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Friday, 6 December 2019

To: The Members of the **EXECUTIVE**
(Councillors: Richard Brooks (Chairman), Dan Adams, Vivienne Chapman,
Paul Deach, Josephine Hawkins, Charlotte Morley and Adrian Page)

Dear Councillor,

A meeting of the **EXECUTIVE** will be held at Surrey Heath House on Tuesday, 17 December 2019 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 - 6 |

To confirm and sign the open minutes of the meeting held on 19 November 2019 (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.

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| 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.

5.	Community Infrastructure Levy	7 - 16
6.	Council Tax Base and Review of the Local Council Tax Support Scheme	17 - 30
7.	Council Finances at 30 September 2019	31 - 36
8.	Treasury Management Mid-year Report for 2019/20	37 - 50
9.	Repurposing of the Ground Floor of Ashwood House	-
	Report to Follow	
10.	Exclusion of Press and Public	51 - 52
	Part 2 (Exempt)	
11.	Exempt Minutes	53 - 56
	To confirm and sign the exempt minutes of the meeting held on 19 November 2019 (copy attached).	
12.	Letting: Ashwood House, Unit 4, 15 Princess Way, Camberley, Surrey, GU15 3SP	57 - 62
13.	Review of Exempt Items	63 - 64
	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 Surrey Heath House on 19
November 2019**

+ Cllr Richard Brooks (Chairman)

+ Cllr Dan Adams	+ Cllr Josephine Hawkins
+ Cllr Vivienne Chapman	+ Cllr Charlotte Morley
+ Cllr Paul Deach	+ Cllr Adrian Page

+ Present

In Attendance: Cllr Peter Barnett, Cllr Tim FitzGerald, Cllr David Mansfield, Cllr Emma-Jane McGrath, Cllr Sashi Mylvaganam, Cllr Morgan Rise, Cllr Graham Tapper, Cllr Victoria Wheeler and Cllr Valerie White

48/E Minutes

The open and exempt minutes of the meeting held on 15 October 2019 were confirmed and signed by the Chairman.

49/E Questions by Members

The Leader responded to a question from Councillor Morgan Rise concerning the release of exempt information agreed at the Council meeting on 9 October 2019. It was advised that the Monitoring Officer would write to Councillors to update them on the expected timescales for the release of this information.

50/E Mid-Year Performance Report 2019/20

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 2019/20 Mid-Year Report.

51/E Camberley Theatre Frontage & Lighting Upgrades

The Executive was informed that, in August 2018, temporary protective netting had been installed around the external frontage of the Theatre following a number of the tiles that had been in place since the 1970s coming loose and falling off. Upon expert investigation, the concrete beneath the tiles had been deemed unstable so the tiles could not be reinstalled; there was also a risk that further tiles may fall off.

Members were advised that all of the tiles would need to be removed, which would leave the Theatre with an unattractive façade.

The Executive was informed that an upgrade of the theatre lighting desk and projector were also needed due to the age of existing equipment and demands of hirers and professional companies. The current theatre lighting desk would no

longer be supported by manufacturer updates from November 2019. A replacement lighting desk was expected to cost in the region of £13,000.

Members were advised that projectors were used regularly for a range of activities. The current projector was inefficient in its energy use and not sufficient for the needs of hirers. A replacement commercial projector was expected to cost in the region of £11,000.

It was proposed to recover the costs of these repair work and acquisitions through a restoration levy of £1 per ticket. A restoration levy had been applied in 2015 to fund replacement auditorium seating, which had recently been repaid. The Executive agreed that the levy would be kept under review.

RESOLVED that

- (i) improvement works to the Camberley Theatre be carried out as detailed in the agenda report;**
- (ii) the council funds the cost of the repair and purchase of new equipment of up to approximately £150,000 which will be recovered over the next 5 years by continuing the charge the restoration levy of £1 per ticket (circa £30k pa);**
- (iii) a tender process to source and appoint a suitable contractor be undertaken; and**
- (iv) the project delivery be delegated to the Executive Head of Business, in consultation with the Places & Strategy Portfolio Holder.**

RECOMMENDED that

- (i) £24,000 be added to the capital programme to fund the cost of a new lighting desk and commercial projector; and**
- (ii) the proposal to add £125,000 to the Corporate Capital Programme for 2020/21 for the cost of the refurbished frontage be noted.**

52/E Appointment of a Climate Change Working Group

The Executive considered a report proposing the establishment of a Climate Change Working Group. This proposal followed the decisions of the Council at its meeting on 9 October 2019.

The initial Terms of Reference for the Working Group were noted; however, the Key Objectives of the Working Group would be discussed at its first meeting.

Group Leaders would be asked to nominate members to the Working Group in accordance with the membership set out in the Terms of Reference.

RESOLVED that

- (i) a Climate Change Working Group be established**
- (ii) the initial Terms of Reference, as set out at Annex A to the agenda report, be endorsed;**
- (iii) details of the Key Objectives of the Working Group be discussed at the first meeting of the Working Group; and**
- (iv) Group Leaders be asked to nominate members to the Working Group in accordance with the membership set out at Annex A to the agenda report.**

53/E Write-Off of Irrecoverable Bad Debts

The Executive considered a report seeking authority to write-off irrecoverable revenues bad debts over £1,500. It was advised that all of the debts had been subject to the relevant recovery action and tracing enquiries had been undertaken.

RESOLVED that bad debts totalling £29,578.97 in respect of Council Tax and £384,178.94 in respect of Non-Domestic Rates be approved for write off.

Note: It was noted for the record that Councillors Dan Adams and Paul Deach declared that they had previously worked with some of the companies listed in the exempt annex containing details of the write-offs.

54/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)
48/E (part)	3
49/E (part)	3
53/E (part)	1
55/E	3
56/E	3
57/E	1&3

Note: Minutes 55/E, 56/E and 57/E are summaries of matters considered in Part II of the agenda, the minutes of which it is considered should remain confidential at the present time.

55/E Lease renewal: Unit 20 St Georges Industrial Estate, Wilton Road, Camberley, Surrey, GU15 2QW

The Executive made decisions regarding a lease for Unit 20 St Georges Industrial Estate.

56/E Parks and Grounds Maintenance Interim Arrangements and Contract Renewal

The Executive made decisions in relation to the Parks and Grounds Maintenance Contract.

57/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.

Chairman

Community Infrastructure Levy

The Council has been collecting CIL funding since the Charging Schedule came into effect on the 1st December 2014.

The CIL Regulations require that the Council, as the collecting authority, pay money over to the parishes where development has taken place. It is for the parishes to decide how to use that money, and to publish its CIL income and expenditure.

The Council received a total of £1,299,716.82 for the reporting period 1st April 2019 – 30th September 2019.

A breakdown of the CIL receipts received for this reporting period is shown in Appendix 1, attached to this report.

Portfolio: Finance

Wards Affected

All

Recommendation

The Executive is advised to RESOLVE

- (i) To note the CIL monies received;
- (ii) that 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) that the remaining CIL contributions held by the Council be retained for spending to support key priorities.

1. Resource Implications

- 1.1 CIL includes a contribution toward the cost of administration of the scheme. The monies raised are covering the cost of administration.

2. Key Issues

- 2.1 Section 106 payments are now increasingly being replaced by Community Infrastructure Levy contributions.
- 2.2 In respect of monies collected to date, Appendix 1 lists CIL monies collected from sites by parish and ward in the period 1st April 2019 – 30th September 2019. It also sets out how the CIL money is apportioned out according to the priorities in the Section 123 List in particular for SANGs and parishes.
- 2.3 It should be noted that from 1st September 2019, new amendments to the CIL regulations were introduced requiring an Infrastructure Funding Statement to replace the Section 123 List. The regulations introduce a

requirement for councils to publish "infrastructure funding statements". These statements will replace existing Regulation 123 lists and should include details of how much money has been raised through developer contributions and how it has been spent. Statements must be published on local authority websites at least once a year. Councils will be required to publish their first statements by 31 December 2020.

- 2.4 The expenditure of CIL is governed by regulations. Thus payments must be reported half yearly to Executive and payments to parishes must be made half yearly, the Council has no discretion in this. The Council is also required to report on levy income and spending on its website on 31st December each year.
- 2.5 The CIL Regulations require that no more than 15% of CIL collected within parishes and wards is payable. The payment to parishes and wards, in the absence of a neighbourhood plan, is currently capped at £100 per annum for each existing Council tax dwelling. Where neighbourhood plans have been adopted, 25% of CIL collected within parishes and wards is payable. This is uncapped.
- 2.6 The Windlesham Neighbourhood plan was adopted at Full Council on 12th June 2019. This covers the Windlesham ward only within the Windlesham Parish area. From 12th June 2019, this ward will receive 25% of CIL collected within this ward. CIL collected in the other areas of Windlesham Parish remains at 15%. To date, no CIL has been collected from development in this ward since the neighbourhood plan was adopted.
- 2.7 Under the CIL Regulations, the Levy portion collected for Parishes and Wards from new development must be spent on infrastructure provision in the local area in which development takes place.
- 2.8 Funding received for neighbourhoods in excess of the capped limits (currently capped at £100 per annum for each existing Council tax dwelling), is retained by the Council (as the Local Charging Authority) to spend on General Levy funds. This must be spent on infrastructure.
- 2.9 Payments to parishes' payable from 1st April 2019, for income collected in the last reporting period were as follows;
 - a. Chobham £696.30
 - b. West End £194,800.00
 - c. Windlesham Parish £20,408.77
- 2.10 In March 2015, the Executive agreed that as with the parishes a 15% proportion would be available to spend for non-parished areas according to local priorities. Whilst, the amount of money available to spend remains low at this time there may be small scale projects within these areas that would benefit.

3. Options

- 3.1 The options for the Executive to agree are:

- (i) To agree that Ward Councillors for the non-parished areas be asked to submit to the CIL Governance Panel ideas for spending CIL generated within their wards.
- (ii) To not agree that Ward Councillors for the non-parished areas be asked to submit to the CIL Governance Panel ideas for spending CIL generated within their wards.
- (iii) To agree that that the remaining CIL contributions held by the Council be retained for spending to support key priorities
- (iv) To not agree that that the remaining CIL contributions held by the Council be retained for spending to support key priorities.

3.2 3.2 The Executive is asked to agree options (i) and (iii).

4. Proposals

4.1 In accordance with the Executive resolution in March 2015, Ward Councillors for the non-parished areas are reminded to submit suggestions and bids in writing to the CIL Governance Panel, for projects in their areas to be funded from the 15% of CIL collected in those areas. The CIL Governance Panel is made up of the Chief Executive, Head of Regulatory Services, the Leader of the Council and Portfolio holder. Ward Councillors can also choose to save the money to roll forward to fund larger projects or combine across wards for jointly beneficial projects. The amount collected in the reporting period 1st April 2019 – 30th September 2019 within these areas is as follows:

- Deepcut & Mytchett £9,350.22
- Frimley £6,420.26
- St Michaels £7,878.57
- Town £1,971.00
- Watchetts £1,956.93

4.2 At the time of writing, the current CIL collected and available to each ward is as follows:

Deepcut & Mytchett - £32,327.22
 Frimley Green - £0.00
 Frimley - £27,758.36
 Heatherside - £46,074.79
 Old Dean – £0.00
 Parkside – £47,900.11
 St Michael's - £44,522.60
 St Paul's - £16,146.00
 Town - £171,023.83
 Watchetts - £4,737.95

4.3 Local projects will then be put forward to the Executive for agreement for funding in 2019/20 in combination with any projects taken forward from any remaining Planning Infrastructure Contributions.

5. Supporting Information

- 5.1 Income from CIL has steadily increased since the CIL Charging Schedule was introduced in December 2014. The levy is only payable on development which creates net additional floor space, where the gross internal area of new build exceeds 100 square metres.
- 5.2 It is anticipated that CIL income will continue to increase in the next coming year.
- 5.3 The CIL income received from each development is proportioned as follows:
- 5% - Administration
 - 15% -to local neighbourhood ward or Parish (25% where Neighbourhood Plan adopted))
 - £125.00 per sqm (charged on net additional floor space created) - to SANG (Suitable Alternative Natural Greenspace)
 - Balance of income allocated to Surrey Heath BC CIL Main Fund for spending on the priorities, as set out in the Council's Section 123 List.
- 5.4 Surrey Heath Borough Council also operates an instalment policy. The instalment policy requires the SANG element of the charge to be paid on commencement of the development, with the remaining instalment payments allocated, as set out in paragraph 5.3 above.
- 5.5 A total of £1,299,716.82 has been collected for the reporting period 1st April 2019 – 30th September 2019.
- 5.6 Of the total amount collected for this period, £457,646.21 is retained by the Council, with £549,674.21 payable to SANGS.

6. Corporate Objectives And Key Priorities

- 6.1 PLACE - to make Surrey Heath an even better place where people are happy to live.
- 6.2 PROSPERITY - to sustain and promote the local economy so that our people can work and do business across Surrey Heath by promoting improvements to local transport and infrastructure.

7. Policy Framework

- 7.1 The ability to set a CIL charge is set out in the Planning Act 2008 (as amended) and Community Infrastructure Levy Regulations 2010 (as amended). A CIL charging schedule will sit alongside the Local Plan, although it does not form part of the statutory development plan.

8. Legal Issues

8.1 The legislation requires that that 15% of CIL funds received are transferred to a Parish Council where development has occurred in that area, 25% where that Parish Council has a Neighbourhood Plan. Payment commenced on 28th October 2015 and six monthly periods thereafter.

9. Governance Issues

9.1 Surrey Heath BC may arrange the transfer of CIL revenue to Surrey County Council as part of a programme to prioritise improvement of infrastructure in the Borough. This will be for projects or assets that are normally delivered through County Council resources. Such projects would be agreed on a case basis by the Executive.

10. Sustainability

10.1 CIL will enable the Borough Council to direct funding to those projects which it believes best meet the needs of the local community and to support a sustainable community with the Borough.

11. Risk Management

11.1 If the housing targets set out in the Council’s Core Strategy are not delivered then this would have financial implications in respect of the amount of CIL which would be raised. In addition the prior consent regime takes development outside of CIL, the government is proposing to extend this regime.

Annexes	Appendix 1 - List of CIL Income 01/04/2019 – 30/09/2019
Background Papers	
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Head of Service	Jenny Rickard

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APPENDIX 1

Community Infrastructure Levy (CIL) Income received 1st April 2019 – 30th September 2019

<u>Application No</u>	<u>Address</u>	CIL Admin (5%)	Neighbourhood (15%)	SANGS	CIL Main Fund	CIL Status
15/0445	Land North & East of Malthouse Farm, 70, Benner Lane, West End Erection of residential development to provide 95 dwellings.	£29,790.00	£151,722.14 (West End)		£20,077.86	Final Instalment received. 06/08/2019
16/0124	Clockhouse, 65 Park Street, Camberley Erection of a part third storey, part 3 storey rear extension to retain ground floor office use and provide residential use to the rear and above to provide in total 2no two bed and 3no one bed flats.				£4,494.00	Final instalment received. 25/06/2019
16/0554	Land South of 24-46 (evens) Kings Road & 6 & 9 Rose Meadow, West End Erection of a residential development to provide 84 dwellings.				£203,094.11	Instalment Payment
16/0949	Hayward House 1, Portesbery Road, Camberley Erection of a four storey building to provide Class A2/Class B1a offices at ground floor with residential development above comprising 9 flats.			£16,463.05 (Shepherds Meadow)		Instalment Payment
16/0985	24, Cromwell Road, Camberley Erection of a two bed dwelling.	£657.00	£1,971.00 (Town)	£9,125.00 (Chobham Woods)	£1,387.00	Complete (All monies received 30/08/2019)

<u>Application No</u>	<u>Address</u>	<u>CIL Admin</u> (5%)	<u>Neighbourhood</u> (15%)	<u>SANGS</u>	<u>CIL Main Fund</u>	<u>CIL Status</u>
17/0267	18, Park Street, Camberley Erection of a four storey building to provide hairdressing salon (Class A1), with coffee shop (Class A3), with 8 no one bed flats over, following demolition of existing building.	£2,626.19	£7,878.57 (St Michaels)	£33,500.00 (Shepherds Meadow)	£8,519.10	Complete (All monies received 13/08/2019)
17/0399	42, Kings Road and Land to rear of 40-46 West End Residential development to provide 23 dwellings.	£1,431.10	£43,077.86 (West End)		£47,198.20	Complete (All monies received 27/08/2019)
17/0475	Half Acre, 34 London Road, Bagshot Erection of a 2 storey building to comprise four 2 bed flats, two 1 bed flats and three 4 bed, two storey terraced houses.	£6,803.72	£20,408.77 (Windlesham)	£70,750.00 (Chobham Woods)	£38,096.84	Complete (All monies received 15/04/2019)
17/0503	Land at Former Sparks Garage, 2, London Road, Camberley Erection of 9 flats.			£36,073.61 (Hawley Woods)		Instalment Payment
17/0745	Ashwood House 16-22 Pembroke Broadway, Camberley Conversion of existing second & third floor levels & erection of a 2 storey roof extension to provide 116 residential apartments.			£201,301.50 (Chobham Woods)		Instalment Payment

<u>Application No</u>	<u>Address</u>	CIL Admin (5%)	Neighbourhood (15%)	SANGS	CIL Main Fund	CIL Status
17/0670	Pembroke House 148, Frimley Road Camberley Demolition of existing building & erection of a four storey building to comprise flexible commercial floorspace at ground floor level & 25 residential apartments.				£13,658.30	Instalment Payment
17/0701	Parkgate House 185-187, London Road, Camberley Change of use of first & second floor of building from A2 office use to C3 residential use and raising roof to create additional floor to provide 4 studio apartments, 8 one bed & 2 two bed apartments.	£1,465.09		£13,180.91 (Shepherds Meadow))		Final Instalment received 11/03/2019
18/0311	Land to rear of Thurdon, Bear Cottage and Homeleigh, Beldam Bridge Road, West End Erection of three 4 bedroom and one 5 bedroom dwellings.				£75,699.76	Instalment Payment
18/0618	Land adjacent to Holly Lodge, Waterperry Lane, Chobham Erection of a single storey building to comprise a 2 bed detached dwelling house.	£232.10	£696.30 (Chobham)	£2,637.50 (Chobham Woods)	£1,076.10	Complete (All monies received 29/07/2019)

<u>Application No</u>	<u>Address</u>	<u>CIL Admin</u> (5%)	<u>Neighbourhood</u> (15%)	<u>SANGS</u>	<u>CIL Main Fund</u>	<u>CIL Status</u>
18/0667	24 & Greenways, 26,London Road, Bagshot Erection of a three storey building to provide 15no 1 bed and 10no two bed retirement apartments.			£110,300.77 (Chobham Woods)		Instalment Payment
18/0804	Barclays Bank, 17 Frimley High Street, Frimley Erection of a first/second floor rear extension and conversion of building to provide restaurant/wine bar to ground floor with 2no two bed flats over.	£1,556.88	£4,670.66 (Frimley)	£16,000.00 (Windlemere)	£8910.20	Complete (All monies received 07/08/2019)
18/0827	83, Middlemoor Road, Frimley Erection of a two storey 1 bed end of terrace dwelling house.	£583.20	£1,749.60 (Frimley)	£5,975.00 (Chobham Woods)	£3,356.20	Complete (All monies received 07/08/2019)
17/0872	99-103 Deepcut Bridge Road, Deepcut Six two storey 3 bed dwellings	£3,116.76	£9,350.22 (Deepcut & Mytchett)	£27,704.37 (Chobham Woods)	£6,579.78	Final Instalment received 19/07/2019
19/0021	Doone Cottage, Linfield & Little Rosewarne, Potteries Lane, Mytchett Erection of 6no three bed & 2no two bedroom houses.				£21,724.27	Instalment Payment
19/0068	232,Frimley Road, Camberley Conversion of existing dwelling to form 5no 2 bed flats, erection of single storey side & rear extension.	£652.31	£1,956.93 (Watchett)	£6,662.50 (Windlemere)	£3,774.49	Complete (All monies received 02/07/2019)
		£48,914.35	£243,482.05	£549,674.21	£457,646.21	

OVERALL TOTAL - £1,299,716.82

The Council Tax Base and the Local Council Tax Support Scheme

Summary

To approve the Council Tax Base and Council Tax technical changes for 2020/21.
To review the Local Council Tax Support Scheme for 2020/21 including the level of support given to parishes as compensation.

Portfolio - Finance

Date signed off: 9 December 2019

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	1,676.50
Chobham	2,058.83
Frimley and Camberley	24,283.22
West End	2,313.69
Windlesham	8,193.62
 Surrey Heath Borough Council	 38,525.86

- (ii) that £19,943.44 be given to Parishes in 2020/21 to offset the effect on the tax base of the Local Council Tax Support scheme; and
- (iii) 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 28 day Council Tax discount for an empty unoccupied and substantially unfurnished property be removed for these properties using the freedoms given in the Local Government Finance Act 2012 and relevant statutory instruments;
- (ii) the Local Council Tax Support Scheme for Surrey Heath, approved by Council on 22 January 2013, remains unchanged for 2020/21;
- (iii) the Council Tax Exceptional Hardship Policy remains unchanged for 2020/21;

- (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 2020/21 by 31st January 2020.
2. The 2020/21 Council Tax for this Borough will be set at the Council meeting on 26th February 2020.
3. The increase in the tax base of 471 will generate an additional £103,000 in income for Surrey Heath. The increase in the tax base takes in to consideration a number of anticipated new property developments due for completion during 2020/21 which should add 400 Band D equivalent properties to the tax base.
4. Surrey County Council has said that any additional income generated by the reduction in empty property relief normally due to them would be returned to Districts to support community services. The 28 day unoccupied and substantially unfurnished discount is currently worth c £190k.
5. In February 2015 the Government included money to be provided to compensate parishes for the loss of income from the Local Council Tax Support Scheme (LCTSS) within the Council's Revenue Support grant. However from 2017/18 the Revenue Support Grant was reduced to zero and hence the funding lost. Recognising that to remove this income from parishes could have a detrimental impact on them 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	Proposed change in 2020/21
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	No change
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.	No discount to be given at all. Bills with a value of under £10 would be cancelled
Furnished Homes not occupied as anyone's main home	Can discount up to 10%	No discount from day one	No change
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	No change
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	No change

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 per annum 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 transfer to Universal Credit of some claimants it is recommended that the scheme remains unchanged at present time.
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 from 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 2020/21 the compensation given to parishes remains unchanged from 2019/20. The level of support is shown in the table below:

Parish/Town	Support given in 2019/20 and 2020/21
--------------------	---

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 2020.

Proposals

17. It is proposed that the Executive:

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

	Band D Equivalent Properties
Bisley	1,676.50
Chobham	2,058.83
Frimley and Camberley	24,283.22
West End	2,313.69
Windlesham	8,193.62
Surrey Heath Borough Council	38,525.86

- (ii) resolve that £19,943.44 be given to Parishes in 2020/21 to offset the effect on the tax base of the Local Council Tax Support scheme;
- (iii) resolve that the final setting of the Tax Base be delegated to the Executive Head of Finance; and
- (iv) Recommend the 28 day Council Tax discount for an empty unoccupied and substantially unfurnished property be removed but that a deminimis charge of £10 be introduced for these properties using the freedoms given in the Local Government Finance Act 2012 and relevant statutory instruments;
- (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 2020/21.
- (vi) Recommend that the Council Tax Exceptional Hardship Policy remains unchanged for 2020/21.

- (vii) 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.
- (viii) 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 7th October 2019.
 - 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 2020/21.
 - e) The losses on collection allowance remains unchanged at 1.5%, 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 2020 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 2020/21.

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.

Annexe A	Council Tax Base calculations for Surrey Heath and Parishes
Background Papers	None
Author/Contact Details	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

ANNEX A

2020/21										
Surrey Heath						BANDS				
	@	A	B	C	D	E	F	G	H	TOTAL
1.Total number of dwellings on the Valuation List		620	2245	6041	9874	6760	5802	5104	518	36964.00
Number of dwellings exempt		65	54	214	166	227	87	51	18	882.00
2. Adjusted number of chargeable dwellings		555	2191	5827	9708	6533	5715	5053	500	36082.00
Number of chargeable dwellings subject to disabled reduction		0	4	14	36	28	33	29	10	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	0	4	14	36	28	33	29	10	0	
3. Adjusted number of chargeable dwellings	0	559	2201	5849	9700	6538	5711	5034	490	36082.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	0	313	1272	2385	2946	1513	934	650	49	10062.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	12	2	3	6	2	3	12	4	44.30
4. Adjusted number of chargeable dwellings	0	474.8	1882.0	5251.1	8960.5	6158.8	5476.0	4865.5	475.8	33544.35
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	4	11	8	8	6	4	4	4	49.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	1	6	54	19	5	6	2	0	93.00
5. Adjusted number of chargeable dwellings	0.0	475.8	1881.5	5201.1	8945.5	6156.8	5472.0	4865.5	477.8	33475.9
Reduction in taxbase as a result of local council tax support	0.00	114.18	465.62	517.28	467.61	108.12	32.97	20.21	0.81	1,726.80
6. Adjusted number of chargeable dwellings	0.00	361.62	1,415.88	4,683.77	8,477.89	6,048.63	5,439.03	4,845.29	476.94	31,749.05
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	241.1	1101.2	4163.4	8477.9	7392.8	7856.4	8075.5	953.9	38262.1
Adjustment for expected new properties at Band D										400
Less										
Allowance for loss on collection of 1.5%										579.94
MOD PROPERTIES										443.80
Tax Base after adjustment										38,525.85

2020_21 BISLEY	BANDS								TOTAL
	A	B	C	D	E	F	G	H	
1.Total number of dwellings on the Valuation List	7	69	197	381	322	369	180	6	1531.00
Number of dwellings exempt	4	1	1	1	3	1	3	0	14.00
2. Adjusted number of chargeable dwellings	3	68	196	380	319	368	177	6	1517.00
Number of chargeable dwellings subject to disabled reduction	0	0	0	1	2	3	0	2	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	0	0	1	2	3	0	2	0	
3. Adjusted number of chargeable dwellings	3	68	197	381	320	365	179	4	1517.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	0	45	86	100	89	54	18	1	393.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	1	0	0	0	0	0	1	1.50
4. Adjusted number of chargeable dwellings	3.0	56.5	175.5	356.0	297.8	351.5	174.5	3.3	1418.00
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	0	0	0	1	0	0	0	1.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	1	2	0	0	1	0	0	4.00
5. Adjusted number of chargeable dwellings	3.0	55.5	173.5	356.0	298.3	350.5	174.5	3.3	1414.50
Reduction in taxbase as a result of local council tax support	0.00	4.67	16.38	12.37	4.90	0.37	2.65	0.00	41.34
6. Adjusted number of chargeable dwellings	3.00	50.83	157.12	343.63	293.35	350.13	171.85	3.25	1,373.16
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 equivalentents after allowance for council tax support	2.0	39.5	139.7	343.6	358.5	505.7	286.4	6.5	1682.0
Adjustment for expected new properties at Band D									20
Less									
Allowance for loss on collection of 1.5%									25.53
MOD PROPERTIES									0.00
Tax Base after adjustment									1,676.50

2020-21 Frimley and Camberley										
		BANDS								
	@	A	B	C	D	E	F	G	H	TOTAL
1.Total number of dwellings on the Valuation List	0	431	1789	4547	6933	4022	2960	3339	130	24151.00
Number of dwellings exempt	0	48	39	196	144	197	69	38	12	743.00
2. Adjusted number of chargeable dwellings	0	383	1750	4351	6789	3825	2891	3301	118	23408.00
Number of chargeable dwellings subject to disabled reduction	0	0	4	10	25	18	14	22	5	
Number of dwellings effectively subject to council tax for this band by virtue of disabled relief	0	4	10	25	18	14	22	5	0	
3. Adjusted number of chargeable dwellings	0	387	1756	4366	6782	3821	2899	3284	113	23408.00
Number of dwellings in line 3 entitled to a single adult household 25% discount	0	254	980	1631	1996	824	443	438	6	6572.00
Number of dwellings in line 3 entitled to a 50% discount including Annexes	0	8	1	3	4	2	3	12	1	34.38
4. Adjusted number of chargeable dwellings	0	319.5	1510.5	3956.6	6281.0	3614.0	2786.8	3168.5	111.0	21747.81
Number of dwellings in line 4 classed as empty and being charged the Empty Homes Premium	0	2	7	5	4	3	1	0	2	24.00
Number of dwellings in line 4 classed as empty and entitled to 28 day 100% discount	0	0	3	46	16	2	4	1	0	72.00
5. Adjusted number of chargeable dwellings	0	321	1,511	3,913	6,267	3,614	2,783	3,168	112	21687.81
Reduction in taxbase as a result of local council tax support	0.00	89.17	383.91	353.79	334.67	58.50	16.26	11.66	0.00	1,247.96
6. Adjusted number of chargeable dwellings	0.00	231.33	1,127.09	3,559.27	5,932.33	3,555.00	2,766.99	3,155.84	112.00	20,439.85
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	154.2	876.6	3163.8	5932.3	4345.0	3996.8	5259.7	224.0	23952.5
Adjustment for expected new properties at Band D										250
Less										
Allowance for loss on collection of 1.5%										363.04
MOD PROPERTIES										443.80
Tax Base after adjustment										24,283.23

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Council Finances as at the 30th September 2019

Summary

To provide the Executive with a high-level view as to the Financial Performance for the period to 30th September 2019. To Recommend additions to the capital programme for 2019/20.

Portfolio - Finance

Signed off: 4 December 2019

WARDS AFFECTED

All

RECOMMENDATION

The Executive is advised to RESOLVE to note the report.

The Executive is advised to RECOMMEND to Council the additions to the 2019/20 capital programme, as set out in the report.

1. Key Issues

- 1.1 This report covers the first six months of the financial year to the 30th September 2019. Its purpose is to give members a high-level view of the financial performance of services for the period, highlighting any significant variances against 2019/20 approved budget, which may influence the year-end outturn. It also provides an update on the Capital budget position as well as Debtors and Treasury as at the 30th September 2019.
- 1.2 We are now 6 months into the financial year, which allows us to provide a more accurate forecast as to the outturn at year-end. Services are forecasting that they will be underspent on the budget overall at the end of the financial year. Income for garden waste and parking are currently falling behind budget and so these areas are being monitored closely to see whether there is likely to be any impact as the year progresses.

2. Resource Implications

Revenue Budget

- 2.1 Actuals against Budget for the first six months are shown in the attached Annex A. Overall corporately, it is forecast that spending will be on budget at the end of the financial year.

Capital Budget

- 2.2 As at 30 September 2019, £2.3m had been spent on capital projects. This included £1.1m on the new Arena project, £378k for the London Road Block, £322k on renovation grants, £98k on the high street public realm improvements and £173k on Playgrounds.

Additions to the Capital Programme for 2019/20

- 2.3 Members are asked to recommend to Council the following additions to the capital program for 2019/20:

- a) £50k – Obelisk and Camberley Park improvements

Executive recently agreed a drawn down of £50k from the Camberley Park S106 agreement for structural works to the grade 2 listed Obelisk and the budget will be increased to reflect this extra funding.

- b) £20k - Pennypot Lane Culvert Works

To increase the project budget by £20k due to additional funding being received.

Treasury Investments

- 2.4 The Council currently has £10.3M in cash investments and £151.2m in borrowings. Based on the advice of our Treasury advisers, £57m 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 housing benefits. At the 30th September 2019, these amounted to £3.2m compared with £3.7m for the same period last year. The reduction of £0.5m relates mainly to a change in accounting treatment for our investment property debts and Surrey County Council paying the backdated rent for occupying Surrey Heath House and small decreases in the amounts of CIL and joint waste debts outstanding.

Housing Benefit Debts

- 3.2 These debts arise when an overpayment in housing benefit has been made and thus have to be recovered. At the 30th July 2019, the balance was £577k compared with £538k at the end of July 2019. During the last 2 months, £60k was collected and £99k of new debts was raised. 24 debtors, or around 9% of the total, account for over half of the debt.

4. Officer Comments

4.1 The performance of the first six months has been encouraging however, a number of income streams will need to be monitored as the year progresses.

5. Options

5.1 Members can accept, reject or amend the proposal.

6. Proposals

6.1 It is proposed that the Executive:

- I. NOTES the report;
- II. RECOMMENDS to Council the additions to the 2019/20 capital programme as set out in 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.

BACKGROUND PAPERS	None
AUTHOR/CONTACT DETAILS	Adrian Flynn Chief Accountant Adrian.Flynn@surreyheath.gov.uk
HEAD OF SERVICE	Kelvin Menon Executive Head of Finance Kelvin.menon@surreyheath.gov.uk

Summary Information on the Revenue Budget Position at 30th September 2019

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

The statements below show the actual position against profiled budget as at the 30th September 2019 excluding pensions, redundancy and asset recharges, as these are not in control of the services themselves.

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.

Interest received, is expected to be ahead of the budget forecast at year-end, based on the returns received to the 30th September 2019.

Transformation

All budgets are on track to meet their year-end targets except for telephones which is forecasting an overspend relating to both landline and mobile charges and software licences. The software variance is caused in part by the changeover to the cloud and how licences are now calculated for cloud based systems, which is based more on users, rather than just the system itself as in the past.

Corporate

Corporate expenditure budgets are forecast to be under budget at year-end.

Business

The vast majority of the expenditure budgets are on track to be on or around budget at year-end, but there are a couple of matters that may cause issues as the year progresses.

Car Parking Income is below budget at present due to a decrease in the town centre footfall compared to last year. In addition, there has been no increase in charges. The town centre working group are currently looking into car parking provision in the town centre including fees and charges.

In respect of the Theatre, sales and room hire income are forecasted to be above budget at year-end based on activity so far. Artists fees have exceeded the budget and so may result in an overspend. The theatre is working to ensure that this is managed during the year but the overall performance of the theatre has improved significantly.

Regulatory

The majority of budgets are forecast to be on track to meet budget targets at year-end, planning income is well above budget but is expected that activity may reduce as the year progresses. Housing has also received a large unbudgeted homelessness grant during the period, however it is anticipated that this will be spent by year-end.

Legal and Property

As the purchase of Theta did not take place until the year-end, the net rental income was not included in the 2019/20 budget. Some of this income will be used to offset increased expenditure in business rates, service charges and planned maintenance costs but will still generate a surplus at the year-end to offset other budget pressures elsewhere

Investment & Development

Our town centre investments are under pressure due to rent renewals and CVAs. The Council's retail agents are working hard in order to minimise the impact of any shortfall on the year-end outturn.

Community

All budgets are on track to meet budget targets at year-end, other than the variable element of the waste contract, which may report an adverse variance due to issues with Amey around garden waste income. There is a considerable amount of uncertainty with this figure until the dispute has been resolved.

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Treasury Management Mid-year Report for 2019/20**SUMMARY**

This Report advises members of the Treasury Management Service performance for 2019/20 as at 30th September 2019 and illustrates the compliance to-date with the Treasury Management Indicators for 2019/20.

Portfolio - Finance

Date signed off: 4th November 2019

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 2019/20 as at the 30th September 2019.

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 2019/20 was approved by Executive on 19th February 2019.
- 3.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.

The Council's Capital Strategy, complying with CIPFA's requirement, was approved by Full Council on 19th February 2019.

- 3.4 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 is also exposed to increases in revenue costs on its borrowing due to changes in interest rates. The Council seeks to moderate this impact by following the advice of its treasury advisers. This report covers treasury and borrowing activity and the associated monitoring and control of risk.

Local Context

- 3.5 At 31 March 2019, the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £189.7m (2018/19 - £142.2m), an increase of £47.5m from 2018/19 mainly due to property acquisitions of £41m during the year. The property acquisitions were in respect of industrial units at Trade City in Frimley and Vulcan Way in Sandhurst and Theta Building in Frimley. The Council must not borrow in excess of its CFR requirement and indeed at the 30th September total borrowing was £151.2m.
- 3.6 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 2019

- 4.1 At 30 September 2019 the Council held £151.85m of borrowing, (a decrease of £23.8m on 31/3/2019) as part of its strategy for funding previous and current year's capital programmes. The decrease was due to repayment of short term borrowing that became due in the first period of the financial year 2019/20 being repaid by PWLB loans that were taken at the end of the 2018/19 financial year.

The borrowing position is shown in the table below:

Borrowing Position - 30.09.2019

	31.3.19	Movement	30.09.19	30.09.19
	Balance		Balance	Weighted
	£m	£m	£m	average
				rate
				%
Public Works Loan Board	57.30	-0.54	56.76	2.54%
Local authorities (long-term)	0.51	-0.27	0.25	0.00%
Local authorities (short-term)	117.85	-23.00	94.85	0.82%
Total Borrowing	175.65	-23.80	151.85	1.68%

- 4.2 At 30th September 2019, 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. With short term rates remaining much lower than long term rates, on the advice of its treasury advisers, the Council considered it to be more cost effective in the near term to borrow short term loans instead.
- 4.4 In order to reduce risk the Council entered into £50million of forward starting loans during 2017/18 with forward starting dates. Hence in 2020/21 a loan of £25million with a fixed interest rate of 2.853% will be advanced to the Council and then a further £25m in 2021/22 with a fixed interest rate of 2.908% will be advanced. Both loans will be repayable over 40 years.
- 4.5 The PWLB has increased the margin applied to loan rates by 100 basis points as of 9th October 2019. The new margin above gilts is now 180 basis points for certainty rate loans. Early repayment rate margins are unchanged. They cite an increase in the use of PWLB loans at some authorities in recent months as the cost of borrowing has fallen to record lows. This means that the cost of borrowing for 50 years is now almost 3%.

Investment Activity to 30th September 2019

- 4.6 The Council held invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Council's average investment balance was £11.9 million.
- 4.7 The Council's investment position at the half year is shown in the table below.

Investment Activity Summary at 30 September 2019

Investment Counterparty	Balance on 01/04/19	Investments Made	Maturities/ Investments Sold	Balance on 30/09/19	Average Income Rate at 30th September
	£000s	£000s	£000s	£000s	%
UK Central Government - Short Term	27,500	84,050	(109,750)	1,800	0.50%
Banks, Building Societies & Other Organisations - Short Term	646	34,403	(34,702)	347	0.21%
AAA-rated Money Market Funds - Short Term Cash Equivalents - Long Term	0 2,184	25,150 14	(15,150) 0	10,000 2,198	0.69% 4.23%
Total Investments	30,330	143,617	(159,602)	14,345	1.17%

- 4.8 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.9 The Council maintained its investment of £2m in the CCLA Property Fund whilst the remainder of investments were invested in money market funds. This £2m longer term investment generated an average total return of £55k (4.23% dividend yield), comprising £42k income return which is used to support services in year, and £13k of capital growth.
- 4.10 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. In light of their performance the Council's, investment in these funds has been maintained.
- 4.11 Annex A lists the Council's investments as at the 30th September 2019.

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
31/03/2019	3.01	AA	3.00	AA
30/09/2019	4.36	AA-	3.55	AA-

The value weighted average and time weighted average credit ratings reduced to 4.36 and AA- respectively at 30.09.2019 compared to 3.01 and AA at 31.03.2019. This was due to the reduction in investments in the AA rated Debt Management Office at 30.09.2019. This AA- rating at 30.09.19 is still above the Council's target of A+.

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 balance was £10m during the half year. The Council's best performing investment was its £2m of externally managed pooled (property fund) which generated income of £55k to 30/09/19.
- 4.14 The balance of the Council's investments were kept in short-term moneymarkets.
- 4.15 The Council's investment income for the first six months was £86k compared to an annual budgeted figure of £140k.

Readiness for Brexit

- 4.16 The scheduled leave date for the UK to leave the EU is now 31st January 2020 as 31st January 2020 approaches, the Council will ensure there are enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity required in the near term and that its account with the Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

Counterparty Update provided in association with Arlingclose Treasury Advisers

- 4.17 Credit background: Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.
- 7.1 There were minimal credit rating changes during the period. Moody's upgraded the Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

Compliance with Treasury Management Indicators

- 4.18 The Council confirms compliance with its Treasury Management Indicators in the period to 30th September 2019. These were set in February 2019. Details of these indicators are shown in Annexes B and C.

Economic Review and Outlook for the remainder of the year

- 4.19 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 Council Investments, on the basis of credit ratings agencies 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
BACKGROUND PAPERS	CIPFA code on Treasury Management
AUTHOR/CONTACT DETAILS	Nahidah Cuthbert Nahidah.cuthbert@surreyheath.gov.uk
HEAD OF SERVICE	Kelvin Menon - 01276 707257 Executive Head of Finance

Annex A

INVESTMENTS as at 30th September 2019

	£
Debt Management Office	<u>1,800,000</u>
Total Central Government	<u>1,800,000</u>
Money Market Fund - Aberdeen Standard	3,000,000
Money Market Fund - BlackRock	3,000,000
Money Market Fund - CCLA	1,000,000
Money Market Fund - Legal and General	<u>3,000,000</u>
Total Money Market Funds	<u>10,000,000</u>
CCLA Property Fund	<u>2,198,234</u>
Total Longer Term Investments	<u>2,198,234</u>
NatWest Bank Accounts	346,099
Total Invested	<u><u>14,344,332</u></u>

Annex B

Treasury Management Indicators as at the 30th September 2019

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

Debt Limits: Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

	30.9.19 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied? Yes/No
Borrowing	151.85	185.00	190.00	Yes

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

	Upper	Lower	Actual	30.09.19 £000s
Not over 1 year	100%	0%	63%	95,690
Over 1 but not over 2 years	100%	0%	2%	3,350
Over 2 but not over 5 years	100%	0%	2%	3,283
Over 5 but not over 10 years	100%	0%	4%	5,571
Over 10 but not over 15 years	100%	0%	5%	7,216
Over 15 but not over 20 years	100%	0%	4%	5,887
Over 20 but not over 30 years	100%	0%	4%	5,337
Over 25 but not over 30	100%	0%	2%	3,073
Over 30 but not over 40 years	100%	0%	7%	11,027
Over 40 years	100%	0%	8%	11,415
Total				151,848

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 a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£2m	£2m	£2m
Actual	£2m		

Security: The Council 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 30/09/2019
Portfolio average credit rating	A+	AA-

Liquidity: The Council 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 30/09/2019
Total cash available within 3 months	£5m	£7m

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The Council has set the limit on one-year revenue impact of a 1% rise in interest rates at £1m. The Council complied with this indicator as the interest payable for the half year was £824k. The Council has sufficient reserves in an Interest Equalisation Reserve to mitigate the impact of an interest rate rise for 2019/20.

Additional Compliance Information

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

Investment Limits

	2019/20	30.9.19	
	Limit	Actual	Complied
Any single organisation, except the UK Government	£3m each	0	Yes
UK Central Government	Unlimited	£1.8m	Yes
Any group of organisations under the same ownership	£3m per group	£0.3m	Yes
Any group of pooled funds under the same management	£5m per manager	£2.2m	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	£10.0m	Yes

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

UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU. Mr Johnson prorogued Parliament which led some MPs to put forward a bill requiring him to seek a Brexit extension if no deal is in place by 19th October. The move was successful and, having been approved by the House of Lords, was passed into law. The Supreme Court subsequently ruled Mr Johnson's suspension of Parliament unlawful.

Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

Financial markets:

After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the

same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

Outlook for the remainder of 2019/20

The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

There appears no near-term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, Donald Trump is unlikely to change his stance.

Parliament appears to have frustrated UK Prime Minister Boris Johnson's desire to exit the EU on 31st October. The probability of a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risk of this event remains for 2020. The risk of a general election in the near term has, however, increased.

Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Cas	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

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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>
9 (part)	3
12	3
13	3

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of the Local Government Act 1972.

Agenda Item 13.

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