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Friday, 30 November 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 Tuesday, 11 December 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 - 10

To confirm and sign the minutes of the meeting held on 20 November 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.

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| 5. | Air Quality Feasibility Study | 11 - 22 |
| 6. | Council Tax Base and Review of the Local Council Tax Support Scheme | 23 - 36 |
| 7. | Response to Woking Borough Council's Site Allocations Development Plan Document Regulation 19 Publication | 37 - 48 |
| 8. | Response to Surrey County Council consultations | |
| | Report to follow | |
| 9. | Economic Development Annual Report 2018 | 49 - 56 |
| 10. | Council Finances as at 30 September 2018 | 57 - 62 |
| 11. | Treasury Management Mid-year Report for 2018/19 | 63 - 76 |
| 12. | Exclusion of Press and Public | 77 - 78 |

**Part 2
(Exempt)**

- | | | |
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| 13. | Executive Working Group Notes | 79 - 100 |
| 14. | Review of Exempt Items | 101 - 102 |

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 20 November 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

In Attendance: Cllr Dan Adams, Cllr Rodney Bates, Cllr Jonathan Lytle, Cllr Katia Malcaus Cooper, Cllr Bruce Mansell, Cllr Chris Pitt, Cllr Joanne Potter and Cllr Valerie White

37/E Minutes

The minutes of the meeting held on 16 October 2018 were confirmed and signed by the Chairman.

38/E Camberley Multi-story Car Parks Tariff Review

The Chairman of the Performance and Finance Scrutiny Committee introduced a report on the Committee's recommendations from its review of the Executive's decision to increase tariffs in Camberley Town Centre Multi-Story car parks. This decision had been the subject of a Member call-in and had been considered at the Committee's meeting on 2 October 2018 (minute 10/PF refers). The Committee had agreed that:

- (i) The Called-In decision to implement changes to the parking tariffs in Camberley Town centre multi-storey car parks be referred back to the Executive for reconsideration because:
 - The decision taken had been based on a report that contained insufficient information to enable a fully informed decision to be made.
 - Increasing parking charges at a time when the town centre traders were facing already difficult trading conditions would further depress footfall through the town centre.
 - Considering Recommendations i and ii as a single indivisible recommendation had prevented adequate debate.
- (ii) The Executive be advised to:
 1. Make its decision only when more complete data relating to footfall and income and expenditure was made available; and that

2. The proposed increase in charges and the proposed introduction of subsidised permits for those earning below the living wage be considered as two distinct recommendations.

The Committee had also agreed to establish a Task & Finish Group to examine council provided parking in Camberley Town Centre.

The Executive reviewed the Committee's recommendations. Whilst some Members reiterated their view that car parking tariffs should be increased, there was general support for the Committee's proposal that the decision to increase the tariffs be deferred in order to undertake this review and create a holistic approach to parking in Camberley Town Centre. Members also expressed a wish for this review to include introducing a more strategic approach to increasing parking tariffs in future.

The Executive considered the Committee's view that subsidised permits for those earning the living wage and below should be introduced as soon as possible and reiterated its previous position that this would need to be introduced alongside a tariff increase.

The proposed remit of the Performance & Finance Scrutiny Committee's Task & Finish Group was noted and members of the Executive expressed a willingness to work with it to achieve these outcomes. It was, however, suggested that, as an established Town Centre-focused working group benefiting from officer support, the Camberley Town Centre Working Group would be better placed to undertake this work instead. The Chairman of the Committee indicated her support for this proposal and agreed to report this at its next meeting.

The Executive noted advice that the decision to delay an increase to the parking tariffs could impact on timings for the commencement of Phase 2 regeneration works in the Town Centre.

RESOLVED that

- (i) its decision to increase car parking tariffs in its Camberley Town Centre Multi-Storey Car Parks and introduce subsidised permits for those earning below the living wage be deferred pending the availability of more complete data relating to footfall and income and expenditure being made available in order to develop a holistic parking strategy for the Town Centre;**
- (ii) the Performance and Finance Scrutiny Committee be advised of the proposal for the above work to be carried out by the Camberley Town Centre Working Group in place of a Task & Finish Group; and**
- (iii) the Terms of Reference of the Camberley Town Centre Working Group be updated to include this area of work.**

Note: It was noted for the record that Councillor Valerie White declared that she was a user of Main Square Multi-Storey Car Park.

39/E Child Poverty in Surrey Heath

The Executive was reminded that, at its meeting on 21 February 2018, the Council had received a motion from Councillor Rodney Bates requesting "*This Council notes with sadness that there are many children within the borough that are experiencing poverty including a third of all children within Old Dean. As a result, this Council requests officers bring forward a report to the Executive within the next 6 months outlining practical steps that the Council could consider in order to help address this issue in partnership with others*". The motion had been referred to the Executive for consideration (minute 58/C refers).

Members considered a report showing published data on the number of children living in poverty in the borough, broken down by ward.

The Executive discussed the Council's responsibilities under the Child Poverty Act 2010 and agreed to clarify what actions it was taking to support Surrey County Council in how it addressed its duties under the Act.

RESOLVED that

- (i) the report be noted; and**
- (ii) the Executive Head of Regulatory and Portfolio Holder for Support & Safeguarding be asked to clarify what actions this Council was taking to support Surrey County Council in how it addressed the Child Poverty Act 2010.**

40/E Mid Year Performance Report

The Executive considered a report detailing the Council's performance against its corporate objectives, priorities and success measures in the first 6 months of the year.

RESOLVED to note the 2018/2019 Mid-Year Report.

41/E Deanside Commuted Sums

The Executive was informed that Deanside had been built by Accent Housing Association in 2003. The maintenance of the park and woodland areas had been transferred to the Council in 2008.

Members were advised that the Council held £210,000 of Section 106 money from Accent Housing for the upkeep, maintenance and replacement of Deanside play area. Accent Housing had agreed to increase the scope of where these funds could be spent to include Old Dean Recreation Ground and Deanside.

An annual inspection by RoSPA had advised that the play area and BMX track at Old Dean Recreation Ground needed to be completely refurbished, which was expected to cost about £200,000.

It was proposed to use £100,000 from the Deanside Section 106 Agreement on the playground at Old Dean Recreation Ground; this would be in addition to the funding allocated by the Executive from Community Infrastructure Contributions in March 2017. Accent Housing was in agreement to support the refurbishment of this playground and a new deed of variation had been granted and agreed with all legal parties. Consultation had also been undertaken with local community groups.

Members noted that the proposed investment project would still ensure sufficient funds for on-going maintenance were retained for both Deanside and Old Dean Recreation Ground.

RECOMMENDED to Council that

- (i) £100,000 be made available to draw down from the Deanside Section 106 to refurbish the Old Dean playground; and**
- (ii) the implementation of the works be delegated to the Executive Head of Business in consultation with the Portfolio Holder for Places & Strategy.**

Note: Councillor Rodney Bates declared a non-pecuniary interest as he was Chairman of the Old Dean Community Group, which had raised money for the playground.

42/E Thames Basin Heaths Special Protection Area Avoidance Strategy SPD

The Thames Basin Heaths Special Protection Area Avoidance Strategy Supplementary Planning Document (2018) (Regulation 13 Consultation Draft) set out the approach that the Council would take to avoiding harm to the Special Protection Area as a result of new housing development.

The Executive was advised that the draft Supplementary Planning Document SPD updated the existing Thames Basin Heaths Special Protection Area Avoidance Strategy SPD 2012 and had taken into account guidance that had been issued since the 2012 SPD had been adopted. The notable changes included:

- The addition of the requirement for considering step-in rights where a Suitable Alternative Natural Greenspace (SANG) was not owned by the Council
- The definition of 'in perpetuity period' had been updated in accordance with the Perpetuities and Accumulations Act 2009, which was considered to be at least 125 years, as SANGs were expected to be provided and funded in perpetuity
- Enabling the allocation of strategic or shared SANG (local authority owned) for development sites located in Camberley Town Centre, which were over the size threshold for triggering the requirement for bespoke SANGs, but unable to provide SANG land on-site

- A consolidation of how developer contributions were currently collected for SANG and Strategic Access Management and Monitoring payments

The revised SPD would be subject to a 6- week period of public consultation.

RESOLVED that

- (i) **the Draft Thames Basin Heaths Special Protection Area Avoidance Strategy Supplementary Planning Document (2018) as set out in Annex 1 to the agenda report be approved for public consultation in accordance with Regulation 13 of the Town & Country Planning (Local Planning) (England) Regulations 2012;**
- (ii) **the SANGs Levy footnote on the Community Infrastructure Levy (CIL) Regulation 123 List be updated to accord with the Developer Contributions section of the draft Thames Basin Heaths Special Protection Area Avoidance Strategy Supplementary Planning Document (2018); and**
- (iii) **if there are no significant changes arising from the consultation, authority be delegated to the Executive Head of Regulatory, in consultation with the Portfolio Holder for Planning & People, to adopt the SPD.**

43/E Corporate Enforcement Policy

The Executive was reminded that the Council carried out a number of regulatory functions which could require enforcement action. A draft Corporate Enforcement Policy was considered, which outlined the Council's overall approach to enforcement. This overarching policy would be supplemented by service specific policies where appropriate.

The Policy had been produced in accordance with the Principles of Good Regulation, as set out in the Legislative and Regulatory Reform Act 2006 and had regard to the Regulators' Code introduced in April 2014.

RESOLVED that

- (i) **the draft Surrey Heath Borough Council Corporate Enforcement Policy, as set out in Annex A to the agenda report, be agreed for consultation with stakeholders; and**
- (ii) **the Executive Head of Transformation, in consultation with the Economic Development Portfolio Holder, be authorised to make any necessary amendments arising from the consultation and thereafter adopt the Policy.**

44/E Community Infrastructure Levy

The Council had been collecting Community Infrastructure Levy (CIL) funding since the Charging Schedule came into effect on 1 December 2014. The CIL Regulations required the Council, as the collecting authority, to pay money over to the parishes, decide how to use the Fund and to publish details of its CIL income and expenditure.

The Council had received a total of £1, 926,672.71 for the reporting period 1 April to 30 September 2018. The Executive was advised that monies due to parishes on 30 September 2018 had been as follows:

- Chobham - £18,467.28
- West End - £93,351.26
- Windlesham - £9,754.08

In March 2015, the Executive had agreed that a 15% proportion would also be made available to spend for non-parished areas according to local priorities. The amount collected within these areas had been as follows:

- Frimley - £17,990.96
- Town - £37,122.38
- Parkside - £7,587,00

It was proposed that Ward Councillors for the non-parished areas be asked to submit suggestions and bids for projects. Ward Councillors could also choose to save the money to roll forward to fund larger projects or combine across wards for jointly beneficial projects. Local projects would then be put forward to the Executive for funding in 2018/19 in combination with any project taken forward from any remaining Planning Infrastructure Contributions.

It was suggested by some Members that the procedure for submitting requests for CIL monies from non-parished areas should be reviewed to allow ward members within a specified distance from the development site to submit suggestions and bids for projects. It was agreed that clarification would be sought as to whether the current arrangements reflected legislative requirements.

RESOLVED that

- (i) the CIL monies received be noted;**
- (ii) Ward Councillors for the non-parished areas be asked to submit to the CIL Governance Panel ideas for spending CIL generated income within their wards; and**
- (iii) the remaining CIL contributions held by the Council be retained for spending to support key priorities.**

45/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)
46/E	3
47/E	3

46/E Performance of the Major Property Acquisitions

The Executive received a report detailing the performance of the Council's major property acquisitions in the previous 6 months. Members were advised of the rental income against budget for Camberley Town Centre properties and noted the current position with House of Fraser. The success of the programme of events scheduled for the run up to Christmas to date was also noted.

The Executive was updated on the procurement process for the London Road Block development and the works underway at Ashwood House, both of which were on track.

It was noted that the 3 industrial estates, which had been purchased in order to safeguard local employment and support the delivery of Council services, were performing above budget. It was also reported that the acquisition of Vulcan Way, Sandhurst had recently been completed and that the performance of this acquisition would be included in future reports.

RESOLVED to note the contents of the report.

47/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 financial information included in the agenda report associated with minute 46/E remain exempt for the present time, but the acquisition of Vulcan Way Industrial Estate, Sandhurst be made public

Chairman

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Air Quality Feasibility Study

Summary

The report seeks approval of the Outline Business Case to implement measures to improve air quality on the A331 (Blackwater Valley Relief Road) and comply with the accompanying Ministerial Direction.

The Blackwater Valley partnership of Guildford Borough Council, Surrey Heath Borough Council, Rushmoor Borough Council, Surrey County Council and Hampshire County Council have jointly prepared the Outline Business Case as they all have an interest in the A331.

Portfolio – Environment & Health

Date Portfolio Holder signed off report: 22 November 2018

Wards Affected – Frimley, Frimley Green, Mytchett & Deepcut, St Michaels and Watchetts.

Recommendation

The Executive is advised to RESOLVE that

- (i) the Outline Business Case (OBC) to date and the preferred option of a 50mph speed limit on a section of the A331, as set out in the OBC (to be circulated separately) be endorsed; and
- (ii) the Executive Head of Community, in consultation with the Environment & Health Portfolio Holder, be authorised to
 - a) make any minor amendments to the Outline Business Case;
 - b) submit the Outline Business Case to the Joint Air Quality Unit (JAQU) at The Department for Environment, Food and Rural Affairs (DEFRA) by the 31 December 2018; and
 - c) submit the Full Business Case to the Joint Air Quality Unit.

1. Resource Implications

- 1.1 All costs throughout the length of the project including investigation, implementation, monitoring and evaluation are paid for by Government funding.
- 1.2 A grant of £50,000 was initially awarded by the Joint Air Quality Unit (JAQU) at The Department for Environment, Food and Rural Affairs (DEFRA) in August 2017 under Section 31 of the Local Government Act 2003 to Surrey Heath Borough Council to develop the 'Proposal for

a Feasibility Study for a Local Plan'. Guildford Borough Council and Rushmoor Borough Council were similarly both awarded £50,000.

- 1.3 JAQU awarded a further grant payment of £600,000 to Surrey Heath Borough Council under Section 31 of the Local Government Act 2003 in February 2018 to support the development of the joint feasibility study by all three Local Authorities subject to a Ministerial Direction. This is because Surrey Heath agreed to carry out the procurement for the feasibility study on behalf of the other authorities.
- 1.4 The approximate cost of implementing the measures in the Outline Business Case is £450,000 and will be implemented subject to approval and full funding from JAQU. The Blackwater Valley Partnership has agreed that Rushmoor Borough Council will be the recipient of the implementation grant. This is because the implementation measures will mainly be carried in the stretch of the A331 which runs through Rushmoor Borough Council administrative area. The Section 151 officer for Rushmoor Borough Council has confirmed support of this approach.
- 1.5 All officer time spent in the development of the feasibility study across the Blackwater Valley Partnership is paid for from the grant. The grant spend is monitored by the Technical Working Group with regular reports to JAQU and the Strategic Working Group.

2. Key Issues

Background

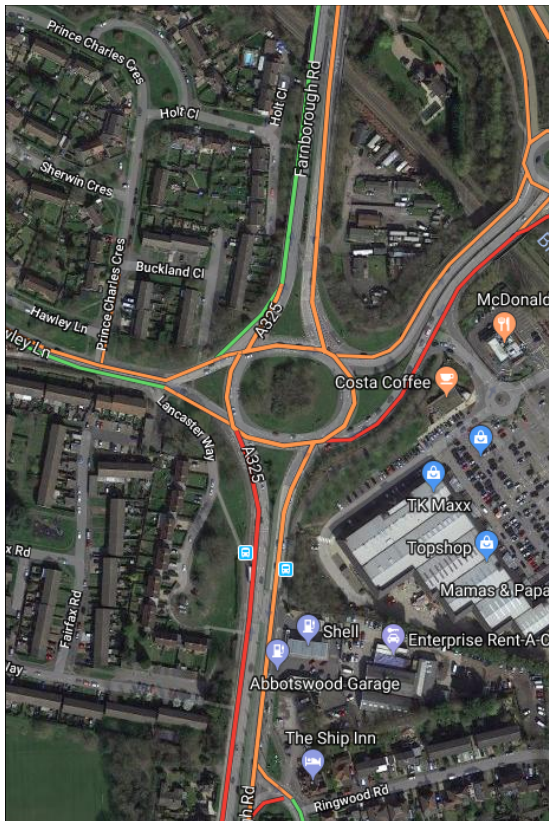
- 2.1 In July 2017 the Government published the National Air Quality Plan for Nitrogen Dioxide (the Plan). The Plan sets out how the Government will ensure compliance with air quality limits in the shortest possible time. A key part of the Plan is a requirement on some Local Authorities to undertake feasibility studies to explore a range of measures to improve air quality.
- 2.2 Surrey Heath Borough Council was one of the Local Authorities named in the plan. Delivery of the plan is being overseen by the Defra/Department for Transport Joint Air Quality Unit (JAQU). The Government has put a legal duty to produce Feasibility Studies, in a Ministerial Direction and has allocated funding for resourcing the studies and implementation of schemes.
- 2.3 The Plan identified a straight-line exceedance on a short section of the A331, Blackwater Valley Relief Road, within the Borough of Surrey Heath as having predicted exceedances of the EU Ambient Air Quality Directive limits of Nitrogen Dioxide (NO₂).

Blackwater Valley Partnership

- 2.4 Surrey Heath Borough Council is working collaboratively with Guildford Borough Council and Rushmoor Borough Council, who were also named in the Plan in relation to the A331, along with the respective highways authorities of Surrey and Hampshire County Councils to produce a Feasibility Study to reduce roadside nitrogen dioxide concentrations in the shortest possible time.
- 2.5 A Memorandum of Understanding signed by the five authorities outlines how the Blackwater Valley Group will work in partnership to produce a feasibility study to achieve compliance with Ministerial Direction served on the three Borough Councils.
- 2.6 The Blackwater Valley partnership has both a Technical and Strategic Group which meet regularly. As the A331 meets Junction 4 of the M3, Highways England is also a partner along with JAQU who provide advice, support and finance the partnership. Membership of the Strategic Group includes both the Director/Executive Head and Lead Councillor for air quality from the five Councils.

Early Measures Fund

- 2.7 The Blackwater Valley Partnership has been awarded a grant from the JAQU Early Measures fund to implement a scheme to improve air quality on the A331.
- 2.8 Currently vehicles exiting the A331 are caught in congestion on the south eastern approach to Bradford's roundabout. (Also known locally as 'Farnborough Gate roundabout'). Queues for west or northbound traffic on the A331 link road are caused by southbound traffic flow from the A325 having priority at the roundabout. Vehicles are currently queuing back approximately 60 metres from the roundabout in both the AM and PM peak.
- 2.9 The scheme seeks to provide improvement by creating a third lane on the northern side of the eastern arm of Bradford's roundabout, within the existing grass verge. The third lane will provide additional capacity for traffic entering the roundabout and wishing to proceed to the west or north, or back to the A331 to the east.
- 2.10 Implementing this scheme will reduce congestion at this location, reducing the amount of time vehicles are idling and improving flows from the northern section of the A331 onto the local highway network.
- 2.11 The scheme will be delivered by Hampshire County Council on behalf of the partnership by 2020 and paid for by Defra (JAQU).
- 2.12 See road layout in diagram below;



Local Air Quality Modelling

- 2.13 The air quality data in the Plan was based on the Defra’s Pollution Climate Mapping (PCM) Model, which is an umbrella screening tool. Figure 1, in the Outline Business Case (Appendix 1) shows the PCM modelled NO2 exceedances along the A331.
- 2.14 The Blackwater Valley partnership undertook an exercise to validate the PCM data using local information including a week long ANPR (automatic number plate recognition survey) to better understand the vehicles and journeys completed on the A331.
- 2.15 The local air quality modelling indicates that in the absence of any action, compliance with the annual mean for nitrogen dioxide limit value is modelled to be achieved in 2019 in the area administered Surrey Heath Borough Council; 2020 for Guildford Borough Council and 2022 for Rushmoor Borough Council.
- 2.16 The local data also was also helpful in identifying the measures to achieve compliance in the shortest possible time.

Benchmark Option – Clean Air Zone

- 2.17 JAQU guidance states that a Clean Air Zone should be the benchmark option as it considers a Clean Air Zone to be the quickest solution to achieving compliance in the majority of cases. As the A331 is a straight-line exceedance, a clean air zone is likely to cause traffic to

divert increasing air pollution in other areas. The Blackwater Valley partnership submitted a technical note to JAQU discounting the default of a Clean Air Zone benchmark in favour of other measures which is included in the Outline Business Case

The preferred measure

- 2.18 The development of preferred measure has involved the production of the Feasibility Study, the Strategic Outline Case, the Initial Evidence Submission (which was approved the methodology and results) and now the Outline Business Case. JAQU and consultants have been involved in every decision making stage.
- 2.19 The initial long and shortlist of measures to achieve compliance in the shortest possible time was developed as part of the Strategic Outline Case.
- 2.20 Individual and packages of measures have been constantly under review as local data has become available and as implementation of the measures has been explored and evaluated.
- 2.21 The group have now identified one single feasible option which is a 50mph speed limit for a stretch of the A331 in the areas of Rushmoor Borough Council and Surrey Heath Borough Council. The stretch of road currently has a speed limit of 70mph. The Blackwater Valley Technical Group considers the preferred measure to be the only solution due to the uniqueness of the straight-line exceedance in this location. See map attached - Appendix 1.
- 2.22 The measure can deliver compliance in 2021 and is modelled to bring the annual mean nitrogen dioxide concentration to $40.38\mu\text{g}/\text{m}^3$. The current indicative cost for implementing the measure including implementation, decommissioning, monitoring and evaluation is £450,000.
- 2.23 The rationale for the proposed measure is detailed within the Outline Business Case along with the reasons for discounting the other long and short list of measures. The measures have been assessed by technical experts from the five Blackwater Valley Partnership Authorities and external Consultants who are also working with other Local Authorities subject to Ministerial Directions.

3. Options

- 3.1 As a ministerial Direction has been served on Surrey Heath Borough Council by the Parliamentary Under Secretary of State for the Environment, doing nothing is not an option.
- 3.2 Doing nothing could result in fines from the EU in relation to non-compliance with EU limit values for air quality being passed on from

The Secretary of State under the Localism Act 2011. Legal action could also be taken against the Council by parties such as Client Earth.

- 3.3 There are 2 options available after considering the information in this report:
- a. Approve the 4 recommendations as shown at the beginning of the report.
 - b. Adopt a modified version of the 4 recommendations as shown at the beginning of the report.
- 3.4 To meet the requirements of the Ministerial Direction officers recommend Option a.
- 3.5 In order to comply with the Ministerial Direction all the Authorities in the Blackwater Valley Partnership have to endorse the Outline Business Case so approving Option 2 is not recommended by officers, as it would prevent submission of the Outline and Full Business Case by the deadlines.

4. Proposals

- 4.1 It is proposed that:

The Council endorses the Outline Business Case to date and the preferred option of a 50mph speed limit on a section of the A331 see link for OBC; [\(link to be added here\)](#)

- a. Any minor amendments to the Outline Business Case are delegated to the Executive Head of Community in consultation with the Environment & Health Portfolio Holder.
- b. The Outline Business Case is submitted to the Joint Air Quality Unit (JAQU) at The Department for Environment, Food and Rural Affairs (DEFRA) by the 31 December 2018.
- c. The Executive Head of Community in consultation with the Environment & Health Portfolio Holder be delegated to submit the Full Business Case to the Joint Air Quality Unit.

5. Supporting Information

- 5.1 The following documents support this report

- Air quality plan for nitrogen dioxide (NO₂) in UK (2017), Defra, July 2017 <https://www.gov.uk/government/publications/air-quality-plan-for-nitrogen-dioxide-no2-in-uk-2017>.
- Environment Act 1995 <https://www.legislation.gov.uk/ukpga/1995/25/contents>.
- Environment Act 1995 (Feasibility Study for Nitrogen Dioxide Compliance) Air Quality Direction 2017 <https://assets.publishing.service.gov.uk/government/uploads/sys>

tem/uploads/attachment_data/file/746095/air-quality-no2-plan-directions-2017.pdf

- Localism Act 2011
<http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>
- What does ClientEarth's legal cases mean for Feasibility Studies for nitrogen dioxide compliance in England
<https://www.documents.clientearth.org/wp-content/uploads/library/2018-04-18-legal-test-for-feasibility-studies-ce-en.pdf>

6. Corporate Objectives And Key Priorities

- 6.1 The Executive approved a new five year strategy in August 2016 which sets out the Council's vision and objectives for the next five years. It also includes a number of longer term key priorities in addition to the Council's ongoing service delivery. The Five Year Strategy is a rolling document and a refreshed version was approved earlier this year. The priorities are presented under the headings of Place, Prosperity, Performance and People.
- 6.2 The objective under people is that we will build and encourage communities where people can live happily and healthily. Clean air is a fundamental requirement for people to live healthily.

7. Legal Issues

- 7.1 The Ministerial Direction served under Section 85(5) of the Environment Act 1995 on the 27 July 2017 required the three Authorities to:
- “Undertake as part of the UK plan for tackling roadside nitrogen dioxide concentrations 2018, a Feasibility Study in accordance with the HM Treasury's Green Book approach, to identify the option which will deliver compliance with legal limits for nitrogen dioxide in the area for which the authority is responsible, in the shortest possible time.”
- 7.2 The Direction identifies two specific activities with deadlines. The first part of submitting an Initial Plan (Strategic Outline Case (SOC)) as soon as possible and by the 31 March 2018. This was completed on time and produced a shortlist from a longlist of potential measures to deliver compliance with the legal limits for nitrogen dioxide in the shortest possible time.
- 7.3 The second part of the Direction requires a Final Plan (Outline Business Case) to be submitted to JAQU as soon as possible and by the 31 December 2018 at the latest. JAQU guidance requires there is formal Member approval of Final Plan.

- 7.4 The Direction itself does not specify any penalties for non-compliance. However under Part 2 of the Localism Act 2011 the Secretary of State has a discretionary power to require Local Authorities to contribute to any EU financial sanctions imposed under Article of 260(2) of the Treaty of the Functioning of the European Union when the acts of the authority have caused or contributed to the infraction of EU law. The Council is therefore at risk of financial penalty if it does not comply with the Direction.
- 7.5 The Secretary of State has been taken to the High Court a number of times by ClientEarth, a legal environmental charity in relation to compliance with legal limits for nitrogen dioxide. A briefing issued by ClientEarth states that Plans adopted by Local Authorities must meet the tests laid down by the High Court in ClientEarth (NO.2) and any decision by a Local Authority to adopt a plan that does not meet the test could be subject to judicial review.

8. Consultation

- 8.1 Consultation has taken place with the Blackwater Valley Strategic Working Group which includes senior officers and Lead Members for Air Quality at each of the five Local Authorities in the partnership; all support the option to introduce a 50mph speed limit on the specified section of the A331.
- 8.2 A similar report will be submitted to the Local Area Committee seeking approval for the 50mph speed limit to be imposed on a designated area of the A331. If approved this will require public consultation which will be carried out by Surrey County Council and Hampshire Highway Authorities.

9. Equalities Impact Assessment

- 9.1 Implementation of measures to improve air quality will have a positive public health effect on all groups, particularly those using the foot path which runs alongside the A331.

10. Risks

- 10.1 There is the risk that the Highway Authority may object to the imposition of a 50mph speed limit. As this is the only measure identified which would achieve compliance in the shortest time possible the Council could be at risk for non-compliance of the Direction.

11. Officer Comment

- 11.1 The Blackwater Valley Partnership has produced an Outline Business Case to meet the requirements of the Ministerial Direction. The Outline Business Case identifies the preferred measure to achieve compliance in the shortest possible time and evidence to support the option.

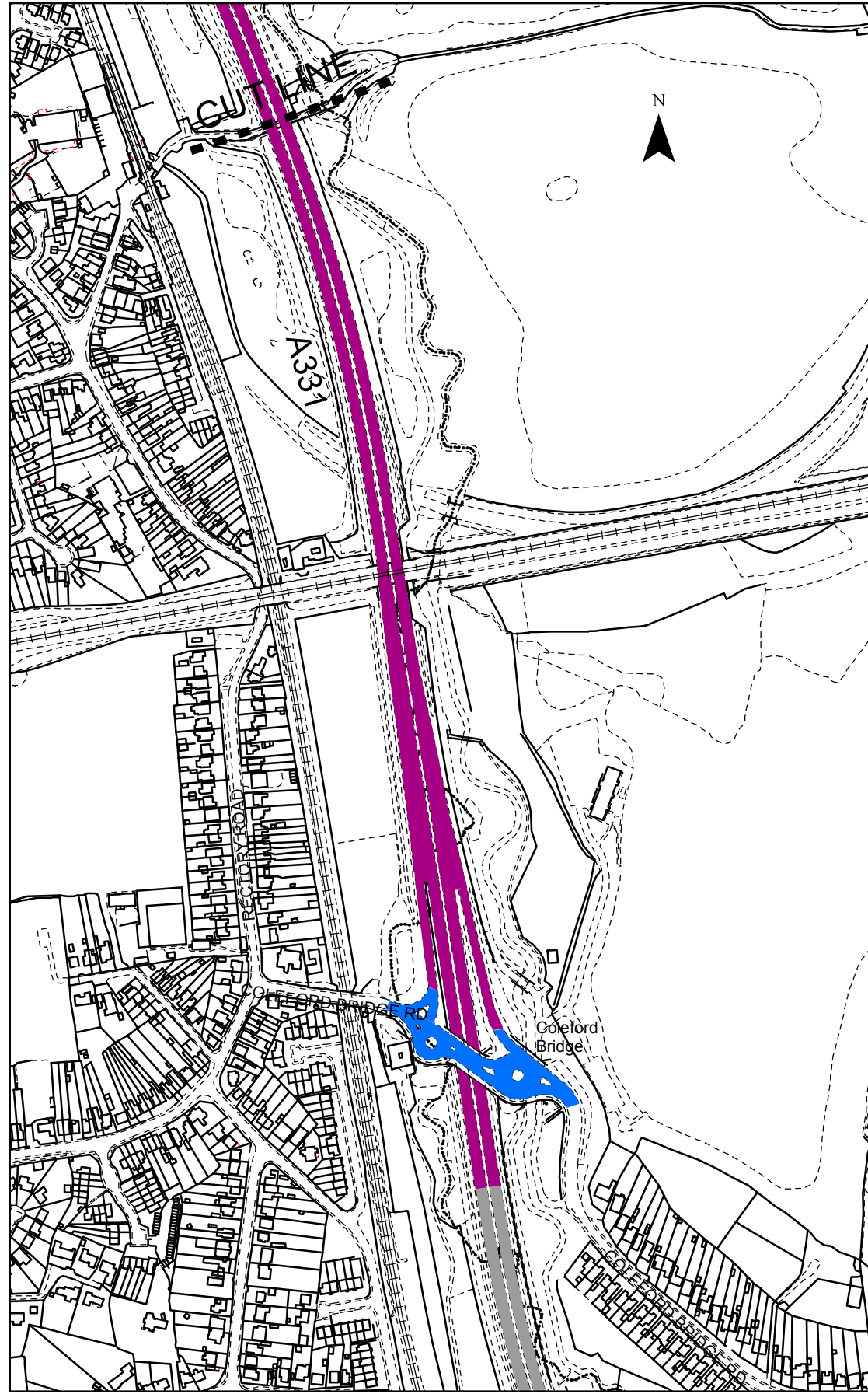
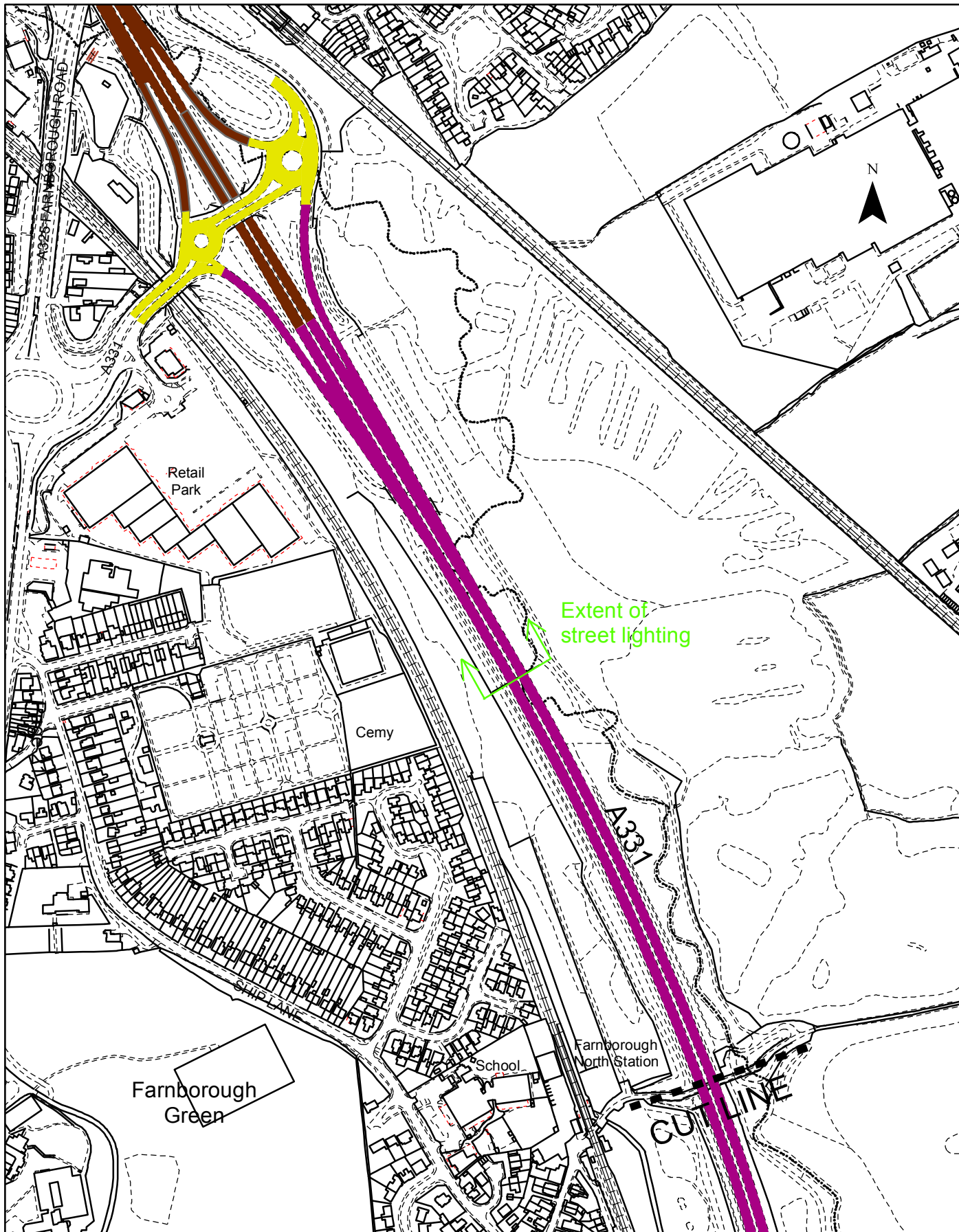
- 11.2 If the Executive approves the recommendations along with Guildford Borough Council, Rushmoor Borough Council, Surrey County Council and Hampshire County Council, the Outline Business Case will be submitted to JAQU for approval.
- 11.3 If the Outline Business Case is approved by JAQU and a grant is awarded to implement the measures, formal public consultation will begin on the proposed speed reduction and accompanying measures.
- 11.4 Officers recommend the Executive approves the recommendations in the report as the only option which would achieve compliance with the Ministerial Direction.

Annexes	Outline Business case (hard copy available in the Members' Room)
Background Papers	As set out in paragraph 5.1
Author/Contact Details	Tim Pashen – Executive Head Community tim.pashen@surreyheath.gov.uk
Head Of Service	Tim Pashen – Executive Head Community

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	✓	✓

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A331 BLACKWATER VALLEY ROUTE PROPOSED 50 MPH SPEED LIMIT FOR AIR QUALITY MANAGEMENT

Scale
1:5,000

Drawing No.
A331/TAS/MDW/01

Date
August 2018

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KEY

- Existing 30 mph limit
- Existing 40 mph limit
- Existing 50 mph limit
- Existing National speed limit
- Proposed 50 mph limit (Existing National speed limit)



Hampshire
County Council

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The Council Tax Base and the Local Council Tax Support Scheme

Summary

To approve the Council Tax Base and Council Tax technical changes for 2019/20.
To review the Local Council Tax Support Scheme for 2019/20 including the level of support given to parishes as compensation.

Portfolio - Finance

Date signed off: 29 November 2018

Wards Affected

All

Recommendation

The Executive is asked to RESOLVE

- (i) to note the calculations of the tax base in Annexes A to F summarised below:

			Band D Equivalent Properties
Bisley			1640.07
Chobham			2005.58
Frimley and Camberley			24,103.84
West End			2,189.73
Windlesham			8,115.20
Surrey	Heath	Borough	38,054.42
Council			

- (ii) to note that the changes to Council Tax discounts made by Executive on 7 January 2014 under the freedoms given in the Local Government Finance Act 2012 and relevant statutory instruments remain unchanged for 2019/20;
- (iii) that £19,943.44 be given to Parishes in 2019/20 to offset the effect on the tax base of the Local Council Tax Support scheme; and
- (iv) that the final setting of the Tax Base be delegated to the Executive Head of Finance.

The Executive is advised to RECOMMEND to Full Council that

- (i) the Local Council Tax Support Scheme for Surrey Heath, approved by Council on 22 January 2013, remains unchanged for 2019/20;
- (ii) the Council Tax Exceptional Hardship Policy remains unchanged for 2019/20;

- (iii) from 1st April 2019 young people who have left care (care leavers) will receive a full reduction from Council Tax until their 25th birthday;
- (iv) the Executive Head of Finance be delegated to make minor changes to the Local Council Tax Support scheme so as to ensure that where applicable to income calculation it remains in line with Housing Benefit / Universal Credit changes introduced by legislation; and
- (v) incomes and applicable amounts and non-dependant deductions are uprated in line with the percentages and amounts supplied by DWP and DCLG, and applied to Housing Benefit claims.

Resource Implications

1. Surrey Heath Borough Council is legally required to set its Council Tax Base for 2019/20 by 31st January 2019.
2. The 2019/20 Council Tax for this Borough will be set at the Council meeting on 27th February 2019.
3. The increase in the tax base of 513.8 will generate an additional £115,000 in income for Surrey Heath. The increase in the tax base takes in to consideration the level of new property developments due for completion during 2019/20.
4. The cost of the exemption for Local Care Leavers young people who have left care (care leavers) aged 18 to 24 will be borne by the General Fund.
5. In February 2015 the Government has stated that money is provided to compensate parishes for the loss of income from the Local Council Tax Support Scheme (LCTSS). From 2017/18 the Revenue Support Grant was reduced to zero and so for this reason so for this reason it is recommended that the payment made last year of £19,943.44 be unchanged.

Key Issues

Technical changes to Council Tax

6. Technical changes to Council Tax were introduced from April 2013 under the Local Government Finance Act 2012 which meant that Councils were empowered to set a number of changes to Council Tax discounts and exemptions as well as introduce a premium for long term empty properties.
7. The table below sets out the permitted range of relief categories, the exemption proposed relief for 2019/20. Please note the new proposed relief for 2019/20 in respect of Young People who have left care.

Category	Permitted changes	2018/19 and 2019/20 Reliefs
Empty Homes in need of or undergoing major repair or structural alterations	Discount of up to 100% for 12 months	No discount from day one
Empty Homes that are unoccupied and substantially unfurnished	Discount of up to 100% for any period	100% Discount given for up to 28 days from the date a property first becomes unoccupied and substantially unfurnished.
Furnished Homes not occupied as anyone's main home	Can discount up to 10%	No discount from day one
Long term empty houses (over 1 year)	Discount of up to 50% for one year and ability to set a premium after 2 years	No discount and 50% premium on properties empty more than 2 years
Young people who have left care (care leavers) until their 25th birthday.	Section 13A LGFA 1992 permits reduction of council Tax liability for prescribed classes to nil	100% relief

8. The biggest single discount given on Council Tax is the "Single person's discount" which gives a reduction of 25% on Council Tax for those properties with one occupier. Claims for this discount were audited on a Surrey wide basis in 2018/19 and 3.4% or 321 claimants in Surrey Heath had their discount removed. This ability to vary this discount remains with the Government and so cannot be varied by local councils.

Local Council Tax Support Scheme

9. On 1 April 2013 the Council introduced a new Local Council Tax Support Scheme (LCTSS) to replace Council Tax Benefit, for working age claimants. So as the cost of the LCTSS did not fall on local taxpayers the

discount to working age claimants was set at 70%. Pensioner claimants were guaranteed 100% discount by the Government. Members also agreed to create a £10,000 hardship fund for exceptional cases.

10. Although a grant of £419k was received in 2013/14 to fund the scheme this was subsequently included within the Revenue support grant (RSG) As this is now zero it is reasonable to assume that the funding for the LCTSS has now been withdrawn.
11. Given the imminent introduction of Universal Credit to some claimants it is recommended that the scheme remains unchanged at present until the full impact of this can be assessed
12. For ease of administration it is important that there is alignment in respect of treatment of income and calculation of applicable amounts between housing benefit and the local council tax support scheme. Each year the Government makes minor changes to their scheme to reflect uprating of benefits etc. In order that the housing benefit and LCTSS remain aligned the Executive Head of Finance is asking for delegated authority to make such minor changes as may be necessary to the LCTSS for all types of claimant.

Support to Parishes

13. The introduction of the LCTSS in April 2013 had the effect of reducing the Council Tax base since it operated as a discount rather than a benefit.
14. In order to recognise the effect that this would have on parishes the Government provided a grant in 2013/14 to Councils to give to parishes to ensure they were no worse off because of the introduction of the LCTSS. This money was subsequently included within the revenue support grant (RSG) but as the Council's RSG is now zero it is reasonable to assume that this funding has been withdrawn.
15. Despite not receiving any funding form Government the Council recognises the impact the LCTSS had on parishes and in the spirit of partnership and supporting parishes has continued to compensate parishes for some of their loss. It is therefore proposes that for the 2019/20 the compensation given to parishes remains unchanged from 2018/19. The level of support is shown in the table below:

Parish/Town	Support given in 2018/19 and 2019/20
Bisley	1,334.30
Chobham	2,962.87
Frimley and Camberley	8,116.98
West End	1,591.65
Windlesham	5,937.64
TOTAL	£19,943.44

Options

16. The Executive can accept, amend or reject any part of the proposal. It should be noted that the Council has a statutory duty to determine its Tax Base by 31st January 2019.

Proposals

17. It is proposed that the Executive:

- (i) note the calculations of the tax base in Annexs A to F summarised below;

	Band D Equivalent Properties	
Bisley		1640.07
Chobham		2005.58
Frimley and Camberley		24,103.84
West End		2,189.73
Windlesham		8,115.20
Surrey Heath Borough Council		38.054.42

- (ii) note that the changes to Council Tax discounts made by Executive on 7 January 2014 under the freedoms given in the Local Government Finance Act 2012 and relevant statutory instruments remain unchanged for 2019/20;
- (iii) resolve that £19,943.44 be given to Parishes in 2019/20 to offset the effect on the tax base of the Local Council Tax Support scheme;
- (iv) resolve that the final setting of the Tax Base be delegated to the Executive Head of Finance; and
- (v) Recommend to Full Council that the Local Council Tax Support Scheme for Surrey Heath, approved by Council on 22 January 2013, remains unchanged for 2019/20.
- (vi) Recommend that the Council Tax Exceptional Hardship Policy remains unchanged for 2019/20.
- (vii) Recommend that from 1st April 2019 young people who have left care (care leavers) will receive a full reduction from Council Tax until their 25th birthday.
- (viii) Recommend to Full Council that the Executive Head of Finance be delegated to make minor changes to the Local Council Tax Support scheme so as to ensure that where

applicable to income calculation it remains in line with Housing Benefit / Universal Credit changes introduced by legislation.

- (ix) Recommend to Full Council that incomes and applicable amounts and non-dependant deductions are updated in line with the percentages and amounts supplied by DWP and DCLG, and applied to Housing Benefit claims.

Supporting Information

- 18. Attached in Annexes A to F of this report are detailed breakdowns of the calculations of the Tax Base for each part of the Borough, i.e. the 4 parishes and the urban area of Frimley and Camberley. In addition Annex F includes a breakdown of the calculation of the Tax Base for the whole area. The format of the Annexes meets statutory requirements.
- 19. The Annexes assume that there will be no change to the discounts and exemptions given nor to the LCTSS.
- 20. The Executive should note that Tax Base calculation, which must be calculated for each area of the Borough for bands A to H, reflects the following:
 - a) The number of chargeable properties on the Listing Officer's Valuation List, as adjusted for exempt properties and disabled relief which have been granted.
 - b) Discounts where there are only one or no residents in a property. The figures reflect the position as at 2 October 2018.
 - c) The Ministry of Defence will be making a contribution in respect of its properties which are exempt under Council Tax. The equivalent number of band D properties is added into the Frimley and Camberley calculations.
 - d) No change is anticipated in the number of discounts given during 2019/20.
 - e) The losses on collection allowance remains at 1.5% to reflect the current economic situation, an allowance for the LCTSS is made and these seek to avoid creating a deficit on the collection fund.

Corporate Objectives and Key Priorities

- 21. By setting the tax base and thus raising the correct level of Council Tax the Council is able to support all its corporate objectives.

Legal Issues

- 22. There is a statutory requirement to set the Council Tax Base by the 31st January 2018 in accordance with the Local Government Finance Act 1992.

Risk Management

23. If the tax base is not set then this would delay the budget setting and billing for 2019/20.

Equalities Impact

24. No discernible impact has been identified over and above those noted and dealt with when the LCTSS was introduced in April 2013.

Annexes A – F	Council Tax Base calculations
Background Papers	None
Author/Contact Details	Kelvin Menon – Executive Head of Finance kelvin.menon@surreyheath.gov.uk Robert Fox – Revenues and Benefits Manager robert.fox@surreyheath.gov.uk
Head Of Service	Kelvin Menon – Executive Head of Finance kelvin.menon@surreyheath.gov.uk

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		

ANNEX A

2019_20 BISLEY	BANDS								TOTAL
	A	B	C	D	E	F	G	H	
1.Total number of dwellings on the Valuation List	6	66	197	375	319	363	167	6	1499.00
Number of dwellings exempt	4	0	0	1	3	1	2	0	11.00
2. Adjusted number of chargeable dwellings	2	66	197	374	316	362	165	6	1488.00
Number of chargeable dwellings subject to disabled reduction	0	0	0	1	2	2	0	2	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	0	0	1	2	2	0	2	0	
3. Adjusted number of chargeable dwellings	2	66	198	375	316	360	167	4	1488.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	0	49	83	103	74	52	17	1	379.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	1	0	0	0	0	0	1	2.00
4. Adjusted number of chargeable dwellings	2.0	53.3	177.3	349.3	297.5	347.0	162.8	3.3	1392.25
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	0	0	0	2	0	0	0	2.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	1	0	0	1	1	0	0	3.00
5. Adjusted number of chargeable dwellings	2.0	52.3	177.3	349.3	297.5	346.0	162.8	3.3	1390.25
Reduction in taxbase as a result of local council tax support	0.00	4.48	15.32	14.90	6.39	0.86	2.29	0.00	44.24
6. Adjusted number of chargeable dwellings	2.00	47.77	161.93	334.35	291.11	345.14	160.46	3.25	1,346.01
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Total number of band D equivalents after allowance for council tax support	1.3	37.2	143.9	334.4	355.8	498.5	267.4	6.5	1645.0
Adjustment for expected new properties at Band D									20
Less									
Allowance for loss on collection of 1.5%									24.98
MOD PROPERTIES									0.00
Tax Base after adjustment									1,640.07

ANNEX C

2019_20										
Frimley and Camberley										
		BANDS								
	@	A	B	C	D	E	F	G	H	TOTAL
1.Total number of dwellings on the Valuation List	0	428	1735	4462	6869	3990	2942	3334	128	23888.00
Number of dwellings exempt	0	45	39	203	134	193	65	36	12	727.00
2. Adjusted number of chargeable dwellings	0	383	1696	4259	6735	3797	2877	3298	116	23161.00
Number of chargeable dwellings subject to disabled reduction	0	1	3	12	28	18	16	25	5	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	1	3	12	28	18	16	25	5	0	
3. Adjusted number of chargeable dwellings	1	385	1705	4275	6725	3795	2886	3278	111	23161.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	1	240	935	1581	1910	828	422	414	5	6336.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	14	1	4	3	2	4	10	1	39.00
4. Adjusted number of chargeable dwellings	0.75	318.0	1470.8	3877.8	6246.0	3587.0	2778.5	3169.5	109.3	21557.50
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	1	8	6	2	2	0	0	1	20.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	1	6	18	14	5	5	3	0	52.00
5. Adjusted number of chargeable dwellings	1	318	1,469	3,863	6,233	3,583	2,774	3,167	110	21515.50
Reduction in taxbase as a result of local council tax support	0.75	92.51	379.17	366.52	346.73	64.46	17.38	13.12	0.00	1,280.64
6. Adjusted number of chargeable dwellings	0.00	224.99	1,089.58	3,496.23	5,886.27	3,518.54	2,756.12	3,153.38	109.75	20,234.86
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Total number of band D equivalents after allowance for council tax support	0	150.0	847.5	3107.8	5886.3	4300.4	3981.1	5255.6	219.5	23748.1
Adjustment for expected new properties at Band D										250
Less										
Allowance for loss on collection of 1.5%										359.97
MOD PROPERTIES										465.70
Tax Base after adjustment										24,103.84

ANNEX D

2019_20									
West End	BANDS								
	A	B	C	D	E	F	G	H	TOTAL
1.Total number of dwellings on the Valuation List	24	36	83	279	560	472	275	19	1748.00
Number of dwellings exempt	2	3	0	2	5	3	1	0	16.00
2. Adjusted number of chargeable dwellings	22	33	83	277	555	469	274	19	1732.00
Number of chargeable dwellings subject to disabled reduction	0	0	0	0	3	4	1	0	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	0	0	0	3	4	1	0	0	
3. Adjusted number of chargeable dwellings	22	33	83	280	556	466	273	19	1732.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	7	21	44	89	98	63	27	1	350.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	1	0	0	0	0	0	0	0	1.00
4. Adjusted number of chargeable dwellings	19.8	27.8	72.0	257.8	531.5	450.3	266.3	18.8	1644.00
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	0	0	0	0	0	0	0	0.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	0	0	1	2	1	1	0	5.00
5. Adjusted number of chargeable dwellings	19.8	27.8	72.0	256.8	529.5	449.3	265.3	18.8	1639.00
Reduction in taxbase as a result of local council tax support	0.51	8.86	9.02	8.76	10.34	6.54	1.20	0.00	45.23
6. Adjusted number of chargeable dwellings	19.24	18.89	62.98	247.99	519.16	442.71	264.05	18.75	1,593.77
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Total number of band D equivalents after allowance for council tax support	12.8	14.7	56.0	248.0	634.5	639.5	440.1	37.5	2083.1
Adjustment for expected new properties at Band D									140
Less									
Allowance for loss on collection of 1.5%									33.35
MOD PROPERTIES									0.00
Tax Base after adjustment									2,189.73

ANNEX F

2019_20 Surrey Heath	BANDS									
	@	A	B	C	D	E	F	G	H	TOTAL
1. Total number of dwellings on the Valuation List		607	2185	5922	9732	6633	5753	5061	511	36404.00
Number of dwellings exempt		62	54	222	163	219	80	48	14	862.00
2. Adjusted number of chargeable dwellings		545	2131	5700	9569	6414	5673	5013	497	35542.00
Number of chargeable dwellings subject to disabled reduction		1	3	17	39	27	33	31	10	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	1	3	17	39	27	33	31	10	0	
3. Adjusted number of chargeable dwellings	1	547	2145	5722	9557	6420	5671	4992	487	35542.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	1	299	1228	2288	2804	1494	926	622	46	9708.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	19	2	4	5	2	4	13	4	53.00
4. Adjusted number of chargeable dwellings	0.75	462.8	1837.0	5148.0	8853.5	6045.5	5437.5	4830.0	473.5	33088.50
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	4	12	10	5	6	4	4	2	47.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	1	10	25	20	8	9	5	1	79.00
5. Adjusted number of chargeable dwellings	0.8	463.8	1833.0	5128.0	8836.0	6040.5	5430.5	4827.0	473.5	33033.0
Reduction in taxbase as a result of local council tax support	0.74	118.61	467.62	531.97	481.03	115.92	40.02	20.90	0.80	1,777.61
6. Adjusted number of chargeable dwellings	0.01	345.14	1,365.38	4,596.03	8,354.97	5,924.58	5,390.48	4,806.10	472.70	31,255.39
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
7. Total number of band D equivalents after allowance for council tax support	0	230.1	1062.0	4085.4	8355.0	7241.2	7786.2	8010.2	945.4	37716.1
Adjustment for expected new properties at Band D										445
Less										
Allowance for loss on collection of 1.5%										572.42
MOD PROPERTIES										465.70
Tax Base after adjustment										38,054.42

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Response to Woking Borough Council's Site Allocations Development Plan Document Regulation 19 Publication

Summary

Woking Borough Council has published its Regulation 19 Site Allocations Development Plan Document (WSADPD) and accompanying Sustainability Appraisal Report, Habitats Regulations Assessment and Proposals Map, prior to its submission to the Secretary of State for Examination. The main purpose of the WSADPD is to identify and allocate specific sites to enable the delivery of the Woking Core Strategy (2012), as part of Woking's Local Plan. The WSADPD also safeguards land to meet future development needs up to 2040, which is beyond the present Core Strategy period of 2010-2027. Members are asked to note the publication of the document and the need to formally agree the response sent by officers. Members are also asked to agree that outstanding matters raised through Surrey Heath's response are addressed through ongoing Duty to Cooperate between the two authorities.

Portfolio – Planning & People

Date Portfolio Holder signed off report: 28/11/2018

Wards Affected

All

Recommendation

The Executive is asked to resolve to:

- (i) NOTE that the Woking Site Allocations Development Plan Document (WSADPD) was issued for comment up until the 17th December 2018.**
- (ii) AGREE to submit the letter at Annex 1 as Surrey Heath's formal response to the WSADPD;**
- (iii) AGREE that the matters raised through Surrey Heath's response are addressed through ongoing Duty to Cooperate between Surrey Heath and Woking Councils.**

1. Resource Implications

- 1.1 There are no resource implications arising from the review of, and formulating of a response to the WSADPD beyond those allowed for within the budget for 2018/2019.

2. Key Issues

Background

- 2.1 Woking Borough Council's Core Strategy was adopted in October 2012. The Core Strategy makes provision for the delivery of 4,964 net additional homes, 28,000 sqm of additional office floorspace, 20,000 sqm of warehouse floor space, and 93,600 sqm of retail floorspace for the period between 2010 and 2027. The Core Strategy does not identify specific sites to deliver these proposals. It commits Woking Borough Council to prepare a Site Allocations DPD to allocate specific sites to bring forward the proposals for development.
- 2.2 In 2015 Woking produced a draft Site Allocations DPD which proposed to accommodate future urban growth post 2027 through a series of Green Belt releases to the south of the Woking urban area. This safeguarding strategy was proposed and supported by the evidence base of that time. Surrey Heath did not raise any concerns in relation to the proposed safeguarded sites in 2015 when Woking consulted on its draft Site Allocations.
- 2.3 In early 2017, Woking consulted on a proposal to substitute the proposed safeguarded sites to the south of Woking with a single Green Belt site to the north – Martyrs Lane, Horsell, Woking, close to the Surrey Heath boundary. The 112ha site was proposed to accommodate at least 1,200 new homes from 2027. Surrey Heath raised concerns in relation both local and strategic transport impacts arising from the potential urban extension and welcomed the opportunity for an ongoing dialogue with Woking in respect of the strategic implications of the Martyrs Lane proposals regarding the direction of future urban growth and Green Belt and transport impacts.

Woking Site Allocations Development Plan Document - Publication Version

- 2.4 Woking Borough Council has now produced its Regulation 19 version of the Site Allocations Development Plan Document (WSADPD), published in November 2018. This represents the last opportunity for interested parties to comment on the DPD, prior to its submission to the Secretary of State for Examination.
- 2.5 The purpose of the WSADPD, 2018 is to allocate land for a range of uses to deliver the spatial vision, objectives and development requirements of the Woking Core Strategy 2012.
- 2.6 Officers have considered the document from a Surrey Heath perspective and have noted the following key points:
- Land at Martyrs Lane, Horsell, Woking is not included as an allocation site within the WSADPD. Therefore, Surrey Heath recognises that the concerns previously recorded in relation to this site during the 2017 consultation no longer need to be addressed.
 - The Woking Core Strategy Policy CS10 - Housing provision and distribution plans for 4,964 net additional homes in Woking

Borough between 2010 and 2027. Based on delivery against this figure to date, there is a requirement for 2,830 homes to be met over the remainder of the plan period to 2027. The WSADPD sets out that sufficient land has been identified to ensure the delivery of the residual 2,830 homes, plus additional land to compensate for non-implementation.

- Since the adoption of the Woking Core Strategy, a Strategic Housing Market Assessment for the West Surrey Housing Market Area (HMA) was produced in September 2015. The West Surrey HMA includes Woking, Guildford and Waverley Boroughs. This study concluded an objectively assessed need (OAN) for housing in the period 2013-2033 of 517 homes per year for Woking Borough. More recently, the Government has released a standardised method for calculating housing need which national planning policy and guidance now expect local authorities to use. By applying the standard method, the objectively assessed need figure for Woking is 409 homes per year. The WSADPD sets out that the Core Strategy figure of 4,964 new homes (292 per year) will be met over the Woking Core Strategy plan period through the allocated sites in the document.
- It is understood that Woking is working in partnership with neighbouring authorities in its established HMA to address its unmet housing need. The Government is currently consulting on updates to national planning policy and guidance (October to December 2018). The consultation material includes proposals to adjust the standard method for calculating housing need. It states that the Government will review the formula by the time the next housing projections are issued, with a view to establishing a new method that is consistent with Government's aspiration for 300,000 homes to be built per year in England by the mid 2020's. Surrey Heath Borough is geographically adjacent to the established West Surrey HMA. Surrey Heath is concerned that in the event Woking's housing need figure increases, the provision set out in the Woking Core Strategy and unmet need being met by neighbouring authorities in the West Surrey HMA may fall short of the updated housing need figure. If this situation arises it is expected that Woking should, in the first instance, take steps to meet needs within Woking Borough. Surrey Heath is concerned that housing needs for the West Surrey HMA are met by the authorities within their area.
- Surrey Heath advises that it is currently in the process of preparing a new Local Plan for the period 2016-2032, and using the current format of the Government's standard methodology, cannot demonstrate a supply of sites to fully meet its own housing needs within Surrey Heath Borough. Surrey Heath will therefore not be able to assist with meeting any additional unmet need arising from Woking.

- It is noted that Woking Borough Council undertook an internal review of the adopted Woking Core Strategy in October 2018 and this review concluded the Core Strategy continues to be in general conformity with the provisions of the NPPF and that modifications are not required. Surrey Heath raises concerns in relation to this approach. The WSADPD does not provide allocations that take full account of the floorspace requirements for the land use types such as retail, which are set out in the Woking Core Strategy. This indicates that it is necessary for Woking to prepare a revised Plan, so that land use needs can be reassessed through a fully up-to-date evidence base.
- The Woking Core Strategy sets out that provision will be made for the delivery of 93,600 sqm of retail floorspace over the plan period. Delivery of retail provision over the Core Strategy period 2010 to date has been 8,631sqm leaving a remainder of 84,969sqm retail floorspace still to be delivered by 2027. It is understood that the Victoria Square development in Woking town centre has been granted planning permission and will provide a further 10,967sqm retail floorspace.
- In addition to the allocations in the WSADPD, it is stated that other site opportunities exist in Woking town centre and localities throughout the Borough that will deliver additional development, including a range of retail uses over the coming years. This approach lacks certainty and provides no further information as to where, specifically, these opportunities may exist, and what they might be. Therefore, Surrey Heath raises concerns in respect of the lack of information that is provided in the WSADPD for where and how the retail floorspace specified is to be delivered in Woking Borough. In addition, Surrey Heath is also concerned about the impact of the proposed retail floorspace on other town centres, including Camberley, particularly in the context of changing retail dynamics. It is suggested the Woking ensure their figure for retail floorspace is informed by an up-to-date Retail Study that fully assesses the impacts of new retail floorspace on surrounding town centres. Where updated evidence base documents such as this are required, it is indicative that the internal review of the Core Strategy undertaken by Woking is unlikely to address current needs, and that modifications to the Core strategy are, in fact required.
- The provision of retail floorspace stated in the WSADPD could have significant impacts on infrastructure in neighbouring Boroughs to Woking, including Surrey Heath. In particular, impacts on major routes of the highways network between the Boroughs such as the A322, are a principal concern to Surrey Heath.
- Surrey Heath advises that future duty to cooperate discussions between the two authorities, including joint working to identify funding to implement measures of mitigation along the A320

corridor, should continue to the mutual benefit of both Surrey Heath and Woking Boroughs.

3. Options

3.1 The options for the Executive to consider are to:

(i) **AGREE** to the comments raised by officers as set out in the letter at Annex 1 and to submit them as the Council's formal response to the Woking Site Allocations Regulation 19 Publication Document.

(ii) **AGREE** to the comments raised by officers as set out in the letter at Annex 1 with any additional comments from Executive and to submit them as the Council's formal response to the Woking Site Allocations Regulation 19 Publication Document.

(iii) **NOT AGREE** the response to the Woking Site Allocations Regulation 19 Publication Document.

4. Proposals

4.1 It is proposed that members agree to send the letter of response at Annex 1 as Surrey Heath Borough Council's formal response to Woking Borough Council's Site Allocations Development Plan Document.

5. Supporting Information

5.1 The Woking Site Allocations Development Plan Document, October 2018.

6. Corporate Objectives and Key Priorities

6.1 Underpins the theme of *Place* set out in the Council's Five Year Strategy by monitoring the vision and spatial planning objectives of surrounding authorities and ensuring that Surrey Heath's interests are defended.

6.2 Responding to the publication version of the WSADPD will also enable Surrey Heath to maintain an active engagement with an adjoining Borough where there are matters of strategic importance between the Boroughs.

7. Policy Framework

7.1 The WSADPD which this Agenda Item responds to will, if it is found sound at examination, become adopted as part of Woking's portfolio of DPDs. Together, these DPDs constitute Woking's Local Plan. The Regulation 19 publication version of the WSADPD is the last

opportunity for interested parties to comment before the DPD is submitted to the Secretary of State.

8. Legal Issues

8.1 None arising

9. Governance Issues

9.1 None arising.

10. Sustainability

10.1 None arising.

11. Risk Management

11.1 The WSADPD contains site allocations policies that allocate land for future development or infrastructure. It also provides a strong indication that Woking will retain the Core Strategy and associated Development Plan Documents as its Local Plan for the foreseeable future. A neighbouring authority's Local Plan could have an effect on Surrey Heath interests. Reviewing and, where necessary, challenging the approach taken by Woking through providing a consultation response to the WSADPD reduces the risk of potential adverse impacts on Surrey Heath.

12. Equalities Impact

12.1 No matters arising

13. Human Rights

13.1 No matters arising.

14. Community Safety

14.1 No matters arising

15. Consultation

15.1 This Agenda item is a response to a consultation exercise by an adjoining local authority.

16. PR And Marketing

12.1 No matters arising.

Annexes	Annex 1: Letter of response to the Woking Site Allocations Development Plan document, October 2018
Background Papers	Woking Site Allocations Development Plan Document Regulation 19 publication version – http://www.woking2027.info/allocations
Author/Contact Details	Chris Kirk christopher.kirk@surreyheath.gov.uk
Head of Service	Jenny Rickard

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	✓	✓

Review Date:

Version: 1

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Service Regulatory
Our Ref: N/A
Your Ref: N/A
Tel: 01276 707100
Email: planning.policy@surreyheath.gov.uk

Planning Policy
Woking Borough Council
Civic Offices
Gloucester Square
Woking
Hants
GU21 6YL

12 December 2018

Dear Sir/Madam,

Woking Site Allocations DPD Regulation 19 Publication Document

Thank you for consulting Surrey Heath Borough Council on the Woking Site Allocations Development Plan Document publication version. This letter is the Council's formal response.

Allocated Sites

In 2017, Woking Borough Council consulted on the possibility of substituting safeguarded sites in the earlier Regulation 18 draft Site Allocations DPD with a single site on land east of Martyrs Lane, to meet future development needs. Surrey Heath raised concerns regarding the impact this could have on residents and businesses in Surrey Heath Borough.

Surrey Heath notes that the site east of Martyrs Lane, Horsell, Woking is not included as an allocation in the Regulation 19 publication version of the Woking Site Allocations DPD (WSADPD). Therefore, the previous concerns outlined by Surrey Heath in the 2017 consultation need no longer be addressed in relation to this specific site.

Meeting Housing Need

Since the adoption of the Woking Core Strategy, a Strategic Housing Market Assessment for the West Surrey Housing Market Area (HMA) was produced in September 2015. This study concluded an objectively assessed need (OAN) for housing over the period 2013-2033 of 517 homes per year for Woking Borough. More recently, the Government has released a standardised method for calculating housing need which national planning policy and guidance now expect local authorities to apply. It is our understanding that, using the standard method, the objectively assessed need figure for Woking is 409 homes per year.

The WSADPD sets out that the Core Strategy figure of 4,964 new homes (292 per year) will be met over the Woking Core Strategy period through the sites allocated in the document.

It is understood that Woking is working in partnership with neighbouring authorities in its established HMA to address its unmet housing need. As you will no doubt be aware, the Government is currently consulting on updates to national planning policy and guidance (October to December 2018). The consultation material includes proposals to adjust the standard method for calculating housing need. It states that the Government will review the formula by the time the next housing projections are issued, with a view to establishing a new method that is consistent with Government's aspiration for 300,000 homes to be built per year in England by the mid 2020's.

Surrey Heath is geographically adjacent to the established West Surrey HMA and the Borough Council is concerned that in the event Woking's housing need figure increases, the provision set out in the Woking Core Strategy together with unmet need being met by neighbouring authorities in the West Surrey HMA may fall short of the updated housing need figure. If this situation arises, it is expected that Woking should, in the first instance, take steps to meet needs within Woking Borough. Surrey Heath is concerned that housing needs for the West Surrey HMA are met by the authorities within their established area.

Surrey Heath is currently in the process of preparing a new Local Plan for the period 2016-2032. Using the current format of the Government's standard methodology, the Council cannot demonstrate a supply of sites that fully meets its own housing needs within Surrey Heath Borough. Surrey Heath will therefore not be able to assist with meeting any additional unmet need arising from Woking.

Retail Provision and Impacts on Infrastructure

The Woking Core Strategy sets out that provision will be made for the delivery of 93,600 sqm of retail floorspace over the plan period. Delivery of retail provision over the Core Strategy period 2010 to date has been 8,631sqm. It is our understanding that the Victoria Square development in Woking town centre has been granted planning permission and will provide a further 10,967sqm retail floorspace. Surrey Heath now seeks clarification as to how Woking will secure the delivery of the residual 74,002sqm retail floorspace in the Borough over the remainder of the Core Strategy period to 2027.

In addition to the allocations in the WSADPD, the document states that other site opportunities exist in Woking town centre and localities throughout the Borough that will deliver additional development, including a range of retail uses over the coming years. This approach lacks certainty and provides no further information as to where, specifically, these opportunities may exist, and what they might be. Therefore, Surrey Heath raises concerns in respect of the lack of information that is provided in the WSADPD concerning retail floorspace and the impact of the proposed retail floorspace on other town centres, including Camberley, particularly in the context of changing retail dynamics.

It is suggested that Woking ensure their figure for retail floorspace is informed by an up-to-date Retail Study that fully assesses the impacts of new retail floorspace on surrounding town centres. If updated evidence base documents such as this are required, it is indicative that the internal review of the Core Strategy undertaken by Woking is unlikely to address current needs, and that modifications to the Core strategy are, in fact required.

The provision of retail floorspace stated in the WSADPD could have significant impacts on infrastructure in neighbouring Boroughs to Woking, including Surrey Heath. In particular, impacts on major routes of the highways network between the Boroughs such as the A322, are a principal concern. Surrey Heath requests that Woking keep us updated on the delivery of any largescale retail proposals, and expects to Woking to work closely with Surrey Heath to address any potential future impacts on cross-boundary infrastructure.

Core Strategy Review

Surrey Heath notes that Woking Borough Council undertook an internal review of the adopted Woking Core Strategy in October 2018 and this review concluded that the Core Strategy continues to be in general conformity with the provisions of the NPPF and modifications are not required. Having reviewed the WSADPD, Surrey Heath has concluded the document does not provide allocations that take full account of the floorspace requirements for the land use types such as retail, which are set out in the Woking Core Strategy. This indicates that it may be appropriate for Woking to make revisions to the Core Strategy, so that land use needs can be reassessed through a fully up-to-date evidence base.

Duty to Cooperate

Future duty to cooperate discussions between the two authorities, including joint working to identify funding to implement the measures of mitigation along the A320 corridor, should continue to the mutual benefit of both Surrey Heath and Woking Boroughs.

Surrey Heath would welcome the opportunity, under Duty to Co-operate, to have further discussions with Woking in respect of the points raised in this letter of response.

Yours sincerely,

Planning Policy
Surrey Heath Borough Council

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Economic Development Annual Report 2018

Summary: The Executive agreed the Council's Economic Development Strategy (the Strategy) in 2014, and a further update in 2018. This Report is the update on activities and economic growth over the past 12 months of the programme, with a look towards the future programme developments.

Portfolio: Economic Development

Signed off by Portfolio Holder: 3 December 2018

Wards Affected: All

Recommendation

The Committee is advised to comment as appropriate and note the content.

1. Resource Implications

- 1.1 Surrey Heath no longer receives central Government Funding to support its services. Greater retention of Business Rates, changes in the Non-domestic rating system and support from the Em3 LEP allows for a continuing, and improving support system for local businesses.
- 1.2 The Council's corporate priority; Prosperity, states that "We will support and promote our local economy so that people can work and do business across Surrey Heath". The Economic Strategy is the Council's commitment to the Borough on supporting and creating situations for growth and sustainability for business and the community.

2. Summary

- 2.1 The Strategy identifies three principal economic objectives. These are:

a) A sustainable place to live, work, shop and play

b) A great place for business to flourish

c) A great place for people to succeed

- 2.3 The Committee is asked to note that the Strategy has 18 months left to run, and the economic landscape has changed significantly since its first iteration in 2014 and therefore some Actions have been removed or altered to ensure we are delivering the right projects to support the economy

3. Key Issues

3.1 This Key Issue section seeks to highlight some of the main areas of economic development work over the past twelve months since the last update..

3.2 Borough Growth

	2016	2017	Difference
Number of Businesses	4,715	5,350	Increase 635
Non-VAT Businesses	1,550	1,750	Increase 200
Micro Businesses	89.9%	89.7%	Decrease 0.2%
Jobs in the Borough	52,000	55,000	Increase 3,000
Borough GVA	£3.3bn	Data set yet to be updated by ONS	
Highly Skilled Workforce	33% employed professionals	33% employed professionals	No change
NVQ 4 and Above	43.9% of population	58.7% of population	Increase of 14.8%
Borough unemployment	0.7% of population	0.5% of population	Reduction of 0.2%
Average Earnings	£799 per week	£742.3 per week	Reduction of £56.7 per week

Source NomisWeb Report 2018

A full review of the Boroughs data will be completed by January 2019

It is noted that the Boroughs growth overall has slowed compared to previous years, however small growth in the current uncertain economic climate pre-Brexit and during a time of austerity, should be considered a positive reflection on the Boroughs businesses drive to succeed and “do business”. Positively, business numbers and employment continues to grow

Our strengths as a Borough in having a highly qualified population means that the Borough can look to hold on to and entice new businesses looking to seek out quality employees. However the down side to this is the ability to fulfil lower grade posts within the Borough considering cost of living is high.

3.3 Open for Business

- 3.4 2018 has seen the continued development of positive cooperative inter-department relationships as part of the 'one team' approach; and active working with the LEP and colleagues at Surrey County Council to share information and to work on joint strategies for collective gain through the Surrey Futures Programme.
- 3.5 Open for Business continues to be a successful collaboration between the Council and business. The Business Breakfast and Business Awards have been well received among the Business community and both these events, and other focussed networking and business development will be a continued theme for the Economic Development team looking forward in to the new year.
- 3.6 The Kevin Cantlon Shop Front Improvement Grant Scheme is also benefiting small local retail businesses, allowing them to invest in their business with support from the Council, Interest from 8 shops, with 2 currently in receipt of Grants (Frimley and Chobham). This body of work is due to be reviewed, to ensure the fund suits business need.
- 3.7 The Economic Development team are beginning to attend organised networking events locally and promoting the work of the team and where SHBC can support businesses through its Open for Business initiative. Great connections are being made and the team will be looking to host focussed sector networking.
- 3.8 Economic Development is continuing to work with the Frimley Business Association to support their plans, and is re-connecting the Watchmoor and Yorktown Business associations and wider business community to provide support where required.
- 3.9 Surrey Heath is part of a County wide pilot to retain business rates, with funds to be used to support Economic Growth within the Borough, projects are being identified and reviewed for roll out during 2019, including the development of an incubator space for start-up, self employed and micro businesses to engage more with the wider business community, and glean the benefits of collaborative working and improved local supply chains.
- 3.10 6 Businesses within the Borough have accessed support over the last 12 months from the EM3 Growth Hub, who have been supported through growth planning and support from the team and the EM3 ambassadors.

The companies in receipt of support are

- Beam Accountancy (Camberley)
- Magikos IT (Camberley)
- No Grey Area (Camberley)
- Si 29 Computer Services (Camberley)
- Consentricare (Frimley)
- Pulseteq Ltd (Chobham)

- 3.11 Economic Development works with wider teams across the Council to support the Councils ambitious growth plans, identifying key economic impacts of projects and developments for the Council and for Businesses throughout the Borough.
- 3.12 This Calendar year has also seen the implementation of a Customer Relationship Management (CRM) tool; Tractivity which is enabling the capture and review of business across the Borough for more streamlined and value for money communications, meaning that we will no longer have to send out paper based invites to the business breakfasts, and we can target sectors, and sent out meaningful communications to business to support growth and development across the Borough and wider.
- 3.13 The Economic Development Team has also led the opening of a pop-up shop “Off the Grid” within The Square in Camberley selling local Artisan and hand made products during the Autumn Winter. This is a unique proposition within Camberley, and will support the further understanding of the retail sector and how it needs to adapt to the changing digital environment. It is believed that this is the first Council led pop-up shop not only in Surrey but England.
- 3.14 Tough decisions have been made to ensure that the Boroughs reputation as being Open for Business, and delivering services to business which are applicable. This year, it was decided to cancel the Surrey Heath Expo, 2 weeks before the event was due to be held. Stand bookings were down considerably, and registered visitor numbers were low. The team took into consideration the financial outlay of the companies committed to attend as well as the resource implications of those businesses and decided that the gain which was to be made for these businesses in making new connections was not great enough to justify their costs.
- 3.15 The next 12 months
- 3.16 To ensure that the Councils Economic Development Strategy fully reflects the needs of an ambitious Borough, a full update to the Strategy will be undertaken during 2018/19. The update will include new baseline data, and a smarter, more agile strategy, which will reflect the needs of an ever changing economy. This will also allow Surrey Heath to react quicker to the realities of Brexit post March 2019.
- 3.17 The Economic Development team proposes to develop a suite of materials both online and printed to support Surrey Heaths ambitions growth plans, including a review of our online presence and how businesses access information. These documents will not only help attract new business but support the current businesses to grow and develop through accessing funding, finance, support and access local supply chains.

- 3.18 The Team will identify the key sectors within Surrey Heath and host Sector meetings and workshops to identify the needs across these sectors.

Sectors already identified are

- Medical Technology
- Pharmaceutical
- Manufacturing
- Smart Cities – Associated Technology

Work will continue in identifying other emerging sectors to ensure these are understood and supported.

The objectives of these sector groups will vary between groups, initially there aims will be to understand the sectors needs within the Borough, and key objectives will then emerge and can be taken forward into actions.

- 3.19 The Economic Development Team will also host various workshops and seminars throughout 2019, partnering with business support bodies and others to impart key information, support and support skills development. One significant workshop in that Calendar will be focused on the outcomes of Brexit, due to be hosted in early May 2019.
- 3.20 The Council will work closely with The EM3 Growth hub to deliver a range of support within the Borough. We will signpost more growth businesses to the Growth hub for free support, as well as working with the hub to deliver support and seminars throughout the next 12 months. Em3 Growth Hub has identified Surrey Heath as a Scale up area as part of a pilot project to target up to 15 high growth, high innovation companies in the Borough to support them in their growth plans aiding them in achieving 20% growth in turnover and/ or employment.
- 3.21 Economic Development will work with teams across the Council to support the delivery of the Councils ambitious Growth plans, ensuring the boroughs economy and the impacts of developments is considered from an economic perspective.
- 3.22 The team will also ensure that information is shared across the council so that all businesses receive the same offer and levels of support in their growth plans, or if they are requiring support when business is on a down turn.
- 3.23 The Economic Development Team will review the Kevin Cantlon Shop Front Improvement Scheme to ensure that it is fit for purpose and will continue to promote the scheme across the Borough to support Businesses throughout Surrey Heath

- 3.24 The Economic Development team will continue to work on the new Customer Relationship Management tool, Tractivity, supplied by the Em3 LEP, to manage the database of businesses and contacts to support the organisation on future business related events and communications, and with this, develop a new reporting system for company engagement.
- 3.25 The Economic Development team will work with the EM3 LEP, Invest Surrey and the Department of International Trade to ensure that companies who wish to expand into new markets, such as exporting, can gain support from the correct organisations.
- 3.26 The Economic Development team will continue to work with the Surrey Employment & Skills and Training Board to ensure we support our businesses in taking up and developing apprenticeships throughout the Borough at all levels and sectors.
- 3.27 The Economic Development Team will deliver a Corporate Social Responsibility project for the Borough enabling businesses of all sizes and sectors to get involved in organised volunteering and fundraising to support local causes. This project is also encouraging regular networking, supporting growth of local supply chains.

4. Options

- 4.1 The Committee has the option to comment on the report and note it.

5. Proposals

- 5.1 It is proposed that the Committee comments on and notes the report.

6. Supporting Information

- 6.1 The full Economic Development Strategy is available on the internet.
<https://www.surreyheath.gov.uk/business/economic-development/economic-development-strategy>

7. Corporate Objectives And Key Priorities

- 7.1 Corporate objective 2 – ‘We will support and promote our local economy so that people can work and do business across Surrey Heath’.
- 7.2 Key priorities -
- Work with partners to support our economy through strategic development planning and economic growth
 - Support local businesses by encouraging improvements to local transport and infrastructure
 - Encourage inward investment
 - Encourage new developments to strengthen the local economy

8. Policy Framework

8.1 Supports the Council's policy objective to work with and support the local business community.

9. Legal Issues

9.1 No legal issues identified.

10. Governance

10.1 The Strategy cuts across a number of service areas and will be overseen by the Portfolio Holder for Economic Development.

11. Risk Management

11.1 Minimal risk as the Council is committed to supporting business as set out in the 5 Year Strategy and Key Priorities.

12. Human Rights

12.1 No issues identified.

13. Consultation

13.1 No consultations have been undertaken

14. PR And Marketing

14.1 The Council has utilised the resources of the media and marketing team to strengthen its promotion of activities and events.

15. Officer Comments

15.1 This year has seen an Economic Development Team become established within SHBC. The team is focused on ensuring that the Council has a full understanding of the Boroughs economy, how regional and national policies can support our growth and ensuring that support is given to all businesses when they need it.

Background Papers	Economic Development Strategy
Author/Contact Details	Teresa Hogsbjerg, Economic Development Manager Teresa.Hogsbjerg@Surreyheath.gov.uk
Head of Service	Louise Livingston, Executive Head of Transformation louise.livingston@surreyheath.gov.uk

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Council Finances as at 30 September 2018

Summary

To provide the Executive with a high level view as to the Financial Performance for the 2nd Quarter of 2018/19.

Portfolio - Finance

Date signed off: 12th November 2018

Wards Affected

All

Recommendation

The Executive is advised to NOTE the report and approve the additions to the 2018/19 capital programme and revenue budget.

1. Key Issues

- 1.1 This is the second quarter monitoring report against the 2018/19 approved budget, which provides an update on the Revenue, Treasury and Capital budget position as at the 30th September 2018.
- 1.2 As we are only half way through the year it is difficult to draw any firm conclusions as to the year- end outturn however we are forecasting a small underspend at this stage and this report is intended to give an update as to where services currently are against profiled budget for the 2nd Quarter.

2. Resource Implications

Revenue Budget

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

Capital Budget

- 2.2 At the end of the second quarter, £19.7m had been spent on capital expenditure of which £14.3m was spent on property acquisitions, £2.1m on the purchase of refuse vehicles and £2m on the refurbishment of the Square.
- 2.3 Following the receipt of extra funding from Surrey County Council, an addition to the capital programme relating to renovation grants of £92,028 is requested.

Treasury Investments

- 2.4 The Council currently has £9.8M in cash investments and £125m 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 September 2018 these amounted to £3,731,545 compared with £1,392,806 for the same period last year. The increase of £2,338,739 relates to joint waste recharges to the other three partners which were raised during the second quarter and £461k of Community Infrastructure levy (CIL) debts compared to £27k in September 2017. The increase is related to larger invoices being raised both for CIL and joint waste services plus 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 September 2018 the balance was £599k compared with £603k at the end of the last quarter. During the last 3 months £82k was collected and £78k of new debts was raised. 24 debtors, or around 8.3 % of the total, account for over half of the debt.

4. Officer Comments

- 4.1 The report covers the second quarter of the year and based on performance so far there are no significant financial issues arising.

5. Options

- 5.1 The report is for noting.

6. Proposals

- 6.1 It is proposed that the Executive is advised to note the report.

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.

Annexes	Annex A - Summary Information on the Revenue Budget Position
Background Papers	None
Author/contact details	Adrian Flynn - Chief Accountant Adrian.Flynn@surreyheath.gov.uk
Head of service	Kelvin Menon - Executive Head of Finance

Summary Information on the Revenue Budget Position at 30 September 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 30 September 2018 excluding pensions, redundancy and asset recharges. These have been excluded as they are not in the control of the services themselves.

Budget for the Period	Actual for the Period	Year end Outturn Forecast
£4,526,623	£4,513,037	£10,000 F

Finance

At the end of the second quarter, there are no issues to report and all areas are on track to meet budget targets at the year end.

Transformation

All budgets are on track to meet their year-end targets except for corporate grants which is forecasting an underspend due to the low take up of grants from the Kevin Cantlon Fund by Surrey Heath businesses. The fund is currently being reviewed and a business case is being put together to widen the use of the fund. There will also be an overspend on the corporate training budget due to increased levels of training during 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 revenue grant being received for 2018/19 and an underspend on salaries.

Business

The vast majority of the budgets are on track to be on or around budget at year end. The age and condition of the Arena is impacting usage which in turn is having an impact on the council's profit share. In addition more repairs are required and are forecast to exceed the budget in 2018/19.

Car Parking fees and charges are below budget for the year due to the fact that the budget anticipated an increase in charges. 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 up to the end of the second quarter despite being closed for the majority of August. Fees/charges and room hire income were up on budget and there is a small reduction in Artist fees paid compared to the same period last year but an overspend in this area is forecast. Although the theatre is forecasted to be below budget at year end it remains in line with the 2014 business case.

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 up to the second 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.

There are also forecast surpluses on land drainage, DFG's and the Surrey Heath local plan at year end which will most probably result in some carry forward requests being made at that time.

Legal and Property

Income from new investments, after offsetting for losses of income from vacant units, are making a positive contribution to the overall forecast at the year end.

Investment & Development

The changes to House of Fraser and other retail businesses has had an impact on the income received from our town centre investments which has already been reported to members. This shortfall will be covered this year by the rental equalisation reserve.

Community

A number of budgets are forecasted to show a favourable variance at year end including recycling (increased income from sale of textiles), the core & variable cost and SHBC's share of the central management costs of the Joint waste service.

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Treasury Management Mid-year Report for 2018/19

Summary

This Report advises members of the Treasury Management Service performance for 2018/19 as at 30th September 2018 and illustrates the compliance to-date with the Treasury Management Indicators for 2018/19.

Portfolio - Finance

Date signed off: - 12th November 2018

Wards Affected – All

Recommendation

The Executive is advised to NOTE and COMMENT on the report.

1. Executive Summary

- 1.1 This report sets out the performance of the Council's investments and borrowing for the first six months of the year. It is also intended to demonstrate that the Council is complying with the Treasury Management Indicators set by Full Council as part of the Treasury Management Strategy.
- 1.2 The Council is complying with all the Treasury Management Indicators set for 2018/19 as at the 30th September 2018.

2. Resource Implications

- 2.1 None directly as a result of this paper, but the investment income and borrowing costs do impact the revenue budget.

3. Key Issues

Background

- 3.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 3.2 The Council's Treasury Management Strategy for 2018/19 was approved by Executive on 21st February 2018.
- 3.3 Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and

the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. In England MHCLG published its revised Investment Guidance which came into effect from April 2018.

- 3.4 The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.
- 3.5 Through investment, the Council is potentially exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The Council seeks to moderate this impact by following the advice of its treasury advisers. This report covers treasury activity and the associated monitoring and control of risk.

Local Context

- 3.6 At 31 March 2018, the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £142.2m (an increase of £1.97m from 2016/17).
- 3.7 The Council's CFR is predicted to increase over the next 3 years due to the capital programme as currently known. Any further capital investment, for example in investment in property, would increase the CFR further still.

4. Treasury Performance

Borrowing Activity to 30th September 2018

- 4.1 At 30 September 2018 the Council held £125.0m of borrowing, (a decrease of £5.7m on 31/3/2018), which was used to fund the previous years' capital programmes – principally property investment.
- 4.2 At 30th September 2018, the Council had an upper authorised operational limit of borrowing £185m.
- 4.3 The Council's chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. On the advice of its treasury advisers, the Council has continued to borrow on a short term basis in order to take advantage of low interest rates and hence borrowing costs.
- 4.4 Borrowing has increased in the 6 month period due to investment property purchases.

Borrowing Position - 30.09.2018

	31.3.18 Balance £m	Movement £m	30.09.18 Balance £m	30.09.18 Weighted average rate %	30.09.18 Weighted average maturity years
Public Works Loan Board	16.10	12.94	29.04	2.76%	30.7
Local authorities (long-term)	0.77	(0.27)	0.50	0.00%	5.0
Local authorities (short-term)	102.50	(7.00)	95.50	0.56%	0.3
Total Borrowing	119.37	5.67	125.04	1.11%	0.9

Investment Activity to 30th September 2018

4.5 The Councils investment position at the half year is shown in the table below.

Investment Counterparty	Balance on 01/04/18 £000s	Investments Made £000s	Maturities/ Investments Sold £000s	Balance on 30/09/18 £000s	Average Income Rate at 30th September %
UK Central Government - Short Term	0	62,400	-61,500	900	0.30
UK Local Authorities - Long Term	2,000	0	0	2,000	1.30%
Banks, Building Societies & Other Organisations - Short Term	572	32,148	-32,620	100	0.14%
AAA-rated Money Market Funds - Short Term Cash Equivalents	9,752	30,180	-31,232	8,699	0.22%
- Long Term	2,151	46	0	2,197	4.52%
Total Investments	14,475	124,774	-125,353	13,897	1.33%

4.6 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

4.7 The Council maintained its investment in the CCLA Longer Term Property Fund whilst the remainder of investments were placed invested in short-term unsecured deposits and money market funds. The £2m longer term investment generated an average total return of £92k (4.52%), comprising £46k income return which is used to support services in year, and £46k of capital growth. As this fund has no defined maturity date, but is available for withdrawal after a notice period, its performance and continued stability in meeting the Council's investment objectives are regularly reviewed. In light of its recent performance the investment in this fund has been maintained.

- 4.8 In order to bring Local Government accounting in line with commercial accounting IFRS 9 – Accounting for Financial Instruments – was adopted for the year 2018/19. One implication of this adoption was that certain investments, such as pooled funds, would need to be accounted for at fair value with unrealised losses impacting the General Fund rather than going to reserves as is currently the case. Following representations from Local Government MHCLG consulted on a time limited statutory override to mitigate the impact on the General fund of IFRS9 by allowing Council’s to reverse the impact out. The Authority responded to the consultation which closed on 28th September and a final decision is awaited.
- 4.9 Security of capital has remained the Council’s main investment objective. This has been maintained by following the Council’s counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19.
- 4.10 Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council’s minimum long-term counterparty rating for institutions defined as having “high credit quality” is A+ across rating agencies Fitch, S&P and Moody’s); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
- 4.11 Annex A lists the Council’s investments as at the 30th September 2018.

Credit Risk

- 4.12 The table below shows counterparty credit quality as measured by credit Ratings.

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31.03.2018	4.42	AA-	3.65	AA-
30.09.2018	4.38	AA-	4.10	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

- 4.13 The average cash balances were £10m during the half year. The Council's best performing investment was its £2m of externally managed pooled (property fund) which generated an average return of 4.52%.
- 4.14 The majority of the Council's investments were kept in short-term money market rates and have remained at relatively low levels although these have increased slightly following the Bank of England base rate increase from to 0.75% in August 2018.
- 4.15 The Council's investment income for the first six months was £82k compared to an annual budgeted figure of £160k.

Counterparty Update provided in association with Arlingclose Treasury Advisers

- 4.16 Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.
- 4.17 The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.
- 4.18 There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.
- 4.19 Our treasury advisor, Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

Compliance with Treasury Management Indicators

- 4.20 The Council confirms compliance with its Treasury Management Indicators in the period to 30th September 2018. These were set in February 2018. Details of these indicators are shown in Annexes B and C.

Economic Review and Outlook for the remainder of the year

4.21 The Council's advisers Arlingclose have provided an Economic Review of the year so far and an outlook for Quarters 3 and 4. This is included in Annex D.

5. Options

5.1 The Executive is asked to note and comment on the report as appropriate.

6. Proposals

6.1 It is proposed that the Executive NOTE and COMMENT on the report;

7. Corporate Objectives and Key Priorities

7.1 The Treasury Management processes support the Council's objective of 'Delivering services efficiently, effectively and economically'.

8. Policy Framework

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

- New borrowing is to be 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 to be made in accordance with the MHCLG guidance on Local Authority Investments, on the basis of Fitch, Moody's and Standard & Poors credit ratings and as detailed in the Treasury Management Policy statement and approved schedules and practices.
- Sufficient funds to be available to meet the Council's estimated outgoings for any day.
- Investment objectives are to maximise the return to the Council balanced against the risks to protect reserves.

9. Legal Issues

9.1 The report demonstrates that the Council is complying with the Prudential Framework.

10. Risk Management

10.1 Weak returns on investments could lead to a reduction in income generated to support the revenue budget.

- 10.2 The limits in this report in respect to counterparties and investments are the overall limits for agreement by Council. 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.
- 10.3 The Council has taken and acted on advice from its advisers in relation to increasing returns albeit at increased risk and its borrowing strategy. There are risks that interest rates can change and that any investment is not guaranteed
- 10.4 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. However this can be mitigated by spreading investments amongst a number of institutions.

11. Officer Comments

11.1 None other than within the report.

Annexes	Annex A – Investments as at 30th September 2018 Annex B – Treasury Management Performance Indicators Annex C - Additional Compliance Information Annex D - Economic Review provided by the Council's Treasury Advisors
Background papers	CIPFA code on Treasury Management
Author/contact details	Nahidah Cuthbert Nahidah.cuthbert@surreyheath.gov.uk
Head of Service	Kelvin Menon - Executive Head of Finance

Annex A

INVESTMENTS as at 30th September 2018

	£	<u>Maturity Date</u>	
Debt Management Office	900,000	12-Oct-18	AA
Total Central Government	<u>900,000</u>		
Glasgow City Council	2,000,000	30-Oct-18	Unrated
Total Local Authorities	<u>2,000,000</u>		
AAA Rated MM Fund - Blackrock	3,000,000	N/A	AAA
AAA Rated MM Fund - CCLA	1,000,000	N/A	AAA
AAA Rated MM Fund - Legal and General	3,000,000	N/A	AAA
AAA Rated MM Fund - Standard Life (Ignis)	1,700,000	N/A	AAA
Total Money Market Funds	<u>8,700,000</u>		
CCLA Property Fund	2,197,004	N/A	None
Total Longer Term Investments	<u>2,197,004</u>		
NatWest Bank Accounts	99,584	Instant Access	BBB+
Total Invested	<u>13,896,588</u>		

Treasury Management Indicators as at the 30th September 2018

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 an amount of net principal borrowed will be:

	30.09.18 Actual	2018/19 Limit	Complied
Upper limit on fixed interest rate exposure	£0.2m	£190m	Yes
Upper limit on variable interest rate exposure	£0.3m	£190m	Yes

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

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 will be:

	Upper	Lower	Actual
Not over 1 year	100%	0%	77%
Over 1 but not over 2 years	100%	0%	0%
Over 2 but not over 5 years	100%	0%	2%
Over 5 but not over 10 years	100%	0%	2%
Over 10 but not over 15 years	100%	0%	1%
Over 15 but not over 20 years	100%	0%	1%
Over 20 but not over 30 years	100%	0%	1%
Over 25 but not over 30	100%	0%	3%
Over 30 but not over 40 years	100%	0%	6%
Over 40 years	100%	0%	7%
Total			100%

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 365 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 total principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£17m	£17m	£17m
Actual	£4m		

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] 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.

	Target	Actual 30/09/2018
Portfolio average credit rating	A+	AA-

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.

	Target	Actual 30/09/2018
Total cash available within 3 months	£5m	£7m

Additional Compliance Information

The Authority reports that all treasury management activities undertaken during 2018/19 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the table below:

Investment Limits

	2018/19 Limit	30.9.18 Actual	Complied
Any single organisation, except the UK Government	£3m each	£2.0m	Yes
UK Central Government	Unlimited	0	Yes
Any group of organisations under the same ownership	£3m per group	£0.1m	Yes
Any group of pooled funds under the same management	£5m per manager	£2.1m	Yes
Negotiable instruments held in a broker's nominee account	£10m per broker	0	Yes
Limit per non-UK country	£2m per country	0	Yes
Registered providers	£5m in total	0	Yes
Unsecured investments with building societies	£5m in total	0	Yes
Loans to unrated corporates	£2m in total	0	Yes
Money Market Funds	£10m in total	£8.7m	Yes

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

	30.09.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied
Borrowing	£125m	£185m	£190m	Yes

Economic Review provided by the Council's Treasury Advisors, Arlingclose

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August Inflation Report, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose's central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca:	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

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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:

<u>Item</u>	<u>Paragraph(s)</u>
13	3
14	3

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