,770**	**-£8,603**	**-£13,967**	**-£11,646**	**-£51,986**

Annex 3 - Comparative Charges

Out of Town Car Parks

	Daily Tariff Type				Annual Season Ticket
Location	2 hrs	10 Hours	Sunday	Evening	
Surrey Heath*	**£0.40**	**£2.00**	**Free**	**Free**	**£375.00**
Rushmoor	£0.60	£3.00	Free	£1.00	£75 (Mo-Sa)
Wokingham	£0.60	£4.00	Free	Free	£607.00
Guildford	£1.00	£1.00	Free	Free	No season tickets issued
Woking	£1.00	£2.50	Free	Free	£120-£300
Hart	£1.40	£3.00	Free	Free	£600.00
Windsor & Maidenhead	£1.50	£8.00	Free	Free	No season tickets issued
Waverley	£1.60	£8.00	Free	Free	£1,145.00
Mole Valley	£2.00	£10.00	Free	Free	£864.00

*proposed increased

Council Tax and Housing Benefits - Application of Civil Penalties

Summary
To seek Executive approval for introducing a policy for imposing Council Tax and Housing Benefit civil penalties.

Portfolio - Finance
Date Signed Off: 28 August 2018
Wards Affected
All

Recommendation

The Executive is advised to RESOLVE to adopt a policy for imposing Council Tax and Housing Benefit Civil Penalties, as set out at Annex A to this report.

1. Resource Implications

1.1 There are no resource implications other than the cost of publicising the new policy and the income generated from introducing these charges.

2. Key Issues

2.1 The Local Government Finance Act 1992 allows for civil penalties to be imposed for failing to give accurate information or for failing to advise of a change in circumstances in relation to any Council Tax discount, exemption or Council Tax Reduction Scheme.

2.2 The Social Security Administration Act 1992 allows for civil penalties to be imposed in relation to Housing Benefit where a person has been negligent in the information they have provided, or where a person has failed without reasonable excuse to tell us about a change in their circumstances.

2.3 Legislation does not currently allow for penalties to be applied in respect of Business Rates.

2.4 Council Tax fraud is an area of concern. Whilst the Council regularly reviews discounts awarded there is currently incentive for people not to notify a change in circumstances promptly or provide accurate information.

2.5 It is envisaged that with suitable publicity, the realisation that a civil penalty can be applied people will realise the importance of giving accurate information to the Authority in a prompt manner. In addition, dependant on the circumstances the individual could be subject to fraud proceedings as outlined in the policy.

2.6 The civil penalty for Council Tax purposes is £70 and will be applied to the Council Tax account for collection via the normal billing process. Where a £70 penalty has been imposed and a person still fails to provide information, a further £280 penalty can be imposed for each subsequent failure.

2.7 The civil penalty for Housing Benefit purposes is £50 for each offence and will be collected either by deducting the penalty from ongoing Housing Benefit entitlement, or by sundry debtor.

2.8 Before imposing a civil penalty, consideration will be given as to whether a person is considered to be vulnerable and therefore whether a civil penalty is appropriate. This exemption will be at the discretion of the Revenues and Benefits manager. There is the right of appeal against the imposition of a civil penalty.

2.9 The main driver for the introduction of the civil penalties is to provide an incentive for people to provide accurate and timely information which will ensure that they pay the correct amount of Council Tax and receive the correct level of Support or Housing Benefit.

2.10 Civil penalties will bring an additional income stream to the Authority. The amount of additional income will depend upon how many civil penalties are imposed and how many of them are collected. The main driver behind the policy is to provide an incentive for people to provide accurate and timely information and to help protect the public funds we administrate from abuse.

2.11 The proposed policy document is shown in Appendix A which gives more detail about the application of the civil penalties and the appeal rights. Once adopted, appropriate publicity will be issued to advise the public of the policy and the penalties that can be imposed.

3. Options

3.1 The Executive can accept, reject or amend the proposal.

4. Proposals

4.1 It is proposed that the Executive RESOLVES to approve the Policy for the introduction of Council Tax and Housing benefit civil penalties.

5. Supporting Information

5.1 Copy of Policy in Annex A

6. Corporate Objectives And Key Priorities

6.1 Supports Key Priority 4 by increasing efficiency in that this policy will encourage residents to inform the Council of changes to circumstances enabling records to be kept up to date.

7. Policy Framework

7.1 N/A

8. Legal Issues

8.1 Schedule 3 of the Local Government and Finance Act 1992 give authority to impose a £70 penalty in respect of council tax.

8.2 The Social Security Administration Act 1992, Welfare Reform Act 2012 and The Social Security (Civil Penalties) Regulations 2012 give authority to impose a penalty of £50.00.

9. Governance Issues

9.1 N/A

10. Sustainability

10.1 N/A

11. Risk Management

11.1 There is a risk that penalties are not able to be collected.

11.2 There is also a risk to the Council's reputation if penalties are applied inconsistently or unfairly. This risk can be managed by having a robust policy with clear guidelines to staff who make such decisions as well as allowing an element of discretion in exceptional circumstances.

12. Equalities Impact

12.1 The majority of Council Tax payers do provide accurate information in a timely manner, but there are a minority who will seek to gain financially by providing inaccurate or late information. There are no specific groups of people who will be affected and a civil penalty could be applied to anyone who is a Council Tax payer and/or a tenant in receipt of Housing Benefit. However, a civil penalty will only be imposed in cases where a person has deliberately sought to deceive the Council for their own financial gain.

12.2 The decision to impose a civil penalty is discretionary and the circumstances of each case where a civil penalty is being considered will be evaluated first. A civil penalty will not be imposed when a person is deemed to be vulnerable or there are other circumstances which leads the Council to believe that a civil penalty is not appropriate.

12.3 An Equalities Impact Assessment has been completed and no adverse impacts have been identified as the policy provides for discretion to be applied in such cases.

13. PR And Marketing

13.1 Residents will need to be informed that the policy is in place, why it has been introduced and the possible consequences of not complying

14. Officer Comments

14.1 This policy should be seen as a further tool to encourage Council Tax payers and Benefit claimants to comply with the regulations regarding informing the Council of changes.

Annexes	**Policy for the Application of Civil Penalties**
Background Papers	**None**
Author/Contact Details	**Kelvin Menon** **kelvin.menon@surreyheath.gov.uk**
Head of Service	**Kelvin Menon – Executive Head of Finance**

Consultations, Implications And Issues Addressed

Resources	**Required**	**Consulted**
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		

Other Issues	**Required**	**Consulted**
Corporate Objectives & Key Priorities	✓	✓
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment	✓	✓
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Council Tax & Housing Benefits

Policy for the Application of Civil Penalties

(Failure to Notify or Supply Information)

CONTENTS

Part 1 Introduction

1.1 Failure to notify a change of circumstances or provide information for Council Tax billing or Housing Benefit purposes is an offence. The offence is committed if the customer fails to provide information within 21 days of its request, fails to notify us of a change affecting their liability to pay Council Tax within 21 days of the change occurring or if they fail to notify us of a change affecting their entitlement to Housing Benefit within one calendar month.

1.2 For practical purposes the Council will not impose a penalty if the customer notifies us, or provides the requested information, within one calendar month for both Housing Benefit and Council Tax. Please note there is currently no penalty scheme for Business Rates.

1.3 Where a penalty has already been imposed on their Council Tax account and a further request to supply the same information is made, a further penalty of £280 may be imposed for each subsequent failure, provided:

- the information is in the debtor's possession.
- the authority requests him to supply it.
- it falls within a prescribed description of information.

1.4 An example of when a further penalty may apply would be a large landlord or Estate Agent who continually fails to tell us about a new tenant moving in to their property.

1.5 The additional penalty will only be imposed with the agreement of the Revenues and Benefits Manager.

Part 2 Council Tax penalties

2.1 Schedule 3 of the Local Government Finance Act 1992 allows Councils to impose a £70 penalty to any person who;

a) fails to notify the council that an exemption on a dwelling should have ended
b) fails to notify the council that a discount (including single person discount and Local Council Tax Support) should have ended
c) fails to notify the council of a change of address or fails to notify the council of a change in the liable party
d) fails to provide information requested to identify liability
e) deliberately provides false information . In addition to the power to impose a penalty, the provisions of the Theft Act apply to Council Tax as they do in other situations. Where any person presents information which they know to be false with a view to obtaining a financial benefit they may be subject to a prosecution for obtaining a pecuniary advantage by deception.

Part 3 Housing Benefit penalties

3.1 A Housing Benefit civil penalty can be imposed in accordance with the Social Security Administration Act 1992 and sections of the Welfare Refom Act 2012. A civil penalty of £50 can be added to the amount of an overpayment of benefit if the overpayment (after underlying entitlement) is more than £100 and where the claimant is viewed as being at fault.

3.2 A civil penalty cannot be applied where the claimant has, in respect of the overpayment, been charged with an offence, been cautioned or been subject to a penalty as an alternative to prosecution under section 115A of the Social Security Administration Act 1992.

3.3 A penalty applies where there has been an overpayment of Housing benefit of more than £100 after underlying entitlement. A £50 civil penalty can be added in the following circumstances:

1. **Where a person has been overpaid as a result of negligently making an incorrect statement or representation, or negligently giving incorrect information or evidence.**

   For example bank statements show that there is another bank account or job that has not been disclosed on the claim form and no action has been taken to tell the Authority about it. In this situation the penalty will only be applied if the person also fails to take reasonable steps to correct the error. The Department for Work and Pensions (DWP) definition of 'negligently' means 'acting carelessly, not paying sufficient attention to the task in hand, or disregarding the importance of what is required to be done in relation to the claim or an award.

2. **Where a person has been overpaid as a result of failing, without reasonable excuse, to provide information or evidence required in connection with a claim for, or award of benefit. The DWP defines 'reasonable excuse' as a 'credible reason or justification' and might include being in a situation of significant stress or suffering ill health;**

   For example, the claimant starts work or moves and, as a result of their failure to supply new evidence of earnings or rent, a negative inference has to be taken (eg a zero rent or £999 income is assumed).

3. **Where a person has been overpaid as a result of failing, without reasonable excuse (see above), to notify a relevant change of circumstances.**

   In cases where the Authority becomes aware of a change of circumstances which the claimant has not notified to the Authority.

Part 4 Appeals

4.1 If a Customer disagrees with the imposition of a Council Tax penalty then they may challenge it using the Council's complaints procedure. They also have the right to appeal directly to the Valuation Tribunal. They have two months in which to appeal after a penalty is imposed. If a penalty is imposed, we must advise the customer why we have imposed a penalty and provide them with information about how to appeal and the date by which any appeal should be made. If an appeal is made then recovery of the penalty will be suspended until the appeal is decided.

4.2 Penalties applied to a Council Tax account are recovered as part of the normal recovery process.

4.3 Housing Benefit penalties may be appealed as part of an appeal against the overpayment decision. The decision can be reconsidered by the Authority, and if unsuccessful, the appeal can be considered by The Tribunals Service.

Part 5 Exceptions

5.1 Exclusion from a penalty should be considered in cases where:

The customer or their partner:-

- has a significant degree of physical or mental infirmity, such as a terminal illness, severe clinical depression, hearing/sight/speech problems, learning difficulties or frailty due to old age.
- has made a voluntary disclosure of the alleged offence before the Council had any suspicions regarding the validity of their entitlement to a Council Tax discount or exemption, Local Council Tax Support Reduction Scheme or their Housing Benefit entitlement
- was driven to commit the offence by a difficult domestic situation (for example domestic violence or fire)
- could be dealt with more effectively without redress to a penalty, for example due to age or immaturity, although youth in itself is not a good enough reason not to instigate proceedings.

5.2 Where a taxpayer is in receipt of Council Tax Support (LCTS) care must be taken not to impose a penalty twice for the same offence, where neither Council Tax, nor Benefits, was notified of the change.

5.3 Where a civil penalty would otherwise be imposed, exceptions can be agreed following discussion and approval with the Revenues and Benefits Manager.

Part 6 Application of the penalty.

6.1 The Council Tax bill clearly shows the award of discounts, exemptions and/or Local Council Tax Support. It makes clear that the taxpayer must tell the Authority straight away about any change in their circumstances that could affect their bill or a penalty could be imposed.

6.2 The Benefit decision letter also clearly states that failure to advise the Authority of changes in circumstance that may affect their entitlement to Housing Benefit may result in an overpayment and the imposition of a penalty.

6.3 A Council Tax penalty will be collected by applying the penalty to the Council Tax account for collection via the normal billing process.

6.4 A Housing Benefit penalty will be recovered either from ongoing Housing Benefit entitlement or by sundry debtor.

6.5 A letter will be sent in all cases advising of the application of the penalty and the reason.

6.6 Where the penalty relates to an overpayment of Housing Benefit, no penalty will be applied until one month after the notification of the overpayment has been issued. This allows for a period where further information can be provided and an underlying entitlement award considered.

Part 7 Recovery of the penalty

7.1 Council Tax and Council Tax Reduction Scheme penalties will be added to the debt and incorporated within the instalments. Therefore failure to pay will result in the same recovery process as accounts without a penalty.

7.2 A Housing Benefit penalty will be recovered either from ongoing Housing Benefit entitlement or by sundry debtor.

Response to the Government Funding Review

Summary

To agree the Council's response to the Consultation on the 2019-20 Local Government Finance Settlement Technical consultation paper

Portfolio - Finance
Date signed off: 6 August 2018

Wards Affected
Not applicable

Recommendation

The Executive is advised to RESOLVE to agree the Council's response to the 2019-2020 Local Government Finance Settlement Technical Consultation Paper, as set out at Annex A to the agenda report.

1. Resource Implications

1.1 The Technical consultation contains a number of proposals which could impact the Council's finances. These are as follows:

Grant Settlement

1.2 The 2015 spending review included a "negative grant" in 2019/20 which would have resulted in the payment of £933k to the Government by Surrey Heath. After extensive lobbying the Government has made proposals to address this issue. The Government's preferred solution is simply to cancel the negative grant using other funding and this appears to be the neatest solution. Details of the spending 2020 spending review have not been released as yet and this will be looked at closely to see whether the "negative grant" has been imposed albeit by another name.

New Homes Bonus

1.3 The Government announced in 2016 that the incentive given to Council to provide new homes would be reduced. This was done by firstly restricting payments to 4 years rather than the previous 6 and secondly by deducting a baseline housing delivery expectation (0.4% of the tax base) from the actual number of houses built before calculating the incentive paid.

1.4 The Government has said that it intends to raise the baseline measure so as to ensure that the total spend on NHB remains within the funding envelope. It would appear disingenuous to reduce the value of the bonus for local councils simply because they have over achieved on housebuilding.

1.5 The Government has also said it may change NHB from 2020 – details are awaited

Council Tax

1.6 It is proposed that the 3% or £5 increase, whichever is the higher, will be retained with an additional 2% for Social Care. Whilst welcoming this the point has been made that in reality there should be no controls on council tax and that these decisions should be left to locally elected members. The point has also been made that two tier areas are disadvantaged by the ASC precept since it can only be levied by Counties.

1.7 Finally the point has been made that since Government now contributes nothing financially to local services as it is all paid for by local residents and businesses it should relinquish its control of Local Government to locally elected members.

2. Key Issues

2.1 The Government has asked for comments on its proposals through a number of consultation questions. A recommended response is attached to this paper.

2.2 The consultation commenced on the 24th July and ends on the 18th September 2018. The final settlement is expected to be announced around Christmas 2018

3. Risk Management

3.1 No issues form this paper although the Government's proposals do increase funding risk to the Council.

4. Equalities Implications

4.1 None from this paper but the point has been made that the impact of the spending cuts within the 2015 Spending review have impacted disproportionately those people with protected characteristics, such as the elderly, since they are the greatest users of services.

5. Options

5.1 The Executive can decide to amend the consultation or not respond

6. Proposals

6.1 It is proposed that the Executive reviews the proposed response and agrees it, subject to any changes it wishes to make.

Annexes	**Annex A – Draft Consultation response**
Background papers	**DCLG – The 2019/20 Local Government Finance Settlement – Technical Consultation Paper**
Author/Contact Details	**Kelvin Menon – Executive Head of Corporate Finance** **Kelvin.menon@SurreyHeath.gov.uk**
Head of Service	**As above**

CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted
Resources		
Revenue	✓	✓
Capital	-	-
Human Resources	-	-
Asset Management	-	-
IT	-	-
Other Issues		
Corporate Objectives & Key Priorities	✓	✓
Policy Framework	-	-
Legal	-	-
Governance	-	-
Sustainability	-	-
Risk Management	-	-
Equalities Impact Assessment	-	-
Community Safety	-	-
Human Rights	-	-
Consultation	-	-
P R & Marketing	-	-

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Local Government Finance Settlement Team
Ministry of Housing, Communities and local Government,
2nd Floor, Fry Building,
2 Marsham Street,
LONDON
SW1P 4DF

13 September 2018

Dear Sir or Madam

RESPONSE TO CONSULATION ON THE 2019/20 LOCAL GOVERNMENT SETTLEMENT

Please find below the responses of Surrey Heath Borough council to the above consultation.

Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?

For Surrey Heath the main impact of the final year settlement is the imposition of the negative RSG, which is addressed later in the consultation. Provided this matter is dealt with then for us the settlement should stand.

However Surrey Heath does have concerns in respect of the changes to New homes Bonus as follows:

- Firstly there is a suggestion that the baseline will be increased from the current 0.4% to enable the Government “to remain within spending limits”. Whilst we understand the wider economic picture does have to take in to account it seems to be counterproductive to dilute an incentive paid for a key Government initiative i.e. housebuilding just because Councils have over achieved. This does not really send out the message that more houses need to be built.

- Secondly despite the Government saying that New Homes bonus “would be permanent” there is now a hint that actually it may be replaced with something else or have its funding changed. Housebuilding is a key Government target and Local Government has worked hard to deliver, sometimes in the face of local opposition, based on the promise of reward funding. Any new scheme therefore must guarantee

that any existing rewards due are paid in full. Any new scheme needs to take in to account the difficulties of delivering housing, say through lack of land, rather than just relying on a blunt percentage figure.

Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

As a matter of principle there should be no caps on Council Tax increases. Local tax levels should be set by locally elected politicians who are answerable to the electorate at the ballot box. That said, the fixing the increase at 3% rather than 2% is welcome although this is still below inflation. There also needs to be a recognition that the social care precept raised significantly less money in tow tier wares than unitaries since only the county element of the bill attracts the levy. This could be addressed by allowing a larger ASC in 2 tier areas or permitting districts to lever the social care precept to be used on Community based services.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

As we made clear in our submission for the settlement we disagreed with the imposition of a "negative RSG", in our case almost £1m, on our local residents. Once the grant has been reduced to nil then that should be the end of it. We are therefore pleased that this matter has now been addressed and would prefer option 1 as it is the simplest and best solution to this issue. That said we would not want to find that this solution is merely deferement of the issue and that Surrey Heath residents are expected to give up £1m in funding in 2020/21, albeit by another name.

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express you preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

No comment

Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

There can be no doubt the 2015 spending review of which 2019/20 is a part has had a very detrimental effect on persons with protected characteristics. The cuts in services have tended to impact persons with protected characteristics disproportionality since they, for example the aged or disabled, use the services local councils provide more than the rest of the general population.

Finally Surrey Heath has managed through a combination of efficiency and income generation to maintain services over the 2015 spending review period despite a total loss of grant. This though has been at the price of increased risk and volatility in funding as we have had to rely on commercial income etc. to maintain our services. As a result all our income is now raised from local residents and businesses. When the Government provided national money for local services it was only right that they exercised some national control. However this is no longer the case and so it is only right that controls exercised by Government on areas such as Council tax rates, exemptions etc, should now be devolved to locally elected accountable members. If the Government wishes to retain control then the quid pro quo of this that they should be expected to pay for it in some way.

If you need any further information please do not hesitate to contact me.

This paper was tabled at the Council's Executive on the 12th September 2018

Yours faithfully

Karen Whelan
Chief Executive - Surrey Heath Borough Council

Cllr Moira Gibson
Leader - Surrey Heath Borough Council

Council Finances as at 30 June 2018

Summary
To provide the Executive with a high level view as to the Financial Performance for the 1st Quarter of 2018/19.

Portfolio - Finance
Signed off: 23 August 2018

Wards Affected – All

Recommendation

The Executive is advised to RESOLVE to note the current financial position and approve the additions to the 2018/19 revenue budget.

The Executive is advised to RECOMMEND to the Full Council the changes to the 2018/19 capital programme.

1. Key Issues

1.1 This report covers the first quarter of the financial year to the 30th June 2018. Its purpose is to give members a high level view of the financial performance of services for the quarter, highlighting significant variances against 2018/19 approved budget and provides an update on the Revenue, Treasury and Capital budget position for the first quarter.

1.2 At this early stage in the year, it is difficult to provide an accurate forecast at the year end, but we are forecasting to be on budget at the end of the financial year.

2. Resource Implications

Revenue Budget

2.1 Actuals against Budget for the first quarter are shown in the attached Annex. Corporately, it is forecast that spending will be within budget at the end of the financial year.

2.2 There are 2 revenue items that we would like added to the 2018/19 budget and they relate to carry forwards that were not on the carry forward list that was approved by members at the July executive meeting. The carry forward details are £90,000 for Swift Lane and £31,000 for Chobham flood reserve.

Capital Budget

2.3 At the end of the first quarter, £17.5m had been spent on capital expenditure of which £13.5m was spent on property acquisitions, including Trade City Industrial estate and Windlemere golf club, and £1.9m on the purchase of refuse vehicles.

2.4 There are a number of capital projects that should be added to the 2018/19 capital programme and a brief description of each project is given below,

- Playground refurbishment at Evergreen Road cost £10k.

  Refurbishment of the playground equipment at Evergreen Road funded by Community Infrastructure levy (CIL) monies.

- Play Area/Path Link Local Equipped area of play (LEAP) £70k

  The project is on land north of the Ridgewood Centre and relates to a residential development of 100 dwellings on land at the Ridgewood Centre. The developer provided a contribution of £70k to secure a footpath between the site and the highway network to the north across Council owned land. The remainder of the funding is to provide improvements to the existing play area on Council owned land (Play area adjacent to Maguire Drive).

Treasury Investments

2.5 The Council currently has £8.1M in cash investments and £125.6m in borrowings. Based on the advice of our Treasury advisers, £29m is made up of longer term loans from the Public Works Loans Board with the remainder being shorter term loans from the other local authorities.

3. Debtors

Sundry Debts

3.1 Sundry debts include all debts except those relating to benefits. At the 30th June 2018 these amounted to £2.9m compared with £1.2m for the same period last year. The increase of £1.7m relates to joint waste recharges to the other three partners which were raised during the first quarter, £400k of Community Infrastructure levy (CIL) debts compared to £30k in June 2017 and £100k due from Surrey County Council in respect of rent. Taking out of account the additional JWS invoices, then the level of debts at the end of the first quarter is slightly higher than a year ago and this is related to larger invoices being raised for CIL and timing differences rather than an underlying debt collection issue.

Housing Benefit Debts

3.2 These debts arise when an overpayment in housing benefit has been made and thus has to be recovered. At the 30th June 2018 the balance was £603k compared with £636k at the end of the last quarter. During the last 3 months £145k was collected and £112k of new debts was raised. 17 debtors, or around 6% of the total, account for over half of the debt.

4. Officer Comments

4.1 The report covers the first quarter of the year and based on performance so far, there are no significant issues to cause concern at this moment other than the situation regarding the House of Fraser Store. The two projects mentioned in paragraph 2.3 will be added to the current year's capital programme if approved with the revenue items mentioned in paragraph 2.2 also being added to the revenue budget if approved.

5. Options

5.1 The report is for noting and approving the addition items to the revenue and capital budgets.

6. Proposals

6.1 It is proposed that the Executive is advised to note the report and approve two projects that will be added to the 2018/19 capital programme along with the revenue additions.

7. Supporting Information

7.1 None

8. Corporate Objectives and Key Priorities

8.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically.

9. Risk Management

9.1 Regular financial monitoring enables risks to be highlighted at an early stage so that mitigating actions can be taken.

Background papers	**None**
Author/contact details	**Adrian Flynn - Chief Accountant** **Adrian.Flynn@surreyheath.gov.uk**
Head of service	**Kelvin Menon - Executive Head of Finance**

Annex A

Summary Information on the Revenue Budget Position at 30 June 2018

Services are asked to explain significant variances between their profiled budget and actual expenditure to date and comment on areas of concern.

The statements below show the actual position against profiled budget as at the 30th June 2018 excluding pensions, redundancy and asset recharges. These have been excluded as they are not in the control of the services themselves.

Finance

At the end of the first quarter**,** there are no issues to report and all areas are on track to meet budget targets at the year end.
Interest received is expected to meet the budget forecast at year end, based on the first quarter's returns.

Transformation

All budgets are on track to meet their year-end targets except for recruitment which is forecasting a small overspend due to issues with recruiting to posts across the authority and an overspend on the corporate training budget due to increased levels of training in the first quarter.

Corporate

The majority of corporate budgets are on track to be on budget at year end, other than electoral registration which is forecasting a favourable variance at year end due to an unexpected revenue grant being received for 2018/19.

Business

The vast majority of the budgets are on track to be on or around budget at year end, but there are a few issues that are worth mentioning at this early stage. The Arena's profit share is falling and therefore the Council is likely to receive an amount below budget at year end. The building requires more repairs throughout the year due to its age, so repair costs are increasing and are forecast to exceed the budget in 2018/19. The ongoing procurement of a new contract and replacement leisure centre is seeking to address this issue in the next financial year and beyond.

Car Parking fees and charges are down approximately 8% at the end of the first quarter due to increased costs and reduced income caused by reduction in footfall and no increase in charges, which part reflects the 6% downturn in town centre footfall plus a 2% reduction in available spaces in Main Square car park at peak periods due to Ashwood House works. However other car parking income streams, such as season tickets, rental income and fixed penalty notices are holding their own and are forecast to be on budget at year end.

The theatre performed reasonably well during the first quarter; sales and room hire income are forecasted to be above budget at year end based on the first quarter's figures. Although there is a small reduction in Artist fees paid compared to the same period last year, an overspend in this area is still forecast by year end.

Regulatory

The majority of budgets are on track to meet budget targets at year end, but it is worth noting that planning income has been strong in the first quarter and is ahead of budget at this stage. Housing has also received a large grant which has exceeded the budget during this quarter but there are plans to spend the excess grant by year end.

Legal and Property

Trade City net rental income will offset any loss of Income at the post office and will generate potential savings overall after taking account of the 2018/19 savings target.

Investment & Development

In order to retain House of Fraser in Camberley Town Centre the Council may be required to take a reduction in rental income for a fixed period. This needs to be seen in the wider context of maintaining economic activity in the Town Centre. The rest of our town centre investments are on track to meet budget expectations at year end.

Community

All budgets are on track to meet budget targets at year end, but it is worth noting that there are some uncertainties in the joint waste budget as the variable payments are still to be agreed.

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Annual Report on the Treasury Management Service and Actual Prudential Indicators for 2017/18

Summary

Report to advise members of the Treasury Management Service performance and to illustrate the compliance with the Prudential Indicators for 2017/18

Portfolio - Finance
Date Signed Off: 28/08/2018
Wards Affected
All

Recommendation

The Executive is asked to NOTE the report on Treasury Management including compliance with the 2017/18 Prudential Indicators;

1. Resource Implications

1.1 None directly as a result of this paper, but the Authority is heavily dependent on investment income to support its current revenue expenditure. The table below shows investment income from treasury activities (excluding Iceland) from 2013/14 to 2017/18.

1.2

Year	Investment income from treasury activities	Increase/decrease compared to previous year	
	£'000	£0	%
2013/14	208	-92	-42.80%
2014/15	273	35	17.00%
2015/16	515	242	88.80%
2016/17	488	-27	-5.30%
2017/18	165	-323	-66.20%

1.3 Treasury income returns decreased in 2017/18 due to the continuing low interest rate environment nationally coupled with the redemption of investments to repay borrowing.

2. Key Issues

2.1 The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. This report informs members of the outcome of treasury activities in the last year and a further report later in the year will report on the first 6 months.

2.2 Treasury management is defined as: "The management of the local authority'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."

2.3 The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds, and the revenue effect of changing interest rates. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

2.4 This report is the annual report for the 2017/18 financial year. It includes both a summary of treasury management performance during the year as well demonstrating compliance with the 2017/18 Prudential Indicators.

2.5 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry of Housing, Communities and Local Government) (MHCLG) Investment Guidance, and the CIPFA Prudential Code for Capital Finance in Local Authorities. In December 2017, CIPFA published revised editions of the Treasury Management and Prudential Codes. The Ministry of Housing, Communities and Local Government also published a revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

2.6 Detail of Other Local Authority regulatory changes are shown in note 5.6.

2.7 The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

2.8 The Council borrowed externally to purchase property and the impact of this is included within this report.

2.9 The Council does not have any Lender option Borrower option loans (LOBOs) on its books, all borrowing has either being via the public works loan board (PWLB) or other local authorities.

3. Options

3.1 The Executive can endorse, amend or reject the recommendations made.

4. Proposals

4.1 It is PROPOSED that the Executive: NOTE the report on Treasury Management including compliance with the 2017/18 Prudential Indicators;

5. Supporting Information

Treasury Management Strategy 2017/18

5.1 The Council approved the 2017/18 Treasury Management Strategy, which includes the investment strategy, at its meeting on the 22nd February 2017. All treasury management activity complied with the approved treasury management strategy, the CIPFA Code of Practice and the relevant legislative provisions. Further amendments to the strategy to increase the Council's borrowing limit were approved on 20th June 2017 and 1st August 2017.

Investment Strategy 2017/18

5.2 The approved investment strategy for 2017/18 adopted a view to investment that sought to balance risk against return. It maintained a policy, on the advice of our treasury advisers Arlingclose, of diversifying investments including longer term investment funds which give a good return but can be more volatile. The Council maintained its longer term investment in the CCLA Property Fund. The CCLA Property fund aims to provide investors with a high level of income and long term capital appreciation through investment principally in a diversified portfolio of UK commercial property but it may invest in other assets.

5.3 The Council continued to use a limited range of UK banks and building societies with investments being placed generally for short periods only. This was not only because of the poor rates offered but also the risk of bail in due to changes in legislation in 2016. A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A bail-in is the opposite of a bail-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayers' money.

Borrowing Strategy 2017/18

5.4 The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2018 was £142.2m (140.2m at 31st March 2017).

5.5 The Council's chief objective when borrowing has been to strike 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.

5.6 **Other Local Authority Regulatory Changes**

5.7 Revised CIPFA Codes

CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

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 financial sustainability over the longer term. Where this strategy is produced and approved by Full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Capital Strategy will be delegated to the Executive in February 2019. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well and non-financial assets held primarily for generating income 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 or Investment Strategy. The additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

5.8 MHCLG Investment Guidance

In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments. The changes 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. Where the Council relies on investment income to achieve a balanced budget and fund core services, the extent of this must be disclosed in the Investment Strategy together with contingency plans should yields on investments fall.

5.9 Minimum Revenue Provision

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. (CFR is Capital Financing Requirement and it measures the Council's underlying need to borrow or finance by other long term liabilities for capital purposes) 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.

5.10 MiFID II

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 council 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.

The Council 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 Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

5.11 Treasury Advisers

The Council uses Arlingclose Limited as its treasury management advisers to provide advice on all aspects of treasury management including interest rate forecasts, counterparty lists and management advice. They have provided an Economic Review, counterparty update and market data by way of background information and this is included in Annex C.

Borrowing and Investment Activity in 2017/18

Borrowing Activity 2017/18

5.12 At 31/03/2018 the Authority’s underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £142.2m, while usable reserves and working capital which are the underlying resources available for investment were £31.2m on an accruals basis.

5.13 At 31/03/2018, the Authority had £119.7m (£118.9m at 31 March 2017) of borrowing and £14.9m (£11.5m at 31 March 2017) of treasury investments. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum short-term investment balance of £5m.

5.14 The majority of the Authority’s borrowing was short term loans. This strategy enabled the Authority to reduce borrowing costs.

5.15 However, to enable certainty of cost, the Authority arranged £50million of forward starting loans during 2017/18. In 2020/21 a loan of £25million with a fixed interest rate of 2.853% will be advanced to the Authority. In 2021/22, a further loan of £25milion with a fixed interest rate of 2.908% will be advanced. Both loans will be repayable over 40 years.

5.16 The Authority is predicted to have an increasing CFR over the next year due to the capital programme of up to £23m, the majority of which is future property acquisitions.

5.17 During the year the Authority entered in to £1.1m of new short term borrowing. The details are given in the table below:

	31.03.17 Balance £m	2017/18 Movement £m	31.03.18 Balance £m	31.03.18 Rate %
Public Works Loan Board	-16.4	0.1	-16.3	2.9
Local authorities (long term)	-1.0	0.2	-0.8	0.0
Local authorities (short term)	-101.5	-1.1	-102.6	0.4
Total Borrowing	-119.0	-0.7	-119.7	1.1

5.18 The outturn for debt interest paid in 2017/18 was £0.9m on an average debt portfolio of £119.7m.

Investment Activity 2017/18

5.19 The Authority held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18 the Authority's average investment balance was £12 million. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

5.20 The table below shows a summary of the investment activity for 2017/18:

Investment Counterparty	Balance on 01/04/17	Investments Made	Maturities/ Investments Sold	Balance on 31/03/18	Average Rate at 31st March
	£000s	£000s	£000s	£000s	%
UK Central Government					
- Short Term	**0**	70,300	-70,300	**0**	0.25
- Long Term	**0**	0	0	**0**	-
UK Local Authorities					
- Short Term	**2,000**	0	-2,000	**0**	0.35
- Long Term	**2,000**	0	0	**2,000**	1.30
Banks, Building Societies & Other Organisations					
- Short Term	**5,434**	81,256	-85,657	**1,032**	0.20
- Long Term	**0**	0	0	**0**	-
AAA-rated Money Market Funds					
- Short Term Cash Equivalents	**0**	60,023	-50,271	**9,752**	0.42
- Long Term	**2,054**	97	0	**2,151**	4.82
Total Investments	**11,488**	**211,677**	**-208,229**	**14,935**	**1.22**

5.21 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5.22 Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy for 2017/18.

5.23 Counterparty credit quality was assessed and monitored by our advisers with reference to ratings (the Authority's minimum long-term counterparty rating is A across rating agencies Fitch, S&P and Moody's).

5.24 Investments held during the year included:

- Deposits with the Debt Management Office
- Deposits with Other Local Authorities
- Investments in AAA-rated constant and variable net asset value Money Market Funds
- Call accounts and deposits with Banks and Building Societies in the UK

5.25 The Authority's current accounts, together with a Business Reserve Account are held with NatWest plc who does not currently meet the above credit rating criteria (stated in note 5.17). The Authority will treat NatWest plc as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day.

Credit Risk

5.26 Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	3.74	AA-	2.79	AA
31/03/2016	4.26	AA-	2.35	AA
31/03/2017	4.99	A+	3.06	AA
31/03/2018	4.42	AA-	3.65	AA-

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

5.27 The average cash balances during the year was £12m. The Authority's best performing investment in 2017/18 was the externally managed CCLA Property Fund where £2m was held. This investment generated a total return of £0.19m (9.79%), comprising a £0.13m (4.82%) income return used to support services in year, and £0.06m (4.97%) of capital growth. Because this fund has no defined maturity date, but is available for withdrawal after a notice period, its performance and continued stability in meeting the Authority's investment objectives is regularly reviewed. In light of its strong income generation performance, investment in this fund has been maintained for the 2018/19 financial year.

5.28 The Authority's budgeted investment income for the year was £0.30m and the outturn was £0.17m. This was mainly due to actual interest rates being lower than expected. The shortfall was covered by the interest rate equalisation reserve.

Externally Managed Funds

5.29 The Authority maintained its investment in the CCLA Property fund. The property fund which is operated on a variable net asset value (VNAV) basis offers diversification of investment risk, coupled with the services of a professional fund manager; it also offers enhanced returns over the longer term but is more volatile in the short-term. The Authority's CCLA property fund is in the distributing share class which pays out the income generated.

Compliance with Prudential Indicators

5.30 The Authority can confirm that it has complied with its Prudential Indicators for 2017/18 which were approved on 22nd February 2017 by Full Council as part of the Council's Treasury Management Strategy Statement. Further amendments to the strategy to increase the Authority's borrowing limit were approved on 20th June 2017 and 1st August 2017.

5.31 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2017/18. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

Borrowing Strategy for 2018/19 and beyond

5.32 In order to take advantage of low interest rates, the Authority continued to borrow short term from other public bodies rather than longer term from the PWLB as advised by its Treasury advisers. In 2017/18, on the advice of the Treasury advisors, the Authority arranged forward starting loans amounting to

£50m. The cash will be advanced in equal amounts in 2020/21 and 2021/22 and will be repayable over 40 years. This will minimise the interest rate risk.

6. Corporate Objectives and Key Priorities

6.1 This report demonstrates how treasury management supports Key priority 2.

7. Policy Framework

7.1 The 2017/18 Annual Investment Strategy together with the Treasury Management Strategy was approved by Full Council on 22nd February 2017. These set out the parameters under which Treasury Management operates including the Prudential Indicators.

7.2 The Council fully complies with the requirements of the CIPFA Code of Practice on Treasury Management. The relevant criteria and constraints incorporated into the Treasury Management Policy Statement are:

- New borrowing is contained within the limits approved by the Council, in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities, and the Council's Prudential Indicators.

- Investments are made in accordance with the MHCLG guidance on Local Authority Investments, on the basis of Fitch, Moody's and Standard & Poor's credit ratings and as detailed in the Treasury Management Policy statement and approved schedules and practices.

- Sufficient funds are available to meet the Council's estimated outgoings for any day.

- Investment objectives are to maximise the return to the Council, subject to the overriding need to protect the capital sum.

8. Legal Issues

8.1 The Authority is required to comply with the Prudential Code as laid down by the Government.

9. Risk Management

9.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The key treasury risks being managed are:

- credit risk,
- liquidity risk,
- interest rate risk,
- refinancing risk, and
- operational risk.

The techniques employed to manage these risks are covered in detail in the Council's Treasury Management Practices, and include:

- robust counterparty monitoring and selection criteria,
- prudent cash flow forecasting,
- a range of exposure limits and indicators, and
- procedures designed to prevent fraud and error.

9.2 The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.

9.3 The limits applied in respect of counterparties and investments are the overall limits approved by Council in the annual Treasury Management Strategy. However from time to time these may be tightened temporarily by the Executive Head of Finance in consultation with the Portfolio Holder for Finance to reflect increased uncertainty and increase in perceived risk in financial institutions and the economy. This will usually be at the cost of lower returns.

9.4 It should be noted that the investments ratings provided by credit ratings agencies are only a guide and do not give 100% security. There is always a risk that an institution may be unable to repay its loans whatever the credit rating

9.5 The Council measures its exposures to treasury management risks using a range of indicators as recommended by the CIPFA Code of Practice on Treasury Management.

Annexes	Annex A – Investments as at 31st March 2018 Annex B - Compliance with Prudential Indicators Annex C – Economic and other background information from Arlingclose Limited.
Background Papers	CIPFA Code of Practice: Treasury Management in the Public Services – 2011 Edition CIPFA Code of Practice: Treasury Management in the Public Services – 2018 Edition
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Consultations, Implications and Issues Addressed

Resources	**Required**	**Consulted**
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		
Other Issues	**Required**	**Consulted**
Corporate Objectives & Key Priorities	✓	
Policy Framework		

Resources	Required	Consulted
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:
Version:

Annex A

Treasury Related Investment Balances as at 31st March 2018

Investments	Notes	Maturity Date	Interest Rate %	Principal
				£
Cash and Cash Equivalents				
Banks				
NatWest Business Reserve Account	On call		0.01	100,069
NatWest Central Account			0.01	932,196
Money Market Funds				
BlackRock			variable	2,750,000
CCLA Public Sector Deposit Fund			variable	1,000,000
Legal and General			variable	3,000,000
Standard Life Investments			variable	3,000,000
Total Cash and Cash Equivalents				**10,782,265**
Long Term Investments				
Loans and Receivables				
Glasgow City Council		30-Oct-18	1.30	2,000,000
Available for Sale				
CCLA Property Fund		Long term	4.82	2,151,135
Total Long Term Investments				**4,151,135**
Total Investments				**14,933,400**

Annex B

Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2017/18 which were set in February 2017 then subsequently amended in June 2017 and August 2017.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed:

	31.3.18 Actual	**2017/18 Limit**
Upper limit on fixed interest rate exposure	£0.5m	£2.8m
Upper limit on variable interest rate exposure	£0.23m	£0m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.18 Actual	**2017/18 Target**
Portfolio average credit rating	AA-	A

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing. The Authority also has the option to borrow on a daily basis on the open market.

	31.3.18 Actual	**2017/18 Target**
Total cash available within 3 months	£6m	£5m

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

	31.08.18 Actual	Upper limit	Lower limit
Under 12 months	86%	100%	0%
12 months and within 24 months	0	100%	0%
24 months and within 5 years	2%	100%	0%
5 years and within 10 years	1%	100%	0%
10 years and above	11%	100%	0%

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.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2017/18	2018/19	2019/20
Actual principal invested beyond year end	£2m	£2m	£2m
Limit on principal invested beyond year end	£15m	£15m	£15m

Prudential Indicators 2017/18

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

Capital Expenditure and Financing	2017/18 Actual	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m
Capital Program	4.4	12.6	8.6
Total Expenditure	4.4	12.6	8.6
Capital Receipts	0.2	0.1	0.1
Government Grants	0.6	0.6	3.1
Reserves	0.2	-	-
Revenue	0.1	-	-
Borrowing	3.3	12.0	-
Total Financing	**-**	**-**	**5.5**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

	31.03.18 Actual £m	**31.03.18 Estimate £m**	**31.03.19 Estimate £m**
Capital Financing Requirement	**142**	**144**	**150**

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

Debt	**31.03.18 Actual**	**31.03.18 Estimate**	**31.03.19 Estimate**
	£m	£m	£m
Borrowing	120	124	133
Capital Financing Requirement	142	144	150
Headroom	**22**	**20**	**17**

The figures above could increase significantly if the council decides to invest in more property.

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

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

Operational Boundary	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Borrowing	185	185	185
Total Debt	**185**	**185**	**185**

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

Authorised Limit	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Borrowing	190	190	190
Total Debt	**190**	**190**	**190**

Should the Council decide to borrow to invest in property members would be asked to increase the limits above at that time.

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2017/18 Actual %**	**2017/18 Estimate %**	**2018/19 Estimate %**
General Fund	**-2.6**	**-2.0**	**0.9**

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

Incremental Impact of Capital	**2016/17**	**2017/18**	**2018/19**

Investment Decisions	Actual £	Estimate £	Estimate £
General Fund - increase in annual Band D Council Tax	3.38	30.81	1.63

Adoption of the CIPFA Treasury Management Code:
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 22nd February 2017.

Annex C

ECONOMIC REVIEW, COUTERPARTY UPDATE AND MARKET DATA PROVIDED BY ARLINGCLOSE LIMITED (July 2018)

Economic Review
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.
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.

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.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. 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.

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

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.

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.

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:

Credit Metrics

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.

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 will be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look would actually 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.

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

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

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.

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). 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.

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.
S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Other developments

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.
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.

EXCLUSION OF PRESS AND PUBLIC

RECOMMENDATION

The Executive is advised to RESOLVE that, under Section 100A(4) of the Local Government Act 1972 (as amended) and Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the following items of business on the ground that they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act, as set out below:

Item	Paragraph(s)
12	3
13	3
14	3
15	3

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of
Regulation 21(1)(A) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000.

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