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Monday, 8 November 2021

To: The Members of the **EXECUTIVE**
(Councillors: Alan McClafferty (Chairman), Colin Dougan, Shaun Garrett,
Rebecca Jennings-Evans, David Mansfield, Adrian Page and Robin Perry)

Dear Councillor,

A meeting of the **EXECUTIVE** will be held at Surrey Heath House and
www.youtube.com/user/SurreyHeathBC on Tuesday, 16 November 2021 at 6.00 pm. The
agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Damian Roberts

Chief Executive

AGENDA

Pages

Part 1 (Public)

- | | | |
|----|------------------------------|-------|
| 1. | Apologies for Absence | - |
| 2. | Minutes | 3 - 8 |

To confirm and sign the minutes of the meeting held on 19 October
2021 (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.

5.	Designation of the Deepcut Neighbourhood Forum	9 - 24
6.	Collectively Camberley Levy	25 - 28
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10.	Annual Report on the Treasury Management Service and Actual Prudential Indicators for 2020/21	59 - 74
11.	Treasury Management Mid-Year Report for 2021/22	75 - 88
12.	Exclusion of Press and Public	89 - 90

**Part 2
(Exempt)**

13.	Award of Contract	91 - 96
14.	Review of Exempt Items	97 - 98

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
October 2021**

+ Cllr Alan McClafferty (Chairman)

* Cllr Colin Dougan	+ Cllr David Mansfield
+ Cllr Shaun Garrett	+ Cllr Adrian Page
- Cllr Rebecca Jennings-Evans	+ Cllr Robin Perry

+ Present

- Apologies for absence presented

* In attendance virtually but did not vote

In Attendance: Cllr Graham Alleway, Cllr Peter Barnett, Cllr Rodney Bates, Cllr Sharon Galliford, Cllr Edward Hawkins, Cllr Sashi Mylvaganam, Cllr Graham Tapper, Cllr Pat Tedder, Cllr Victoria Wheeler and Cllr Valerie White

50/E Minutes

The minutes of the meeting held on 9 September 2021 were confirmed and signed by the Chairman.

51/E Five Year Strategy 2022 -2027

The Executive considered the draft Five Year Strategy 2022-2027. The Strategy had been developed following an extensive consultation, with a cross-party Task & Finish group steering its development. The overarching priorities for the Strategy, from which all the issues and objectives for the Strategy would then flow, were:

- Environment,
- Health & Quality of Life
- Economy
- Effective & Responsive Council

Members considered the actions and agreed to reword the seventh action point within the 'Environment' section to state: "Deliver actions that encourage and support steps being taken by local people within the community to tackle climate change."

The Executive was informed that the Strategy contained a new section on aspirations for the community, which referred to topics where the Council considered it had a duty to advocate on behalf of residents, to those who could contribute to borough residents' wellbeing. Members considered the issues identified and agreed to extend the reference to Bus Services to include the following wording at the end of the sentence: "...and deliver sufficient service for our residents." The Leader also undertook to write to the new Minister for Housing regarding government prescribed housing targets and concerns about over development.

RECOMMENDED to Full Council that

- (i) the new Five Year Strategy, as set out at Annex B to the agenda report, as amended, be adopted; and**
- (ii) the final amendments to the content of the strategy be delegated to the Chief Executive in consultation with the Leader.**

52/E Bids received for funding from the Local Community Improvement Fund

In October 2020 the Executive had set up the Local Community Improvement Fund for bids to use local CIL funds for the non-parished wards. The Fund pooled the Neighbourhood Community Infrastructure Levy contributions to allow wards that did not deliver new development but did experience its impact to have access to CIL funding. It also allowed the community to bid for funding for small scale local capital projects.

The Executive considered five applications that had been received in the first round of bids for 2021/22, and a summary of each was noted. The proposals for funding the bids from pooled funds where there was not sufficient funds in the relevant ward pot were noted.

The application from Ravenscote Parent Teacher Association for a grant towards the installation of a Pelican Crossing to be situated by the back gate entrance to Ravenscote Junior School, Upper Chobham Road, Frimley was discussed. The recommendation proposed was for the application to be held in abeyance pending a decision from Surrey County Council. It was reported that the Surrey Heath Local Committee would be receiving an update on this matter at its next meeting. Members noted the importance of finding the best solution for the issues for a safe crossing at this site and undertook to continue to work with the Highways Authority on the matter.

RESOLVED that

- (i) £6,148.00 be awarded to Mytchett Community Association for accessibility improvements to the community pond and wildlife area;**
- (ii) £16,600.00 be awarded to Bentley Copse Play Area for replacement of play equipment and safety surfaces;**
- (iii) £28,800.00 be awarded to Frimley Lodge Park Fitness Trail to replace fitness equipment;**
- (iv) £4,900.00 be awarded to Southcote Park Play Area for replacement of safety surfaces; and**
- (v) The application for Pelican Crossing at Ravenscote School be held in abeyance pending a decision from Surrey CC.**

53/E Surrey County Council's Local Transport Plan 2022-2032 consultation

The Executive considered a draft response to Surrey County Council's Draft Surrey Transport Plan 2022-2032. The Surrey Transport Plan 2022-2032, also referred to as LTP4, would have significant implications for existing and future transport infrastructure within Surrey Heath and for carbon emissions associated with transport in Surrey. The LTP4 set out bold measures to tackle key transport issues such as carbon emissions, improving public transport, road safety and pollution for all modes of transport.

Members considered the proposed response and agreed to strengthen the first paragraph of the overarching general comments by including the following wording:

"However, we have one major concern. Public transport in Surrey Heath is poor, in particular for the villages, which forces residents to be reliant on their cars. This situation has worsened with the loss of the Avila 34 and 35 bus services. It is imperative that the public transport situation is fully resolved before disadvantaging car use by introducing demand management for car travel."

It was also agreed to delegate authority to the Head of Planning in consultation with the Planning & People Portfolio Holder to finalise the wording of the consultation response.

RESOLVED that

- (i) the response set out at Annex 1 to the agenda report, as amended, be agreed as the Council's formal response to Surrey County Council's consultation on the Draft Surrey Transport Plan 2022-2032; and**
- (ii) authority be delegated to the Head of Planning in consultation with the Planning and People Portfolio Holder to agree the final wording of the response.**

54/E Urgent Action

The Executive noted urgent action taken in relation to a decision to enter into Business Rates pooling arrangements with other Surrey local authorities for the 2022/23 financial year.

RESOLVED to note the urgent action taken in accordance with the Scheme of Delegation of Functions to Officers.

55/E Write Off of Irrecoverable Bad Debts

The Executive considered a report seeking approval to write off bad debts incurred through the non-payment of Council tax and Non-Domestic Rates, as well as a sundry debt from a company that had gone in to liquidation.

All of the debts had been subject to the relevant recovery action and tracing enquiries. The Leader thanked residents, businesses and officers for helping the Council achieve first and sixth places respectively in relation to national collection rates for Non-Domestic Rates and Council Tax.

RESOLVED that bad debts totalling £39,628.30 in respect of Council Tax, £103,906.18 in respect of Non-Domestic Rates and £17,905.80 in respect of Sundry Debts be approved for write off.

56/E Exclusion of Press and Public

In accordance with Regulation 4 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 Local Government Act 1972 as set out below:

Minute	Paragraph(s)
55/E (part)	1&3
57/E	3
58/E	1&3

57/E Additional Camberley High Street Trees

The Executive was reminded that, at its meeting on 25 May 2021, it had agreed that a further sum of money would be made available to install additional planters in Camberley High Street. The Camberley Town Centre Working Group had considered the matter at its meeting in August 2021 and had supported the installation of planters in the High Street.

Members were advised that the Working Group had recommended the Corten Steel planter as the preferred option. However, concerns had subsequently been raised about the risk of rust staining to the pavement and the clothing of pedestrians. The Grand Globe planter was now the recommended option. The capital costs of the planters and trees, along with the installation and ongoing watering costs were noted.

It was reported that Collectively Camberley BID, The Square management, and local businesses had been consulted on the installation of the planters. In addition, Disability Initiative had commented on the proposals and had offered to be involved with the installation and assist with the exact positioning of the planters, in order to help prevent issues with access and obstruction.

RESOLVED that

- (i) 8 additional trees in planters be installed in Camberley High Street; and**

- (ii) the “Grand Globe” planter option, as shown in Annex 2 to the agenda report, be agreed.**

58/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

- (i) Annex A to the report associated with minute 55/E remain exempt for the present time;**
- (ii) Annex B to the report associated with minute 55/E be made public; and**
- (iii) The decision and report associated with minute 57/E be made public.**

Chairman

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Designation of the Deepcut Neighbourhood Forum

Summary

This report seeks approval to designate a Neighbourhood Forum for the Deepcut Neighbourhood Area, as shown on the map in Annex 2 to this item. The previous Neighbourhood Forum designation for this area expired in 2019. The same organisation has applied to be formally designated again, to enable it to continue preparation of a Neighbourhood Plan. The proposed Neighbourhood Forum will be named the 'Deepcut Neighbourhood Forum'.

Portfolio: Planning and People

Date Portfolio Holder signed off report: 18/10/2021

Wards Affected:

Mytchett and Deepcut

Recommendation

The Executive is advised to RESOLVE that:

- (i) the application to designate the Neighbourhood Forum for the Deepcut Neighbourhood Area be approved; and
- (ii) the designated Neighbourhood Forum be named the 'Deepcut Neighbourhood Forum'.

1. Key Issues

- 1.1 On 21 June 2021, the Council received an application to designate a Neighbourhood Forum for the Deepcut Neighbourhood Area, under regulation 8 of the Neighbourhood Planning (General) Regulations 2012¹. The application proposes the designation of the group named the "Deepcut Neighbourhood Forum".
- 1.2 Regulation 9A of the Neighbourhood Planning (General) Regulations 2012² requires that the Council determines the application by 16th November 2021.
- 1.3 Neighbourhood Forums may be designated by the Council where the organisation or body satisfies the prescribed conditions set out in Section 61F(5) of the Town and Country Planning Act (1990) (as amended), as introduced by Schedule 9 of the Localism Act 2011, which are that (paraphrased):
 - (i) It must be established for the express purpose of promoting or improving the social, economic and environmental wellbeing of the area.
 - (ii) Membership must be open to anyone who lives, works, does business, or is an elected councillor in the neighbourhood area.

¹ Available online at: <https://www.legislation.gov.uk/uksi/2012/637/regulation/8/made>.

² Available online at: <https://www.legislation.gov.uk/uksi/2016/873/regulation/2/made>.

- (iii) It must have a minimum of 21 members drawn from the groups listed above.
- 1.4 Annex 1 to this item provides a Validation Report, which sets out an assessment of the application made by the group named the 'Deepcut Neighbourhood Forum' against the prescribed conditions. The Validation Report also considers whether the application complies with Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).
- 1.5 The Council may refuse the application. Reasons for the refusal must be publicised in a 'refusal statement'. Reasons for refusal may comprise the application not complying with the requirements of both Section 61F(5) of the 1990 Act and Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).
- 1.6 The Validation Report concludes that the application meets the requirements of both Section 61F(5) of the 1990 Act and Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).
- 1.7 It is therefore recommended that the group named the 'Deepcut Neighbourhood Forum' is designated the Neighbourhood Forum for the Deepcut Neighbourhood Area.

2. Resource Implications

- 2.1 Neighbourhood planning requires input from Planning Officers within both the Planning Policy and Development Management teams. The cost is unknown, but is not likely to be substantial. Officers within the Planning Policy team undertake neighbourhood planning activities, the cost of which would be partially offset by the Neighbourhood Planning Support Grant (see paragraph 2.4 below).
- 2.2 Neighbourhood plans are required to pass an independent examination. Given a positive result to the examination, neighbourhood plans are also required to be subject to a referendum of the Neighbourhood Area. Costs associated with this are estimated to be approximately £5,000 - £10,000 for an examination, and approximately £5,000 - £10,000 for a referendum, depending on the area in question. Legislation requires that these costs are borne by the Local Authority.
- 2.3 Whilst the independent examination can be organised by Planning Officers, the management of the referendum must be undertaken by the Council's Electoral and Democratic Services. With regard to the resource of officer time, the cost of this is unknown, but is not likely to be significant.
- 2.4 Surrey Heath Borough Council can claim for a Neighbourhood Planning Support Grant. Funds can be claimed at the following stages:
- £5,000 after designating a neighbourhood area (limited to the first five)
 - £5,000 after designating a neighbourhood forum (including re-designation)

- £20,000 on successful completion of a neighbourhood plan examination.

2.5 In the case of the Deepcut Neighbourhood Plan, the total amount available is £25,000. £5,000 of this is available to request upon the designation of the Neighbourhood Forum. If the Council decides to refuse the application, the £5,000 Neighbourhood Planning Support Grant will not be available to claim and there would be no Qualifying Body authorised to progress work on a Neighbourhood Plan for the Deepcut Neighbourhood Area.

2.6 Funding has previously been claimed relating to the Deepcut Neighbourhood Forum and Deepcut Neighbourhood Area, including £5,000 for the original designation of the Neighbourhood Forum in 2014, and a further £5,000 for the designation of the Deepcut Neighbourhood Area.

3. Options

3.1 The available options are as follows:

- (i) to approve the formal designation of the 'Deepcut Neighbourhood Forum'; or
- (ii) to refuse the formal designation the 'Deepcut Neighbourhood Forum' (in which case, the Council would be required to publicise a 'refusal statement', which sets out the reasons for refusal).

Subject to the formal designation of the 'Deepcut Neighbourhood Forum':

- (iii) to approve officers to request the relevant funding from the Department for Levelling up, Housing and Community to support officer and other Council costs.

4. Proposals

4.1 Officers have reviewed the application for the proposed Deepcut Neighbourhood Forum. The Validation Report, provided as Annex 1 to this item, demonstrates that the application meets the requirements of both Section 61F(5) of the 1990 Act and Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).

4.2 Officers therefore recommend that the application to designate the group named the 'Deepcut Neighbourhood Forum' as the Neighbourhood Forum for the Deepcut Neighbourhood Area, is approved.

5. Supporting Information

5.1 On 21 October 2014, the Council designated the Deepcut Neighbourhood Area, which is shown on the map in Annex 2 to this item. On the same date, the Council also designated the group named the "Deepcut Neighbourhood Forum" as the neighbourhood forum for the Deepcut Neighbourhood Area.

- 5.2 Under current legislation, the designation of a neighbourhood forum lasts for five years, meaning that the Deepcut Neighbourhood Forum ceased to be the designated forum for the Deepcut Neighbourhood Area on 21 October 2019. The Deepcut Neighbourhood Area is not affected by the expiry of the forum designation.
- 5.3 In areas without a parish or town council, neighbourhood planning is led by a neighbourhood forum. Neighbourhood forums are designated by the Council. Neighbourhood planning allows local people to produce and review neighbourhood plans and Neighbourhood Development Orders.
- 5.4 Neighbourhood plans contain planning policies that are used to determine planning applications, along with the Council's Local Plan and other material considerations. Neighbourhood Development Orders grant up-front planning permission for specific developments.
- 5.5 The group named the "Deepcut Neighbourhood Forum" has applied to be designated as the Neighbourhood Forum for the Deepcut Neighbourhood Area. If a designation is made, no other organisation or body may be designated for that neighbourhood area until that designation expires or is withdrawn.
- 5.6 Further supporting information is provided in Annexes 1 and 2 to this item.

6. Corporate Objectives and Key Priorities

- 6.1 The designation of Neighbourhood Forums provides local communities with the opportunity to bring forward Neighbourhood Plans. Neighbourhood Planning provides local communities across the borough with the opportunity to support the delivery of key corporate priorities as set out in the recently agreed Five Year Strategy 2022 – 2027 – **Environment, Economy and Health & Quality of Life**.

7. Policy Framework

- 7.1 The National Planning Policy Framework (NPPF) sets out government's planning policies for England. The NPPF promotes Neighbourhood Planning and states that Neighbourhood plans should support the delivery of strategic policies contained in Local Plans³.

8. Legal Issues

- 8.1 No matters arising.

9. Governance

³ NPPF Paragraph 13. Available online at:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf.

9.1 No matters arising.

10. Risk Management

10.1 No matters arising.

11. Equalities Impact

11.1 The purpose of Neighbourhood Planning is to promote a high standard of development throughout the Neighbourhood Areas. Therefore, it is not likely that the policies included would have a specific differential impact on people based on any protected characteristics.

12. Human Rights

12.1 No matters arising.

13. Environmental Impact

13.1 The designation of Neighbourhood Forums provides local communities with the opportunity to bring forward Neighbourhood Plans.

13.2 Neighbourhood plans must meet the 'basic conditions' set out in the Town and Country Planning Act 1990 (as amended). Compliance with these basic conditions is tested through an independent examination. The basic conditions require that 'making' (adopting) the plan must not breach, and otherwise be compatible with, EU obligations, such as those in the Strategic Environmental Assessment and Habitats Directives.

13.3 Whether a forthcoming neighbourhood plan proposal requires a strategic environmental assessment, and (if so) the level of detail needed, will depend on what is proposed (assuming that a proposal is developed). The Council will undertake SEA/HRA Screening Assessment at the appropriate stage(s) in the production of the Neighbourhood Plan.

14. Consultation

14.1 The Council consulted on the application for the designation of the Deepcut Neighbourhood Forum from 00:00 on 16 August to 23:59 on 29 September 2021. The consultation ran for just over six weeks. The consultation itself and relevant information can be found at: <https://surreyheathplanningpolicy.inconsult.uk/TSTSHBC/consultationHome>.

14.2 The application was first publicised as part of the consultation on 12/08/2021. In publicising the consultation, the Council undertook a range of activities to bring the application to the attention of people who live, work or carry on business in the area, as required by Regulation 9 of the Neighbourhood Planning (General) Regulations 2012. These actions included:

- (i) Emailing stakeholders in the Inovem consultation database that reside within and adjacent to the Neighbourhood Area. This resulted in 540 residents being contacted with information directly.
- (ii) Publishing information on our website and using targeted Social Media posts through the Communications team.
- (iii) Liaised with the group named the 'Deepcut Neighbourhood Forum' to utilise their communication channels for publicity, including the group's membership newsletter and website.
- (iv) Providing Hard Copies of the consultation documents for viewing in the Council Offices and local Libraries.

14.3 The consultation yielded two responses from local residents. Both responses expressed general support for the approval of the application made by the 'Deepcut Neighbourhood Forum' to be designated as the Neighbourhood Forum for the Deepcut Neighbourhood Area.

14.4 Whilst expressing general support for the Forum and its objectives, one response detailed three areas of concern, which include (paraphrased):

- the exclusion of the Mindenhurst development from the Deepcut Neighbourhood Area,
- that the group named the Deepcut Neighbourhood Forum does not benefit from an 'incorporated' status and will consequently be unable to claim grant funding, and
- that the group's constitution is not robust.

14.5 The full responses to the consultation are available to view online at: <https://surreyheathplanningpolicy.inconsult.uk/TSTSHBC/consultationHome>.

14.6 Officer Response:

- The geographical extent of the Deepcut Neighbourhood Area has been determined through a separate exercise and designated in 2014. The application relates to the Deepcut Neighbourhood Area as designated. The Council may only amend the Neighbourhood Area boundary where an application is made for the Neighbourhood Area to be designated⁴.
- The Council is not required to consider the status of the organisation in deciding whether to designate the Neighbourhood Forum.
- The proposed constitution represents the same document that was previously used when the Deepcut Neighbourhood Forum was originally designated in 2014. The Council is not required to consider the quality of the submitted documents.

⁴ Planning Practice Guidance – Paragraph: 037, Reference ID: 41-037-20180222. Available online at: www.gov.uk/guidance/neighbourhood-planning--2#designating-a-neighbourhood-area.

14.7 As set out in Annex 1 to this item, Council officers believe that the application made by the group named the Deepcut Neighbourhood Forum satisfies the prescribed conditions as set out in Sections 61F(5) & (7)(a) of the 1990 Act and Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).

14.8 No consultation responses were received that raised concerns that relate to the compliance with the prescribed conditions or which questioned the desirability of designating the Deepcut Neighbourhood Forum in relation to Section 61F(7)(a) of the 1990 Act. The Council is not required to assess the quality of the submission documents and is not required to refuse to designate the neighbourhood forum where the quality of the submission is questioned.

15. PR And Marketing

15.1 The Council was required to publicise the consultation. Publicising the consultation was undertaken as set out in paragraph 14.2 above.

16. Officer Comments

16.1 The role of officers in the Neighbourhood Planning process is generally to support the development of a Neighbourhood Plan. Progress is being made by the group named the 'Deepcut Neighbourhood Forum' toward the submission of a Neighbourhood Plan for the Deepcut Neighbourhood Area.

16.2 Officers will continue supporting the production of the Neighbourhood Plan through the process until adoption. The availability of resource to support the development of the plan, beyond the statutory requirements, will need to be balanced with the significant amount of officer resource that is required in the preparation of the emerging Local Plan.

16.3 The development of the Neighbourhood Plan for the Deepcut Neighbourhood Area is the responsibility of the Forum. Officers would be required to fulfil statutory duties throughout the process toward the adoption of the Neighbourhood Plan.

16.4 Council officers believe that the group named the Deepcut Neighbourhood Forum meets the requirements for designation. The assessment is set out in detail in Annex 1 to this item.

Annexes	Annex 1 – Validation Report Annex 2 – Deepcut Neighbourhood Area Map
Background Papers	N/A
Author/Contact Details	Daniel Nunn – Senior Planning Policy Officer Daniel.nunn@surreyheath.gov.uk
Head of Service	Gavin Chinniah – Head of Planning

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Checked by: Daniel Nunn

Date: Initial Determination 06 July 2020 – Revised for Executive Report 05/10/2021

Background

The Deepcut Neighbourhood Forum was designated by the Council's Executive on 21st October 2014, following the six-week statutory consultation ending 24th July 2014.

The designation of the Deepcut Neighbourhood Forum expired on 21st October 2019, in accordance with Section 61F(8)(a) of the Town and Country Planning Act 1990 (as amended), which states that:

"A designation [...] ceases to have effect at the end of the period of 5 years beginning with the day on which it is made but without affecting the validity of any proposal for a neighbourhood development order made before the end of that period."

The Deepcut Neighbourhood Forum submitted an application to the Council for re-designation on 21 June 2021. National Planning Practice Guidance (PPG Reference: ID: 41-016-20140306) states:

"A group or organisation must apply to the local planning authority to be designated as a neighbourhood forum (a forum application). Those making a forum application must show how they have sought to comply with the conditions for neighbourhood forum designation. These are set out in section 61F(5) of the Town and Country Planning Act 1990 as applied to neighbourhood plans by section 38A of the Planning and Compulsory Purchase Act 2004."

Section 61F(5) of the 1990 Act requires that:

A local planning authority may designate an organisation or body as a neighbourhood forum if the authority are satisfied that it meets the following conditions:

- (a) it is established for the express purpose of promoting or improving the social, economic and environmental well-being of an area that consists of or includes the neighbourhood area concerned (whether or not it is also established for the express purpose of promoting the carrying on of trades, professions or other businesses in such an area),
- (b) its membership is open to:
 - i. individuals who live in the neighbourhood area concerned,
 - ii. individuals who work there (whether for businesses carried on there or otherwise), and
 - iii. individuals who are elected members of a county council, district council or London borough council any of whose area falls within the neighbourhood area concerned,
- (c) its membership includes a minimum of 21 individuals each of whom—
 - i. lives in the neighbourhood area concerned,
 - ii. works there (whether for a business carried on there or otherwise), or
 - iii. is an elected member of a county council, district council or London borough council any of whose area falls within the neighbourhood area concerned,
- (d) it has a written constitution, and
- (e) such other conditions as may be prescribed.

In addition to the prescribed conditions, Part 3 Regulation 8 of the Neighbourhood Planning Regulations (2012) (as amended) requires that:

“Where an organisation or body submits a neighbourhood forum application to the local planning authority it must include –

- a) the name of the proposed neighbourhood forum;
- b) a copy of the written constitution of the proposed neighbourhood forum;
- c) the name of the neighbourhood area to which the application relates and a map which identifies the area;
- d) the contact details of at least one member of the proposed neighbourhood forum to be made public under regulations 9 and 10; and
- e) a statement which explains how the proposed neighbourhood forum meets the conditions contained in section 61F(5) of the 1990 Act.

This validation check has been undertaken to confirm that the submission includes the prescribed documents and meets the conditions as set out in Section 61F(5) of the 1990 Act. The validation check is not concerned with the quality of the submitted documents.

If the submission meets the requirements of the legislation, the Local Authority must progress the plan to the next stage (Regulation 9 – a six-week public consultation on the designation application).

Local Authorities have a duty to support neighbourhood planning, which includes providing advice that can ensure the plan is received positively at examination.

Italic text in a blue box denotes text from Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended) or Section 61F(5) of the 1990 Act. The prescribed conditions of Section 61F(5) of the 1990 Act are considered first, followed by consideration of Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).

Summary of validation check

The submission meets the requirements of both Section 61F(5) of the 1990 Act and Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended).

Assessment of compliance with Section 61F(5) of the 1990 Act

Purpose of the Forum

S61F (5) (a) it is established for the express purpose of promoting or improving the social, economic and environmental well-being of an area that consists of or includes the neighbourhood area concerned (whether or not it is also established for the express purpose of promoting the carrying on of trades, professions or other businesses in such an area),

The submission includes the Deepcut Neighbourhood Forum Written Constitution, which lists a number of objectives that the organisation is committed to, including;

The objectives of the Forum shall be:

- a) To improve the area known as Deepcut for the benefit of the inhabitants of the area (See area defined in the attached map);*
- b) To promote the social, economic and environmental well-being of the area;*
- c) To prepare in partnership with the local planning authority a neighbourhood plan for the area, or in partnership with other forums any wider area;*
- d) To protect the rural character of the area;*
- e) To work with local people in assessing the priority of needs, and to work together to address these needs;*
- f) To encourage the goodwill and involvement of the wider community;*
- g) To foster community spirit and encourage civic pride.*

The prescribed condition at S61F(5) (a) is therefore satisfied, as the list of Deepcut Neighbourhood Forum's objectives includes promoting the social, economic and environmental well-being of the area.

Deepcut Neighbourhood Forum Membership

S61F (5) (b) its membership is open to:

- i. individuals who live in the neighbourhood area concerned,*
- ii. individuals who work there (whether for businesses carried on there or otherwise), and*
- iii. individuals who are elected members of a county council, district council or London borough council any of whose area falls within the neighbourhood area concerned,*

The submission includes the Deepcut Neighbourhood Forum Written Constitution, which lists a number of Membership criteria for the organisation in Section 4, which states;

- (i) Membership of the Forum shall be open to anyone who has an interest in assisting the Forum to achieve its objectives and is willing to adhere to the rules of the Forum:*
 - Membership is open to all who live or work in the defined area;*
 - Membership is open to elected Council members whose electoral area falls in the Deepcut area;*
 - Membership shall be drawn from different places in the neighbourhood and different sections of the community in the neighbourhood.*

The prescribed condition at S61F(5) (b) is therefore satisfied.

S61F (5) (c) its membership includes a minimum of 21 individuals each of whom—

- i. lives in the neighbourhood area concerned,*
- ii. works there (whether for a business carried on there or otherwise), or*
- iii. is an elected member of a county council, district council or London borough council any of whose area falls within the neighbourhood area concerned,*

The submission includes a list of Deepcut Neighbourhood Forum members. The list includes 259 people, most of whom are registered at addresses within the Neighbourhood Area.

The prescribed condition at S61F(5) (c) is therefore satisfied.

Written Constitution and other conditions

S61F (5) (d) it has a written constitution, and
(e) such other conditions as may be prescribed.

The submission includes the Deepcut Neighbourhood Forum's Written Constitution.

The prescribed condition at S61F(5) (d) is therefore satisfied.

Compliance with the other such conditions as prescribed are assessed below. The conclusion of that assessment is that the prescribed condition at S61F(5) (e) is satisfied.

Assessment of compliance with Section 61F(7)(a) of the 1990 Act

Section 61F(7)(a) of the Town and Country Planning Act (1990) (as amended), as introduced by Schedule 9 of the Localism Act 2011, requires that:

S61F (7) "A local planning authority—

- (a) must, in determining under subsection (5) whether to designate an organisation or body as a neighbourhood forum for a neighbourhood area, have regard to the desirability of designating an organisation or body—*

- (i) which has secured (or taken reasonable steps to attempt to secure) that its membership includes at least one individual falling within each of subparagraphs (i) to (iii) of subsection (5)(b),*
- (ii) whose membership is drawn from different places in the neighbourhood area concerned and from different sections of the community in that area, and*
- (iii) whose purpose reflects (in general terms) the character of that area,"*

The submission includes a list of Deepcut Neighbourhood Forum members. The membership of the Deepcut Neighbourhood Forum organisation includes 259 individuals. Given that this figure is considerably greater than the requirement to secure at least 21 individuals, it is clear that the organisation have secured, or at least taken reasonable steps to attempt to secure, a broad and representative membership of individuals within the area.

The Deepcut Neighbourhood Forum are able to demonstrate a good level of geographical diversity within their membership, as the registered addresses of the members are derived from different places within the Neighbourhood Area.

Furthermore, Neighbourhood Forums are required by S61F(7)(a)(iii) to have a purpose that reflects (in general terms) the character of the area. The Deepcut Neighbourhood Forum's constitution sets out that one of the organisation's objectives is to promote the social, economic and environmental well-being of the area. Additionally, the Deepcut Neighbourhood Area represents a primarily residential area in character, which is reflected in the forum's membership.

In the view of Council officers, the prescribed conditions at S61F(7)(a) (i)(ii), and (iii) are therefore satisfied.

Assessment of compliance with Regulation 8 of the Neighbourhood Planning (General) Regulations 2012 (as amended)

Name of Proposed Neighbourhood Forum

*Reg. 8 Where an organisation or body submits a neighbourhood forum application to the local planning authority it must include –
a) the name of the proposed neighbourhood forum;*

The submission includes an Application Cover Letter, which sets out that the name of the proposed Neighbourhood Forum shall be 'Deepcut Neighbourhood Forum'.

Regulation 8 (a) is therefore satisfied.

Written Constitution

Reg. 8 (b) a copy of the written constitution of the proposed neighbourhood forum;

The submission includes the Deepcut Neighbourhood Forum's written constitution.

Regulation 8 (b) is therefore satisfied.

Neighbourhood Area and Map

Reg. 8 (c) the name of the neighbourhood area to which the application relates and a map which identifies the area;

The applicant confirmed separately that the appropriate map to which the Deepcut Neighbourhood Forum designation would relate is the Neighbourhood Area map as designated by the Council in 2014.

Regulation 8 (c) is therefore satisfied.

Forum Contact Details to be Made Public

Reg. 8 (d) the contact details of at least one member of the proposed neighbourhood forum to be made public under regulations 9 and 10; and

The application cover letter includes the contact details of Ms Clare Kennedy, to be made public.

Regulation 8 (d) is therefore satisfied.

Prescribed Conditions Statement

Reg. 8 (e) a statement which explains how the proposed neighbourhood forum meets the conditions contained in section 61F(5) of the 1990 Act.

The application cover letter includes the contact details of Ms Clare Kennedy, to be made public.

Regulation 8 (e) is therefore satisfied.

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Collectively Camberley Levy

Summary

That the Executive consider a request by officers to make an advance payment of BID levy due in respect of the 2021/22 BID year be made to Collectively Camberley Limited

Portfolio: Finance

Date Portfolio Holder consulted: 3 November 2021

Wards Affected: None

Recommendation

The Executive is advised to RESOLVE that an advance payment of £150,000 in respect of the 2021/22 BID levy due be made to Collectively Camberley Limited

1. Key Issues

- 1.1 Collectively Camberley Limited, not for profit company that manages the Business Improvement District (BID) for Camberley Town Centre was re-elected for third 5 year term to run 2021 to 2026.
- 1.2 Surrey Heath is responsible for maintaining a separate BID Revenue Account for each five year BID term.
- 1.3 In addition to the BID Revenue Account Surrey Heath maintains a database to facilitate the billing and collection of the BID Levy.
- 1.4 The BID levy is based on rateable occupation of the properties in the BID area and the amount of BID levy due is calculated as 1.5% of the rateable value as at the specified date each BID year.
- 1.5 The database used is procured from NEC the supplier of our main Revenues software.
- 1.6 NEC were unable to provide the support to allow the bills for the new BID term to be issued in time for the start of the new term on 19 October 2021.
- 1.7 We were unable to commence billing procedures for the new BID term until the consultation regarding the steps needed to be taken had been received from NEC.
- 1.8 The BID database will be fully tested and implemented to allow the annual bills to be issued for a 2 December 2021 instalment.

2. Resource Implications

- 2.1 The Council has sufficient reserves to meet the £150,000 advance payment subject to an acceptable legal undertaking by Collectively Camberley Limited.

3. Options

- 3.1 The Executive can resolve to make the £150,000 advance payment.
3.2 The Executive can resolve to make an advance payment of a lower sum.
3.3 The Executive can resolve to refuse to make an advance payment.

4. Proposals

- 4.1 It is proposed that the Executive resolve to make an advance payment of £150,000 to Collectively Camberley Limited

5. Supporting Information

- 5.1 The effective and efficient collection of the BID levy is important so that collection rate of the BID levy is maximised.
- 5.2 The software solution offered by NEC offers efficiencies as the billing of the levy is linked to business rate liability and the rateable value of the property both of which are maintained for business rate collection on separate database provided by NEC.
- 5.3 The software has functionality that allows the appropriate records to be synchronised which reduces some of the administrative burden of the BID levy collection.
- 5.4 Should the BID levy not be paid by the liable party recovery of the levy follows the same procedural steps as recovery of council tax and business rates and therefore efficiencies are gained.
- 5.5 The estimated BID levy collectable for the first year of the new BID term is £217,944.08
- I. Net collection of the BID levy in each of the previous 10 years has always exceeded £200k so the recommended advance payment of £150k should be accommodated with minimal risk within the collection achieved for this forthcoming BID.
- 5.6 The BID levy is due in one statutory instalment. In 2019/20 £150k was collected by 30 November 2019 following the issue of the bills dated 9 October 2019. In 2020/21 the bills were issued dated 14 October 2020 and £150k was collected by 8 March 2021.
- 5.7 Advice has been received from NEC and as the new BID term has no significant changes in its rules from the previous term, it was confirmed by NEC we could commence our billing procedures. The delay in receiving the advice was due to circumstances beyond either parties control.

6. Corporate Objectives and Key Priorities

- 6.1 This supports the corporate objective of '**Economy**' in the recently agreed Five Year Strategy 2022 – 2027 – *“To invest in our towns, villages and communities, supporting our existing businesses and attracting new ones.”*
- 6.2 It also supports the Annual Plan 2021/22 target – SHBC3 – Camberley Town Centre Regeneration.

7. Policy Framework

- 7.1 The Business Improvement Districts (England) Regulations 2004

8. Legal Issues

- 8.1 An undertaking will be required from Collectively Camberley Limited to ensure that the advance can be retained by Surrey Heath Borough Council from BID levy monies collected and that no levy, beyond the £150k advance, will be paid to the Collectively Camberley until the full £150,000 has been collected.

9. Governance

- 9.1 Internal Audit are responsible for the auditing of our BID Levy arrangements

10. Risk Management

- 10.1 The legal undertaking mitigates the risk of the advance payment not being able to be recovered in full. If the Council does not make the advance payment to Collectively Camberley Limited there is a risk that they will not be able to continue operation and would put at risk the significant programme of investment and activities for businesses in Camberley.

11. Equalities Impact

- 11.1 None

12. Human Rights

- 12.1 Nothing specifically identified but this will be considered when the actions / project within the strategy are undertaken.

13. Environmental Impact

- 13.1 None

14. Consultation

14.1 None

15. PR And Marketing

15.1 None

16. Officer Comments

16.1 When it became apparent the timescale between the ballot result and the software installation would not afford sufficient time to issue annual bills for an October cash instalment date and 2 November 2021 Direct Debit date an advance payment was suggested.

16.2 As our collection of the BID Levy exceeded £200,000 in all of the previous 10 years the risk of non-collection of the £150,000 BID Levy advance is very low.

Annexes	None
Background Papers	None
Author/Contact Details	Robert Fox – Revenues and Benefits Manager Robert.fox@surreyheath.gov.uk
Head of Service	Amanda Fahey – Interim Executive Head of Finance

Review of the Local Council Tax Support Scheme

Summary

That the Executive consider changes to the Local Council Tax Support Scheme introduced from 1 April 2013 in respect of working-age residents.

None of the options listed below will affect anyone of pensionable age, who are awarded Council Tax Support based on national eligibility criteria, in general this is more generous than the Surrey Heath working age scheme.

Portfolio – Finance

Date Consulted: 3 November 2021

Wards Affected - All

Recommendation

The Executive is asked to RESOLVE that a consultation be undertaken on the proposed a new Local Council Tax Support Scheme, with a view to with adoption from 1 April 2022

1. Background

- 1.1 In 2013 the government abolished Council Tax Benefit and asked local councils to introduce their own scheme for working age residents who need help paying their Council Tax. This became known as Local Council Tax Support.
- 1.2 Since April 2013 Surrey Heath have had a Local Council Tax Support Scheme (LCTSS) for working age residents and the cost of the scheme is borne by the other council tax payers in the borough.
- 1.3 Each year the council tax base is set. The setting of the tax base determines the equivalent number of Band D properties in the borough. This number is then used to calculate the average Band D council tax charge needed to raise the income identified as needed to provide our services.
- 1.4 In 2021/22 number of identified band D equivalent properties was reduced by 989 in respect of working age residents in receipt of Local Council Tax Support.
- 1.5 The 989 is based on £1,806,462 being awarded in Local Council Tax Support as of 5 October 2020.
- 1.6 The current cost of the working age scheme in 2021/22 is £1,823,767 and the pension age scheme £1,458,781 total £3,282,548.

- 1.7 On 9 September 2021 two alternative models were presented to the Community Support Member Working Group and officers were given the following recommendations to apply to the proposed revised model 1
- a 12 month transition period to protect those who would be financially worse off as a result of a revised scheme
 - all households paying a proportion of their Council Tax cost
 - maximum relief scaled back to a Band D level for the purposes of the scheme
 - the provision of additional support to those from protected groups
 - maximum relief in Band 1 to be increased from 90% to 95%
 - Ensuring those who work are not disadvantaged in the proposed scheme
- 1.8 An updated revised model to reflect the suggested amendments was presented to the Community Support working Group on 18 October 2021.
- 1.9 The Community Support Working Group carefully considered the amendments and agreed the following principals for the revised scheme to be recommended to the Executive for adoption from 1 April 2022
- Limit the maximum increase in Council Tax payable after LCTSS awarded in 2022/23 to £5.00
 - Reduction in entitlement due to the proposed change in capital limit to be included in the £5.00 maximum increase transitional scheme for 2022/23
 - Band D to be the maximum band for assessment of LCTSS
 - 95% to be the maximum award of LCTSS from 1 April 2022
 - To review the adopted LCTSS in October 2022

2. Key Issues

- 2.1 To consider changes to the current Local Council Tax Support Scheme to ensure help is targeted at households least able to pay their council tax.
- 2.2 To balance the aim to support the financially vulnerable with our current protection for vulnerable residents.
- 2.3 To keep the change cost neutral.
- 2.4 To reduce unnecessary administrative costs caused by the need to issue revised council tax bills due to minor changes in income.
- 2.5 To make the Local Council Tax Support Scheme easier to understand.
- 2.6 To simplify the deductions made in respect of other adults in the household.

3. Options

- 3.1 To retain the existing Local Council Tax Support Scheme for 2022/23.
- 3.2 To adopt the Community Support Member Working Groups recommended banded LCTSS scheme from 1 April 2022, together with the one year of transitional protection for any current claimant that has an increase of more than £5 per week in council tax payable from 2021/22 to 2022/23, subject to the consultation outcome.
- 3.3 Consult on the proposed LCTSS scheme with a view to implementation from 1 April 2023, which would remove the need for transitional protection as 12 months' notice can be given to affected claimants.

4. Proposals

- 4.1 That the recommended revised LCTSS be considered to replace the existing Local Council Tax Support Scheme from 1 April 2022.
- 4.2 Transitional protection for those impacted by more than a £5 per week reduction in support in payments of council tax due to the introduction of the revised scheme from 1 April 2022.
- 4.3 Transitional protection from the new capital limit for those current vulnerable group claimants with over £6000 but less than £16,001 capital for the period 1 April 2022 to 30 September 2022.
- 4.4 Annex 1 sets out a broad outline of the treatment of income and capital in the revised LCTSS together with the income bands and suggested income thresholds.
- 4.5 The disregard of all Universal Credit income assists in the aim of the new scheme to “make employment pay”.
- 4.6 The calculation of weekly income of self-employed claimants can present challenges and members may want to give consideration to introducing Minimum Income Floor to apply to self-employed income after one year of trading.
- 4.7 Minimum Income Floor will be applied where after one year of trading the income from self-employment is less than the appropriate National Minimum Wage for the number of hours the claimant or partner is deemed to be working as self-employed.
- 4.8 Backdating to be limited to one month and assessed on whether the claimant can show good cause for backdating to be applied.

5. Supporting Information

- 5.1 The proposed revised scheme has been modelled to try to predict the impact on our current working age claimants and any changes to the cost of scheme.

- 5.2 The current working age caseload has 1,415 claims in receipt of some help towards their council tax of which, 80% or 1,137 claims would fall into Band 1 in the proposed scheme.
- 5.3 The 1,137 claims fall into one of two categories in the current LCTSS with 712 in our vulnerable group category and as such eligible for up to 100% of their council tax to be met from the LCTSS. Non-vulnerable claims have the maximum help towards their council tax liability capped at 70%.
- 5.4 Our vulnerable category is based on the claimant or partner being in receipt of specified disability benefits rather than a focus on financial vulnerability.
- 5.5 The increase of the maximum eligible percentage from 70% to 95% for the non-vulnerable group will make a positive financial effect on the disposable income these claimants who fall in to Band 1.
- 5.6 Model 3 scheme would continue to apply the current income disregard for specified disability benefits and child benefit.
- 5.7 Of those currently receiving 70% maximum award 501 households would gain more than £5 per week.
- 5.8 The reduction from 100% maximum help to 95% maximum help is an average weekly amount of £1.45 for the 751 claims in this category. Highest weekly sum £3.31 lowest £0.27.
- 5.9 It is estimated that 121 households would lose more than £5 per week. The cost to protect these claimants fully would be in the region of £32,000.
- 5.10 There are 22 claims with capital over £6000 in the vulnerable group that would lose their entitlement as currently they have a £16,000 capital limit. The maximum capital claim has £15,639, with 11 other claims holding over £10,000.
- 5.11 Transitional protection to cushion the financial impact of the LCTSS change in 2022/23 to a maximum of £5 per week could be offered to both groups for 2022/23.
- 5.12 The cost of cushioning the financial impact to those current claimants with over £6000 to a £5 per week increase would be £29,213 for 2022/23.
- 5.13 During 2020/21 we made 15819 changes to Local Council Tax Support entitlement and each of those changes could trigger a revised bill being issued. To date in 2021/22 we have made 5009 changes to entitlement.

- 5.14 From October 2020 to date we have issued 26,282 revised council tax bills.
- 5.15 The recommended LCTSS will reduce the need to issue revised council tax bills as the income bands will result in some minor changes in income not resulting in a change to entitlement.
- 5.16 Of the £80,920,316 net debit of council tax to be collected in 2021/22, £1,464,828 is from residents in receipt of some form of council tax support, working age or pension age and the fewer changes to their entitlement will assist in the smoother collection of the debt due.

6. Corporate Objectives And Key Priorities

- 6.1 This supports the corporate objective of '**Health & Quality of Life**' in the recently agreed Five Year Strategy 2022 – 27 and the Annual Plan 2021/22 target - SHBC2 - POVERTY – 'work with partners to support those living in poverty in the Community'. This review addresses target FIN5 in the 2021/22 Annual Plan - "To review and update the Council Tax Support Scheme arrangements."

7. Policy Framework

- 7.1 Any scheme design has a wide-ranging set of competing and sometimes, conflicting objectives that need to be considered. These can be listed as (in no particular order):
- National welfare benefits
 - Council budget capacity
 - Council tax collection rates
 - Economy
 - Demographics
 - Caseload
 - Council objectives
 - Other Council comparisons
- 7.2 The report prepared by Policy in Practice addresses issues regarding impact on our caseload and the cost of the schemes.
- 7.3 Covid 19 has had an impact on the amount of Local Council Tax Support awarded. The award for 2020/21 to working age claimants increased by £200,960 compared to expenditure 2019/20. Allowing for the 3.77% increase in the council tax that represents a £136,686 increase. We also had an increase in the caseload for the first time in 3 years.
- 7.4 The Coronavirus Retention Scheme (furlough) is ended 30 September 2021 and the impact on caseload numbers or level of awards is not able to be predicted.
- 7.5 The increase in the maximum award percentage suggested in both schemes for those on the lowest income would help to meet the annual plan goal to support those in our community living in poverty

8. Legal Issues

- 8.1 Any proposed new Local Council Tax Support Scheme must go through certain steps to comply with the provisions stated in the Local Government Finance Act 2012 before it can be adopted by this Council as a Billing Authority
- 8.2 Before making a scheme, the authority must (in the following order): -
- (a) consult any major precepting authority which has power to issue a precept to it;
 - (b) publish a draft scheme in such a manner as it thinks fit; and
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 8.3 Our major precepting authorities are Surrey County Council and Surrey Police and Crime Commissioner.
- 8.4 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012, laid before Parliament on 22nd November 2012, set out the regulations for a default scheme and this was adopted by the Council subject to local policy needs in January 2013. The Secretary of State has issued amendment regulations setting out some changes that must be adopted by the Council for pensioners and the Council had also decided in 2013 to keep the schemes allowances and premiums in line with those for Housing Benefit for working age claimants. Each year any small amendments and the uprating of allowances and premiums are incorporated in our scheme regulations.

9. Governance Issues

- 9.1 The regulations for the scheme proposed to be adopted will need to be collated and made available for Council in January 2022.

10. Sustainability

- 10.1 The adoption of either suggested model will reduce the amount of paper being used to print revised bills.
- 10.2 The Model schemes will allow an online claim form to be implemented.

11. Risk Management

- 11.1 The Council, along with the other preceptors, bears the risk of the cost of the Council Tax Support scheme should caseload increase result in an increase in costs of more than predicted.
- 11.2 Any revisions to the scheme must be approved by 31 January 2022.
- 11.3 The scheme cannot be changed mid-year and therefore it is vital the correct scheme is in place.

12. Equalities Impact

- 12.1 An Equalities Impact assessment will be needed for the scheme put forward for adoption.
- 12.2 This will be undertaken as part of the consultation process, dependent upon the option recommended for consultation. It is expected that any changes to the current scheme that reduce the current award will have an adverse impact on specific household income.

13. Human Rights

- 13.1 No impact

14. Community Safety

- 14.1 No impact

15. Consultation

- 15.1 A consultation will be needed with major perception authorities and the community

16. Officer Comments

- 16.1 Timescales are very tight to deliver a new scheme to be adopted by 31 January 2022

Annexes 1 to 3	1. Broad model scheme outline 2. Examples current to proposed scheme 3. Policy in Practice – Localised Council Tax Support – Modelling options – October 2021
Background Papers	
Author/Contact Details	Robert Fox – Revenues and Benefits Manager robert.fox@surreyheath.gov.uk
Head Of Service	Interim – Mandy Fahey

Annex 1

Recommended LCTSS scheme broad outline

Band	No children	1 Child	2 Child	Max award	Predicted Households
1	Passported Households			95%	1,137
2	£0 -59.99	£0 - 129.99	£0 -199.99	80%	145
3	£60 – 129.99	£130 - 199.99	£200 – 269.99	60%	73
4	£130 – 199.99	£200 – 269.99	£270 – 339.99	40%	24
5	Income or savings above maximum			0%	36

Passported Households

To qualify as a passported household the claimant and / or partner they must be in receipt of:

- Income Support
- Job Seekers Allowance (Income Based)
- Employment Support Allowance (Income Related)
- Universal Credit and not working

Income to be taken into account for the bands

- Net average earnings from employment
- Rental income
- Private / occupational pensions
- Partner maintenance
- Maternity allowance
- Statutory Sick pay
- Job Seekers Allowance (contribution based)
- Employment and Support Allowance (contribution based)
- Industrial Injuries
- Widowed Parent's Allowance

Income to be disregarded

- Bereavement Support Payment
- Child Benefit
- Child maintenance
- Disability Living Allowance
- Housing Benefit
- Personal Independence Payments
- Carer's Allowance
- Employment Support Allowance (Support component)
- Universal Credit (earnings only taken in to account)
- War Pension
- Flat rate £20 per week from net earnings

Capital Limit

- Upper capital limit £6000 or above
- Capital under £6000 fully disregarded

Other adults in the household

Flat rate deduction in respect of any other adults in the household in addition to the claimant and / or partner of:

- £5 per week not working
- £10 per week in work

Annex 2 Worked examples

Passported

Single claimant

Current scheme	70% max	
Universal Credit	£79.38	
LCTSS award	£13.94	Band A
	£16.26	Band B
	£18.59	Band C
	£20.91	Band D
	£20.91	Band E to H

Model 3	95% max	
Universal Credit	£79.38	
LCTSS award	£18.92	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Married Couple

Current Scheme	70% max	
Universal Credit	£137.67	
LCTSS award	£18.59	Band A
	£22.07	Band B
	£25.22	Band C
	£28.38	Band D
	£28.38	Band E to H

Model 3	95% max	
Universal Credit	£137.67	
LCTSS award	£25.22	Band A
	£29.43	Band B
	£33.63	Band C
	£37.83	Band D
	£37.83	Band E to H

Annex 2 Vulnerable Group

Married couple 2 non dependants

Current:	100% max	
Income	£869.40	
Disregarded income	£475.27	War Pension, PIP
HB disregarded	£75.96	
Taken in to account	£318.17	
Weekly LCTSS award	£17.62	

Model 3	95% max	
Income	£869.40	
Disregarded income	£542.87	War Pension, PIP, Carer's Allowance
HB disregarded	£75.96	
Taken in to account	£250.57	
Weekly LCTSS award	£0.00	

Single claimant

Current	100% max	
Income	£217.14	
Disregarded income	£132.55	PIP
Taken in to account	£94.59	
Weekly LCTSS award	£23.17 (100%)	

Model 3	95% max	
Income	£217.14 including a Passported income	
Weekly LCTSS award	£22.01	

Annex 2 Employed

Employed single claimant

Current:	70% max	
Income	£113.61	
Disregarded income	£5.00	
HB Disregard	£150.56	
Taken in to account	£108.61	
Weekly LCTSS award	£14.46	
Model 3	95% max	
Income	£113.61	
Disregarded income	£20.00	
HB Disregard	£150.56	
Taken in to account	£93.61	
Weekly LCTSS award	£16.99	80%

Employed lone Parent one child

Current	70% max	
Income	£293.59	
Disregarded income	£134.74	
HB disregarded	£107.25	
Taken in to account	£158.85	
Weekly LCTSS award	£15.42	
Model 3	95% max	
Income	£293.59	
Disregarded income	£117.64	
HB disregarded	£107.25	
Taken in to account	£175.95	
Weekly LCTSS award	£11.12	60%

Employed lone parent two children

Current	70% max	
Income	£384.96	
Disregarded income	£77.25	
HB disregarded	£80.71	
Taken in to account	£307.71	
Weekly LCTSS award	£5.22	
Model 3	95% max	
Income	£384.96	
Disregarded income	£55.15	
HB disregarded	£80.71	
Taken in to account	£329.81	
Weekly LCTSS award	£8.24	40%

Local Cycling and Walking Infrastructure Plan for Surrey Heath

Summary

Surrey County Council (SCC) are working with Boroughs and Districts to produce Local Cycling and Walking Infrastructure Plans (LCWIP). SCC have requested a total funding contribution of up to £190,000 to support the production of a LCWIP for Surrey Heath. The LCWIP will help to deliver significant benefits to walking and cycling routes in the Borough and the report recommendation is therefore to approve the funding request.

Portfolio: Planning & People

Date Portfolio Holder signed off report: 22.10.21

Wards Affected: All

Recommendation

The Executive is advised to RESOLVE that

- (i) funding of £20,000 for phase 1 of the Local Cycling and Walking Infrastructure Plans (LCWIP) be approved and that funding of up to £170,000 be approved to be reserved in the CIL main fund for phase 2 of the LCWIP, as the Council's contribution towards the costs of the production of a LCWIP for Surrey Heath; and
- (ii) authority be delegated to the Head of Planning in consultation with the Portfolio Holder for Planning & People to agree the final funding amount for phase 2 of the LCWIP up to a limit of £170,000.

1. Key Issues

- 1.1 The LCWIP is a Department of Transport initiative to help local authorities identify and prioritise improvements to walking and cycling routes. The objective is to increase the number of people walking and cycling by increasing the use and attractiveness of routes for everyday journeys. LCWIPs will form part of the Active Travel Implementation Plan for the Surrey Local Transport Plan.
- 1.2 The LCWIP will be developed in consultation with stakeholders and will include the development of concept proposals with high level costings. The LCWIP phase one will therefore set out the overall plan for improving walking and cycling routes in the Borough. The key outputs of the LCWIP will be a network plan for walking and cycling within the Borough and a prioritised programme of infrastructure improvements.
- 1.3 The key tasks which will be undertaken include: a review of existing data, further data analysis and GIS mapping, stakeholder engagement,

identification of a network of preferred routes and development of a programme of infrastructure improvements.

- 1.4 The phase one work will cost £60,000 and is estimated to take between 6 to 9 months to complete. SCC will fund £40,000 and the Council is requested to provide funding of £20,000. The LCWIP will help support Climate Change initiatives to support Active Travel and will also inform infrastructure needs for the emerging Local Plan.
- 1.5 Phase two of the LCWIP comprises more detailed feasibility work required to develop implement the most compelling proposals for five cycle and five walking routes. This involves the production of preliminary designs, costings and an assessment of the economic case in order to produce a robust business case which will be used for funding bids.
- 1.6 The estimated total cost for the phase two work in Surrey Heath is £300,000. SCC propose to fund £130,000 and the Council is requested to provide funding of up to £170,000. It is estimate that the phase 2 work will take 12 to 18 months to complete.
- 1.7 In total SCC have requested the Council contributes up to £190,000 towards the development of a LCWIP for Surrey Heath. SCC propose to provide £170,000 funding plus officer time, which is estimated to split the funding cost broadly 50:50.
- 1.8 Government funding is available for the delivery of cycling and walking schemes but to secure this funding requires the submission of detailed implementable schemes. The funding requested in this report will be used to develop implementable schemes in Surrey Heath. It is intended that a funding bid for a package of LCWIP proposals will be submitted to the Department of Transport and if successful this could secure about £5 million of infrastructure funding for walking and cycling routes within the Borough.

2. Resource Implications

- 2.1 In summary, to support the development and funding bid submission for a Surrey Heath LWCIP the resource requirements are £20,000 for phase one and up to £170,000 for phase two. The CIL main fund currently has a balance of over £4m and it is recommended that the cost of the phase one work is paid from this budget and that a sum to cover the cost of the phase two work is reserved in the existing CIL main fund.

3. Options

- 3.1 The Options for Executive are:

- To Approve the funding request for up to £190,000 for the development of the LCWIP phase one and phase two feasibility work.
- To Approve a revised funding amount.
- To Not Approve the funding request.

4. Proposals

- 4.1 It is proposed that the funding be approved for the development of a LCWIP as set out in this report.

5. Supporting Information

- 5.1 Four other Surrey Boroughs and Districts have already agreed similar funding for the development of LCWIPs.

6. Corporate Objectives And Key Priorities

- 6.1 The improvement to walking and cycling routes within the Borough aligns with the Council's corporate objectives and key priorities, in particular, as set out in the Five-Year Strategy, Climate Change Action Plan and Local Plan.

7. Policy Framework

- 7.1 The Department of Transport sets standards for the development of LCWIPs.

8. Legal Issues

- 8.1 A contractual arrangement will be put in place with SCC to ensure payment of funding follows delivery of key milestones in the production of the Surrey Heath LCWIP.

9. Governance

- 9.1 SCC, as Highways Authority, will oversee the development and delivery of the LCWIP. Surrey Heath Borough Council will monitor the progress of the LCWIP development and review the success of funding bids.

10. Risk Management

- 10.1 The key risk is that if we do not commit to this work that we will miss out on funding opportunities which are available from the Department of Transport and other sources.

11. Equalities Impact

- 11.1 No matters arising.

12. Human Rights

12.1 No matters arising.

13. Environmental Impact

13.1 The development of a LCWIP will support sustainable travel by developing proposals to improve walking and cycling routes within the Borough.

14. Consultation

14.1 The production of a LCWIP will include consultation workshops with key stakeholders, including walking and cycling group representatives and Councillors.

15. PR And Marketing

15.1 No matters arising.

16. Officer Comments

16.1 As set out in the report.

Annexes	None
Background Papers	None
Author/Contact Details	Jane Reeves – Planning and Conservation Manager Jane.reeves@surreyheath.gov.uk
Head of Service	Gavin Chinniah - Head of Planning Services

Community Infrastructure Levy

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

The regulations require that CIL receipts must be reported half yearly to Executive and require that the Council, as the collecting authority, pay money over to the parishes where development has taken place. Payments must be made half yearly.

It is for the parishes to decide how to use that money.

The Council received a total of £1,577,871 for the reporting period 1st April – 30th September 2021.

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

Portfolio: Finance

Date Portfolio Holder signed off report – 3 November 2021

Wards Affected

All

Recommendation

The Executive is advised RESOLVE to note

- (i) the income received in the period 1st April to 30th September 2021 as set out in Annex 1;
- (i) the impacts of Covid19 on income; and
- (ii) the amended CIL regulations due to the impact of Covid19 on the development industry.

1. Resource Implications

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

2. Key Issues

- 2.1 Section 106 payments have largely been replaced by Community Infrastructure Levy contributions although restrictions on the 'pooling' of section 106 planning obligations to fund infrastructure have now been removed.
- 2.2 In respect of monies collected to date, Annex 1 lists CIL monies collected from sites by ward and parish in the period 1st April – 30th September 2021. 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 From 1st September 2019, new amendments to the CIL regulations introduced a requirement for Councils to publish “infrastructure funding statements”. These statements include details of how much CIL and S106 Legal Agreement monies has been raised through developer contributions. The funding statement also includes details of expenditure, balances and future spending commitments. Statements must be published on local authority websites at least once a year. The Council published its first Infrastructure Funding Statement (IFS) in December 2020 for the period 19/20. The IFS can currently be viewed on the website. The next statement for the period 20/21 will be published in December 2021.

2.4 The Covid 19 pandemic and resulting national lockdown measures has had an impact on the amount of CIL receipts collected by the Council. However, the latest reporting period has recorded a substantial increase in CIL receipts in comparison to the two previous reporting periods, as is shown in the table below.

CIL income received April 2018 to September 2021

April 2018- September 2018	£1,926,673
October 2018 – March 2019	£1,251,434
April 2019 – September 2019	£1,299,717
October 2019 – March 2020	£1,013,934
April-September 2020	£740,107
October 2020-March 2021	£726,106
April 2021 – September 2021	£1,577,871

- Figures in above table rounded to nearest pound.

3. Options

3.1 The Executive is requested to agree the following:

- (i) To NOTE the income received in the period 1st April 2021 to 30th September 2021 in Appendix1
- (ii) To NOTE the impacts of Covid19 on income
- (iii) To NOTE the amended CIL regulations due to the impact of Covid19 on the development industry

3.2 There are no other alternative options being proposed.

4. Proposals

- 4.1 In the reporting period 1st April 2021 – 30th September 2021, a total of £1,577,871 has been collected from applications making CIL payments during this reporting period. This is out of a total of £3,367,411 invoiced for these applications.
- 4.2 The majority of this CIL income received has been from planning applications that are paying CIL by instalment.
- 4.3 Surrey Heath Borough Council's instalment policy requires payment of contributions in respect of avoidance measures (SANG) for the Thames Basin Heath Special Protection Area on commencement of development. This is the first instalment payment.
- 4.4 The other CIL charges (5% admin, 15% Ward/Parish, Main Fund balance) follow in subsequent instalments.
- 4.5 The CIL collected in this reporting period has been allocated as follows.
- £250,093 is retained by the Council to the CIL main fund (see para 4.4 - 4.6 below) to be spent on key priorities
 - £1,164,495 payable to SANGS
 - £65,722 to Parishes
 - £58,859 to Non-parish wards
 - £38,702 to Administration and monitoring
- 4.6 This includes income where an instalment payment only and therefore part payment has been received. The instalment payment has been allocated for SANG, in line with the Council's Instalment policy. As such the above balances will not reflect the full CIL percentage apportionment due from a planning application, on the total CIL received during this reporting period.
- 4.7 Annex 1 shows the total amount due against each application, the amount received during this reporting period against each application (including full or instalment payment) and the balance outstanding against each application.
- 4.8 The government is concerned at the economic impact of Covid 19 on the development industry and in particular housebuilding. It has published amended regulations to modify the collection of CIL and S 106 payments asking local authorities to modify their collection regime as follows.
- CIL charging authorities are encouraged to consider making use of the ability to introduce an instalment policy (or amend an existing instalment policy); and
 - To permit deferral of CIL payments and disapply late payment interest for SMEs, CIL collecting authorities are encouraged to use their discretion in considering what, if any, enforcement action is appropriate in respect of unpaid CIL liabilities; and

- CIL authorities should take a positive approach to their engagement with SME developers, to ensure CIL liabilities do not cause undue burdens over the period of disruption caused by the coronavirus
- CIL authorities should note the existing flexibilities they have around enforcing CIL for larger developers, including flexibilities over the imposition of surcharges. Late payment interest will remain mandatory where such flexibilities are used.

These amendments came into effect on 22nd July 2020.

- 4.9 Since this time, the Council has received a number of requests to defer or pay by instalment. Surrey Heath operates an instalment policy (see para 5.10 below) but has also agreed bespoke instalment arrangements in certain cases. In order to comply with the Habitat Regulations, it remains a requirement that SANG monies are paid prior to commencement of works.
- 4.10 The Council is currently required to pay 15% of CIL received in parishes to the Parish Councils (25% where a neighbourhood plan exists). To match this, 15% is ring fenced for non-parish wards. The remaining monies are divided between the SANGs pot to cover costs for avoidance measures, administration and a CIL main fund to cover strategic costs and contributions to Surrey County Council.
- 4.11 Some of the money allocated to the CIL main fund is ring fenced for feasibility work for Surrey County Council schemes as agreed by Executive. The remaining monies are intended to be used for larger schemes that have Borough wide benefits in accordance with the Regulation 123 list (see Annex 2) as adopted by the Council.
- 4.12 As future funding for transport improvements will now be devolved to Counties rather than Local Enterprise Partnerships the CIL Main Fund represents a resource to offer match funding for county contributions and a fund for initial feasibility work on schemes.

5. Supporting Information

- 5.1 CIL 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 The total CIL income received from each development is proportioned as follows;
- 5% - Administration/monitoring
 - 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 Accessible Natural Greenspace)
 - Balance of income allocated to Surrey Heath BC CIL Main Fund

- 5.3 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. The Windlesham ward is the only ward in the Borough to have adopted a neighbourhood plan.
- 5.4 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.
- 5.5 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.
- 5.6 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 (main fund). This must be spent on infrastructure.
- 5.7 Payments to parishes' payable from 1st October 2021 for income collected in last reporting period is as follows;
- Chobham £173
West End £3,402
Windlesham £62,147
- 5.8 CIL funding collected for the non- parish wards in the last reporting period is as follows;
- Frimley Green £3,698
St Pauls £6,281
Town £48,880
- 5.9 The funding collected for the non-parish wards can be used towards the Local Community Improvement Fund. This fund was set up in October 2020 and the Executive agreed to pool the Neighbourhood CIL contributions to allow wards that don't deliver new development but that do experience its impact to have access to CIL funding and also to allow the community to bid for funding.
- 5.10 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 5.2 above.

6. Corporate Objectives and Key Priorities

- 6.1 The Community Infrastructure Levy particularly contributes to two of the key corporate objectives set out in the newly agreed Five Year Strategy 2022 – 27 – **Environment & Economy.**

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.
- 7.2 CIL is an important part of the Five Year Strategy and a key component for the delivery of infrastructure across the borough.

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 within 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	Annex 1 – List of CIL Income 01/04/2021 – 30/09/2021 Annex 2 – Regulation 123 List
Background Papers	
Author/Contact Details	Steven Appleby steven.appleby@surreyheath.gov.uk
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Annex 1

CIL INCOME - RECEIVED FOR REPORTING PERIOD 1 APRIL - 30TH SEPTEMBER 2021

*** Figures rounded to nearest pound.**

By Ward

Frimley Green

Ref 19/2128/FFU

28, Purley Way, Frimley
Erection of a 2 Storey three bedroom

Total CIL due on this application
£24,651

CIL received for this application this reporting period 1 April- 30 Sept 2021

£24,651 (Total collected £24,651)
(balance outstanding £0)

Allocation
£1,233 - Admin (5%)
£3,698 - Ward (15%) FRIMLEY GREEN

£12,250 - SANG (£125.00 per sqm net floorspace created) (98sqm net)
£7,470 - balance remaining to Main fund

St Pauls

Ref 17/1155

27, London Road, Camberley
Erection of a 2 storey detached building to comprise
2 two bedroom maisonettes

Total CIL due on this application
£41,871

CIL received for this application this reporting period 1 April- 30 Sept 2021

£41,871 (Total collected £41,871)
(balance outstanding £0)

Allocation
£ 2,094 - Admin (5%)
£6,281 -Ward (15%) ST PAULS

£21,650 - SANG - (£125.00 per sqm net floorspace created) (173.20sqm net)
£11,846 - balance remaining to Main Fund

Town

Ref 18/0616

18 & 18a Tekels Park, Camberley
Erection of a detached three storey building to comprise
10 two bedroom apartments

Total CIL due on this application
£215,622

CIL received for this application this reporting period 1 April- 30 Sept 2021

£215,622 (Total collected £215,622)
(balance outstanding £0)

Allocation
£10,781 - Admin (5%)
£33,343 -Ward (15%) TOWN

£105,250 - SANG - (£125 per sqm net floorspace created) (842sqm net)
£66,248 - balance remaining to Main Fund

Ref 16/0949

Hayward House, 1 Portesbery Road, Camberley
Erection of a four storey building to provide
Class B1a offices at ground floor with residential
above comprising 4 two bedroom and 5 one

Total CIL due on this application
£123,470

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £16,463 (Total collected so far £74,083)
(balance outstanding £49,387)

Allocation
£16,463 (instalment) SANG - (£125 per sqm net floorspace created) (630sqm net)

Ref 18/0373

Ashwood House, 16-22 Pembroke Broadway,
Minor material amendment to approved
(redevelopment for 116 residential

Total CIL due on this application
£805,206

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £201,302 (Total collected so far £402,603)
(balance outstanding £402,603)

Allocation
£201,302 (instalment) SANG - (£125 per sqm net floorspace created) (4094sqm net)

Ref 18/0033

Kings Court & Land to front of Kings Court
91-93, High Street, Camberley
Change of use of existing building to provide
& 7 two bedroom apartments & extensions to
provide a further 31 one bedroom & 18 2
& 2 retail units.

Total CIL due on this application
£469,389

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £233,250 (Total collected so far £233,250)
(balance outstanding £236,139)

Allocation
£233,250 SANG - (£125 per sqm net floorspace created) (1866sqm net)

Ref 20/1134/FFU

Parkgate House, 185-187 London Road,
Change of use of A2 (Class E) to one

Total CIL due on this application
£12,038

CIL received for this application this reporting period 1 April- 30 Sept 2021

£12,038 (Total collected £12,038)
(balance outstanding £0)

Allocation

£602 - Admin (5%)
£1806 -Ward (15%) TOWN

£6,000 - SANG - (£125 per sqm net floorspace created) (48sqm net)
£3,630 - balance remaining to Main Fund

19/0757/FFU

8, Tekels Park, Camberley
Erection of two detached houses, two pairs
houses & a two storey building providing 3
following the demolition of existing buildings.

Total CIL due on this application
£86,784

CIL received for this application this reporting period 1 April- 30 Sept 2021

£86,784 (Total collected £86,784)
(balance outstanding £0)

Allocation

£4,339 - Admin (5%)
£13,018 -Ward (15%) TOWN

£43,125 - SANG - (£125 per sqm net floorspace created) (345sqm net)
£26,302 - balance remaining to Main Fund

20/1077/FFU

10, Tekels Park, Camberley
Erection of a four bedroom, two storey
following demolition of existing dwelling.

Total CIL due on this application
£4,751

CIL received for this application this reporting period 1 April- 30 Sept 2021

£4,751 (Total collected £4,751)
(balance outstanding £0)

Allocation

£237 - Admin (5%)
£713 -Ward (15%) TOWN
£3,801 - balance remaining to Main Fund

Watchetts**Ref 17/0670**

Pembroke House, 148, Frimley Road,
Demolition of existing building & erection of a
building to comprise flexible commercial
at ground floor & 25 residential apartments at
upper floor levels (Affordable)

Total CIL due on this application
£54,633

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £13,658

(Total collected so far £27,317)
(balance outstanding £27,316)

Allocation

£13,658 (instalment) - Main Fund

Parish**Chobham****Ref 20/0076/FFU**

Newholme, Windlesham Road, Chobham
Erection of a replacement bungalow following
of existing buildings

Total CIL due on this application
£1,153

CIL received for this application this reporting period 1 April- 30 Sept 2021

£1,153 (Total collected £1,153)
(balance outstanding £0)

Allocation

£58 - Admin (5%)
£173 -Parish (15%) CHOBHAM PARISH
£922 - balance remaining to Main Fund

West End**Ref 19/0053**

29, Willow Green, West End
Erection of two detached, two storey, four
dwellings following demolition of existing

Total CIL due on this application
£44,658

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £22,000

(Total collected so far £22,000)
(balance outstanding £22,658)

Allocation

£18,500 (instalment)- SANG - (£125 per sqm net floorspace created) (148sqm net)
£3,500 (instalment) - balance of instalment to Main Fund

Ref 20/1068/PMR
 29, Bolding House Lane, West End
 Erection of attached two storey
 demolition of garage (minor material)

Total CIL due on this application
£22,683

CIL received for this application this reporting period 1 April- 30 Sept 2021

£22,683 (Total collected £22,683)
 (balance outstanding £0)

Allocation
 £1,134 - Admin (5%)
 £3,402 - Parish (15%) WEST END PARISH

£9,250 - SANG (£125 per sqm net floorspace created) (74sqm net)
 £8,897 - balance remaining to Main fund

Windlesham

Ref 18/0499
 45, Guildford Road, Bagshot
 Erection of a two storey building comprising 5
 two bedroom
 flats following demolition of existing
 dwellings and outbuildings

Total CIL due on this application
£78,156

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £10,000

(Total collected so far £70,000)

(balance outstanding £8,156)

(WINDLESHAM Parish (15%) of total CIL due = £11,723)
Allocation this reporting period
 WINDLESHAM Parish £7475
 (£4,248 already allocated from previous reporting period - 01/10/20-31/03/21))
 £2,525 - balance of instalment to Main Fund

Ref 19/0235

Woodside Cottage, Chapel Lane, Bagshot
 Residential development of 44 dwellings
 comprising 7
 two bedroom, 9 three bedroom, 16 four
 bedroom two storey
 homes and 7 one bedroom and 5 two
 bedroom flats
 within a 3 storey building.

Total CIL due on this application
£1,017,866

CIL received for this application this reporting period 1 April- 30 Sept 2021

Instalment Payment - £415,080

(Total collected so far £415,080)

(balance outstanding £602,786)

Allocation
 £415,080 - SANG (£125 per sqm net floorspace created) (3,320.64sqm net)

Ref 19/2258/PMR
 89-91, Guildford Road, Lightwater
 Minor material amendment pursuant to ref
 19/0202 &
 18/1009 relating to erection of 3 three
 bedroom & 2 two
 bedroom houses.

Total CIL due on this application
£161,872

CIL received for this application this reporting period 1 April- 30 Sept 2021

Final Instalment Payment - £53,957

(Total collected £161,872)

(balance outstanding £0)

Allocation
 £8,094 - Admin (5%) (of total CIL due)
 £24,281 - Parish (15%) WINDLESHAM PARISH (of total CIL due)
 £21,582 - balance remaining to Main Fund

Ref 20/0012/FFU
 Bagshot Manor, 1, Green Lane, Bagshot
 Erection of 5 dwellings comprising 4 three
 bedroom
 semi-detached dwellings & 1 four bedroom

Total CIL due on this application
£202,608

CIL received for this application this reporting period 1 April- 30 Sept 2021

£202,608

(Total collected £202,608)

(balance outstanding £0)

Allocation

£10,130 - Admin (5%)
£30,391 - Parish (15%) WINDLESHAM PARISH
£82,375 - SANG (£125 per sqm net floorspace created) (659sqm net)
£79,712 - balance remaining to Main Fund

TOTAL CIL RECEIPTS RECEIVED
01/04/2021-30/09/2021

£1,577,871

TOTAL ALLOCATIONS - 01/04/2021 - 30/09/2021
ADMIN - £38,702

WARD

Deepcut & Mytchett - £0
Frimley - £0
Frimley Green - £3,698
Heatherside - £0
Old Dean - £0
Parkside - £0
St Michaels - £0
St Pauls - £6,281
Town - £48,880
Watchetts - £0

Parish

Bisley- £0
Chobham - £173
West End - £3,402
Windlesham - £62,147

SANG

Total receipts - £1,164,495

MAIN FUND

Total receipts - £250,093

Annex 2

Surrey Heath Borough Council Community Infrastructure Levy: Regulation 123 List The following list of infrastructure projects may be funded or part funded through the Community Infrastructure Levy (unless otherwise stated).

- 1) Shared Suitable Accessible Natural Greenspace (SANG) – Shared SANG includes SANG provided for development which cannot secure its own SANG solution. ¹
- 2) Open Space (with the exception of Shared or On-Site SANG) which is not directly related to a development. ²
- 3) Sustainable Local Transport Projects and Pedestrian Safety Improvements which are not directly related to a development. ²
- 4) Play Areas & Equipped Playing Space which are not directly related to a development. ²
- 5) Indoor Sports & Leisure Facilities which are not directly related to a development. ²
- 6) Community Facilities not directly related to a development. ²
- 7) Sustainable Strategic Transport Projects. ²
- 8) Climate change projects ²
- 9) Digital Infrastructure Projects ²

¹ Development sites which cannot provide their own SANG solution will contribute to shared SANG solutions by way of a CIL payment. Development which is required to provide its own bespoke SANG solution will continue to be secured by S106 obligations in line with CIL Regulations 122 & 123. Nothing in this footnote overrides the Borough Council's obligations as the competent authority for the purposes of its duties under the Conservation of Habitats & Species Regulations (2017) as amended.

² Provision, improvement, replacement, operation or maintenance to reduce the incremental impact of development on off-site infrastructure which is not provided or required as avoidance/mitigation on or near individual development sites. This Regulation 123 List excludes projects for infrastructure which are directly related to an individual site i.e. on or near site infrastructure to avoid/mitigate impact arising from that site. The Borough Council may apply CIL, continue to seek S106 obligations, or a mix of S106 and CIL, toward on or near site infrastructure in line with the Infrastructure Delivery SPD and in accordance with Regulations 122 and 123 of the Community Infrastructure Levy Regulations 2010 (as amended).

NOTE: To enable delivery of new residential units that are not CIL liable but nonetheless include a net increase in residential units the Council will require such development to contribute toward the cost of the ongoing management and maintenance of SANG through a Unilateral Undertaking. This is to meet the requirements of the Conservation of Habitats and Species Regulations 2017, (or as subsequently amended). The Council will levy a contribution of £112.50 per square metre for the residential floorspace created. This is the management and maintenance cost of SANG.

The types of development affected include: Change of use to Residential use through the Prior Approval process under the General Permitted Development Order 2015 (or as subsequently amended); Self / custom build homes; Affordable Housing and Starter Homes as defined in the National Planning Policy Framework (NPPF); Applications where less than 100sqm residential floor space is created; Conversions to residential use from other use classes (as set out in the Town and Country Planning Use Classes Order), through planning permission, where not CIL liable; Conversions to a C2 use where the development may be considered to give rise to likely significant effect to the SPA.

For residential conversions within use class C3 (Residential) and C4 (Houses of Multiple Occupation), where no additional floorspace is created but the overall number of units increases, avoidance measures must also be provided through the allocation of SANG, with contributions charged as set out in paragraphs 6.7-6.10 of the Thames Basin Heaths Special Protection Area Avoidance Measures Supplementary Planning Document (2019).

The development types above may not form an exhaustive list of residential developments providing net additional units that are not CIL liable. The Council will seek appropriate SANGs contributions for any other residential development types that are not CIL liable but are required to provide avoidance measures for their impact on the Thames

Annual Report on the Treasury Management Service and Actual Prudential Indicators for 2020/21

Summary

Report to advise members of the Treasury Management Service Performance and to illustrate the compliance with the Prudential Indicators for 2020/21

Portfolio - Finance

Date signed off: 27 October 2021

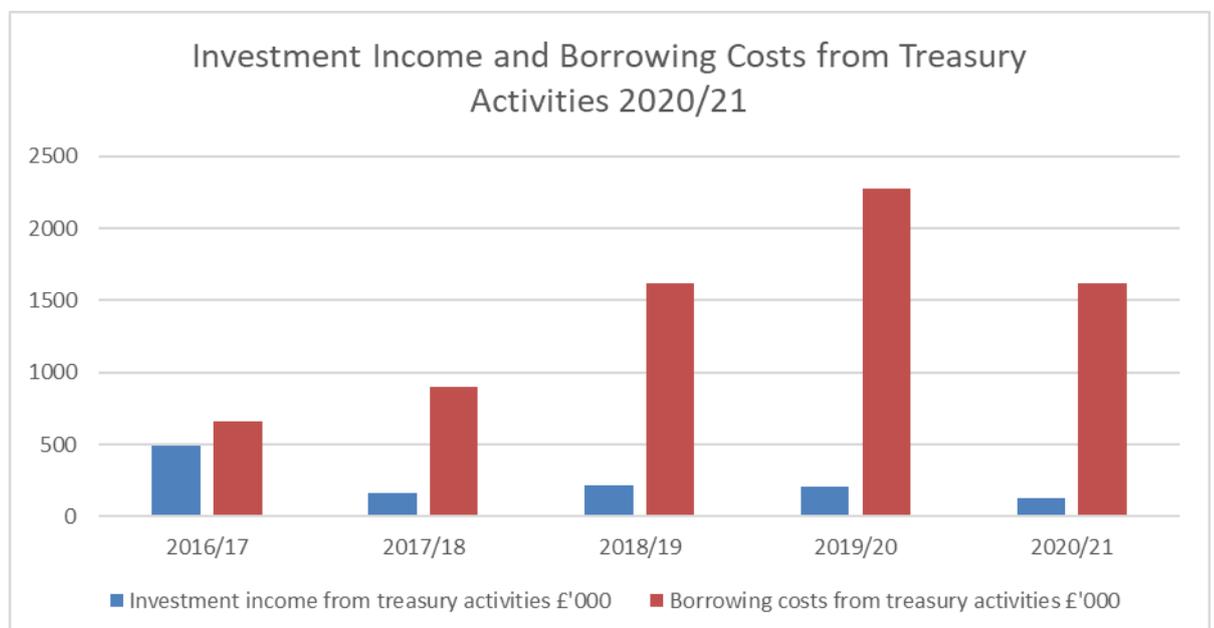
Wards Affected - All

Recommendation

The Executive is asked to RESOLVE to note the report on Treasury Management including compliance with the 2020/21 Prudential Indicators

1. Resource Implications

- 1.1 None directly as a result of this paper, but like other local authorities, part of the budget relies on funding from investment income. The graph below shows investment income from treasury activities from 2016/17 to 2020/21.



- 1.2 Treasury income returns decreased in 2020/21 compared to the previous year partly due to the Bank of England's decision to maintain the Bank Rate at 0.10% throughout all of 2020/21. Treasury income in 2020/21 was £125k

which was a reduction of £81k compared to 2019/20. The 2020/21 income was below the budgeted income of £140k. In comparison with other Surrey councils, Surrey Heath achieved a rate of return on its investments of 1.18% which was in the upper quartile of returns on investment income. The lowest of which was 0.14% up to the highest of 1.53%.

- 1.3 Appendix B shows the compliance with the Treasury Management Prudential Indicators for 2020/21. These can be summarised in the table below:

Treasury Management Prudential Indicator	Complied With
Interest Rate Exposure	Yes
Security	Yes
Liquidity	Yes
Maturity Structure of Borrowing	Yes
Principal Sums Invested for Periods Longer than 365 Days	Yes

2. Key Issues

- 2.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 2.2 Treasury Management is defined as: "The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." Each of these areas are detailed below in the report and illustrate that the authority complied with its Investment and Borrowing Strategies for 2020/21 in line with the C.I.P.F.A. Treasury Management Code of Practice.
- 2.3 The Authority's treasury management strategy for 2020/21 was approved at a meeting on 18th February 2020. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 2.4 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 Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 18th February 2020.

- 2.5 This report is the annual report for the 2020/21 financial year. It includes both a summary of treasury management performance during the year as well demonstrating compliance with the 2020/21 Prudential Indicators.

3. Options

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

4. Proposals

- 4.1 It is PROPOSED that the Executive:

NOTE the report on Treasury Management including compliance with the 2020/21 Prudential Indicators.

5. Supporting Information

Treasury Management Strategy 2020/21

- 5.1 The Authority approved the 2020/21 Treasury Management Strategy, which includes the investment strategy, at its meeting on the 18th February 2020. All treasury management activity complied with the approved treasury management strategy, the CIPFA Code of Practice and the relevant legislative provisions.

Investment Strategy 2020/21

- 5.2 The approved investment strategy for 2020/21 adopted a view to investment that sought to balance risk against return. It maintained a policy, on the advice of our treasury advisors Arlingclose, of diversifying investments including longer term investment funds which give a good return but can be more volatile. The Authority maintained its longer term investment in the CCLA Property Fund.
- 5.3 The Authority continued to use local authorities and money markets with investments being placed generally for short periods only.

Borrowing Strategy 2020/21

- 5.4 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

5.5 The Authority uses a combination of short term borrowing from local authorities coupled with long term loans mainly from the PWLB to achieve this objective.

5.6 **Treasury Advisors**

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

Borrowing and Investment Activity in 2020/21

Borrowing Activity 2020/21

- 5.7 At 31/03/2021 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £214.44m.
- 5.8 The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR arises directly from the capital activity of the Authority and the resources applied to fund the capital spend, and represents the unfinanced element of capital expenditure.
- 5.9 At 31/03/2021, the Authority had £180.6m (£160.7m at 31 March 2020) of actual borrowing and £22.0m (£13.8m at 31 March 2020) of treasury investments. The net of borrowing and investments was £158.6m (£146.9m at 31 March 2020). This is less than the CFR of £214.4m above and working capital as the Authority is able to use "Internal borrowing" to fill this gap subject to holding a minimum short-term investment balance of £5m.
- 5.10 Working capital is money available to the Authority for its day-to-day operations and is calculated as the current assets less the current liabilities. Internal borrowing is a treasury management practice whereby an authority delays the need to borrow externally by temporarily using cash it holds for other purposes
- 5.11 A large proportion of the Authority's borrowing consisted of short term loans. This enabled the Authority to reduce borrowing costs by taking advantage of low interest rates. In 2020/21 the average interest rate on 6 month borrowing was 0.53% (2019/20 - 0.87%).
- 5.12 However, in order to manage interest rate risk, the Authority arranged in 2017/18, £50million of forward starting loans. Loan 1 which is for £25m commenced in 2020/21 at a rate of 2.853% and Loan 2 also for £25m will commence in 2021/22 at a rate of 2.908%. Both loans will be repayable over 40 years.

5.13 The Authority's borrowing activity is shown in the table below:

	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	31.03.21 Rate %
Public Works Loan Board	(57)	(22)	(78)	2.56%
Local authorities (long term)	(1)	1	-	0.00%
Local authorities (short term)	(103)	2	(102)	0.53%
Total Borrowing	(161)	(19)	(180)	0.74%

5.14 The outturn for debt interest paid in 2020/21 was £1.7m (2019/20 - £2.3m) on an average debt portfolio of £180m (2019/20 - £161.0m).

Investment Activity 2020/21

5.15 The Authority held investments which represent income received in advance of expenditure plus balances and reserves held. During the year, the Authority's average investment balance was £22 million. The CIPFA code and government guidance gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

5.16 The table below shows a summary of the investment activity for 2020/21:

Investment Counterparty	Balance on 01/04/20	Investments Made	Maturities/ Investments Sold	Balance on 31/03/21	Average Rate at 31st March
	£000s	£000s	£000s	£000s	%
UK Central Government					
- Short Term	2,000	451,375	(440,573)	12,802	0.013%
- Long Term	0	0	0	0	-
UK Local Authorities					
- Short Term	0	0	0	0	-
- Long Term	0	0	0	0	-
Banks, Building Societies & Other Organisations					
- Short Term	463	106,464	(104,126)	2,800	0.15%
- Long Term	0	0	0	0	-
AAA-rated Money Market Funds					
- Short Term Cash Equivalents	9,000	32,777	(37,077)	4,700	0.34%
Property Investments					
- Long Term **	2,130	0	(39)	2,091	4.23%
Total Investments	13,593	590,615	(581,815)	22,394	1.18%

****Property Investments - Long Term.** The 39k partly represents the bid price adjustment at the financial year end.

- 5.17 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.18 Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy for 2020/21.
- 5.19 Investments held during the year included:
- Deposits with the Debt Management Office
 - Deposits with Other Local Authorities
 - Investments in AAA-rated constant and variable net asset value Money Market Funds
 - Longer Term Property Fund

Credit Risk

- 5.20 Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2017	4.99	A+	3.06	AA
31/03/2018	4.42	AA-	3.65	AA-
31/03/2019	3.85	AA-	3.24	AA
31/03/2020	4.07	AA-	3.57	AA-
31/03/2021	4.04	AA-	4.04	AA-

Scoring:

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

Budgeted Income and Outturn

- 5.21 £2m of the Authority's investments are held in externally managed strategic pooled property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of £90k, comprising a £105k income return which is used to support services in year, and £15k of unrealised capital loss.
- 5.22 In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses and individuals. Volatility measured by the VIX index was almost as high as during the global financial crisis of 2008/9 and evidenced in plummeting equity prices and the widening of corporate bond spreads, very close to rivalling those twelve years ago. Gilt yields fell but credit spreads widened markedly reflecting the sharp deterioration in economic and credit conditions associated with a sudden stagnation in economies, so corporate bonds yields (comprised of the gilt yield plus the credit spread) rose and prices therefore fell.
- 5.23 The Authority is invested in property funds. The falls in the capital values of the underlying assets were reflected in the 31st March fund valuations with most funds registering negative capital returns over 12 months to March. Several March-end dividend details are awaited, but early calculations suggest that, despite decent income returns in 2020-21, these funds will post negative total return over the one-year period due to the capital component of total returns.
- 5.24 These unrealised capital losses will not have an impact on the General Fund as the Authority has elected to present changes in the funds' fair values in other comprehensive income (FVOCI).
- 5.25 Because this fund has no defined maturity date, but is available for withdrawal after a notice period, its performance and continued suitability in meeting the Authority's investment objectives is 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 the fund's performance over the long-term and the Authority's latest cash flow forecasts, investment in this funds has been maintained.
- 5.26 In 2020/21 the Authority's budgeted investment income was £0.14m and the outturn was £0.125m. The outturn figure of £0.125m includes CCLA Property fund income of £0.10m. The balance of income was from investments in money market funds, banks and the Debt Management Office.

Externally Managed Funds

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

Non-Treasury Investments

5.28 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Investment Guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), in which the definition of investments is further broadened to also include all such assets held partially for financial return. The performance of the Authority's non-treasury investments is reported separately to members twice a year.

Compliance

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

Investment Limits

	2020/21 Maximum	31.3.21 Actual £m	2020/21 Limit	Complied? Yes/No
Any single organisation, except the UK Government	£3m each	-	£3m each	Yes
UK Central Government	Unlimited	12.8	Unlimited	Yes
Any group of organisations under the same ownership	£3m per group	2.8	£3m per group	Yes
Any group of pooled funds under the same management	£5m per manager	2.8	£5m per manager	Yes
Money Market Funds	£10m in total	4.7	£10m in total	Yes

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

Debt Limits

	2020/21 Maximum £m	31.3.21 Actual £m	2020/21 Operational Boundary £m	2020/21 Authorised Limit £m	Complied? Yes/No
Borrowing	185.0	180.6	185.0	190.0	Yes
Finance Leases		0.1			Yes
Total debt	185.0	180.7	185.0	190.0	

6 Corporate Objectives and Key Priorities

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

7 Policy Framework

7.1 The 2020/21 Annual Investment Strategy together with the Treasury Management Strategy was approved by Full Council on 18th February 2020. These set out the parameters under which Treasury Management operates including the Prudential Indicators.

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

- New borrowing is contained within the limits approved by the Authority, in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities, and the Authority's Prudential Indicators.
- Investments are made in accordance with the MHCLG guidance on Local Authority Investments, on the basis of the three main credit ratings agencies and as detailed in the Treasury Management Policy statement and approved schedules and practices.
- Sufficient funds are available to meet the Authority's estimated outgoings for any day.
- Investment objectives are to maximise the return to the Authority, subject to the overriding need to protect the capital sum.

8. Legal Issues

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

9. Risk Management

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

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

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

- robust counterparty monitoring and selection criteria,
 - prudent cash flow forecasting,
 - a range of exposure limits and indicators, and
 - procedures designed to prevent fraud and error.
- 9.2 The Authority's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.
- 9.3 The limits applied in respect of counterparties and investments are the overall limits approved by Authority in the annual Treasury Management Strategy. However from time to time these may be tightened temporarily by the Executive Head of Finance in consultation with the Portfolio Holder for Finance to reflect increased uncertainty and increase in perceived risk in financial institutions and the economy. This will usually be at the cost of lower returns.
- 9.4 It should be noted that investment ratings provided by credit rating agencies are only a guide and do not give 100% security. There remains a risk that an institution may be unable to repay its loans whatever the credit rating.
- 9.5 The Authority measures its exposures to treasury management risks using a range of indicators as recommended by the CIPFA Code of Practice on Treasury Management.
- 9.6 The Authority is exposed to interest rate risk on its borrowings. Although steps have been taken to mitigate this risk, through the use of forward starting loans, for example, the risk still remains. However, based on advice from our Treasury Advisors, the risk is considered to be low for the current year.

Annexes	Annex A – Investments as at 31 st March 2021 Annex B – Compliance with Prudential Indicators Annex C – Economic and other background information from Arlingclose Limited.
Background Papers	CIPFA Code of Practice: Treasury Management in the Public Services – 2018 Edition Ministry of Housing, Communities and Local Government (MHCLG) - Statutory Guidance of Local Government Investments
Author/Contact Details	Robert Kern Robert.Kern@surreyheath.gov.uk
Acting Head Of Service	Amanda Fahey – Interim Strategic Director for Finance & Customer Services

Treasury Related Investment Balances as at 31st March 2021

Investments	Notes	Maturity Date	Average Interest Rate %	Principal £
<u>Cash and Cash Equivalents</u>				
<u>UK Central Government</u>				
Debt Management Office		01/04/2021	0.01%	12,802,000
<u>Banks</u>				
NatWest Business Reserve Account	On call		0.20%	2,373,575
NatWest Central Account			0.10%	426,754
<u>Money Market Funds</u>				
BlackRock			variable	0
CCLA Public Sector Deposit Fund			variable	700,000
Federated Investors			variable	1,000,000
Legal and General			variable	0
Aberdeen Standard			variable	3,000,000
Total Cash and Cash Equivalents				20,302,329
<u>Long Term Investments</u>				
Available for Sale				
CCLA Property Fund	Long term		4.23%	2,091,447
Total Long Term Investments				2,091,447
Total Investments				22,393,777

Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2020/21 which were set in February 2020.

Treasury Management Indicators

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

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

	31.3.21 Actual	2020/21 Limit	Complied?
Upper limit on fixed interest rate exposure	£1.4m	£3.6m	Yes
Upper limit on variable interest rate exposure	£0.7m		Yes
Total	£2.1m	£3.6m	

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

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

	Target	Actual	Complied?
Portfolio average credit rating	A+	AA-	Yes

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

	31.3.21 Actual	2020/21 Target
Total cash available within 3 months	£9m	£5m

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

	31.03.21 Actual	Upper Limit	Lower Limit
Under 12 months	67%	100%	10%
12 months and within 24 months	1%	100%	10%
24 months and within 5 years	2%	100%	10%
5 years and within 10 years	3%	100%	10%
10 years and above	27%	100%	10%

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 long-term principal sum invested to final maturities beyond the period end were:

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

External Context provided by the Authority's Treasury Advisors, Arlingclose Limited

Economic background: The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs. Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets: Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

Credit review: After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Treasury Management Mid-Year Report for 2021/22

SUMMARY

This report advises members of the Treasury Management Service performance for 2021/22 as at 30th September 2021 and illustrates the compliance to-date with the Treasury Management Indicators for 2021/22.

Portfolio - Finance

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 2021/22 as at the 30th September 2021.

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 2021/22 was approved by Executive on 16th February 2021.
- 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 26th February 2021.

- 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 2021, the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £214m (2019/20 - £196m), an increase of £18m from 2019/20. The Council must not borrow in excess of its CFR requirement and indeed at the 30th September total borrowing was £175m.

4. Treasury Performance

Borrowing Activity to 30th September 2021

- 4.1 At 30 September 2021 the Council held £175m of borrowing, (an decrease of £5m on 31/3/2021) as part of its strategy for funding previous and current year's capital programmes.

The borrowing position is shown in the table below:

Borrowing Position - 30.09.2021

	31.03.21	Movement	30.09.21	30.09.21
	Balance	£m	Balance	Weighted average rate
	£m		£m	%
Public Works Loan Board	78	0	78	2.43%
Local authorities (long-term)	-	-	-	-
Local authorities (short-term)	102	(5.00)	97	0.05%
Total Borrowing	180.00	(5.00)	175	0.74%

- 4.2 At 30th September 2021, the Council had an upper operational limit of borrowing of £230m.
- 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. In 2020/21 a loan of £25million with a fixed interest rate of 2.853% was advanced to the Council and a further £25m will be advanced in 2021/22 with a fixed interest rate of 2.908% was advanced. Both loans will be repayable over 40 years.

Investment Activity to 30th September 2021

- 4.5 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 £24.5 million.
- 4.6 The Council's investment position at the half year is shown in the table below.

Investment Activity Summary at 30 September 2021

Investment Counterparty	Balance on 01/04/21	Investments Made	Maturities/ Investments Sold	Balance on 30/09/21	Average Income Rate to 30th September
	£000s	£000s	£000s	£000s	%
Government					
- UK Central Government Short Term	12,802	185,499	(184,007)	14,294	0.01%
- Other Local Authorities Short Term	0	0	0	0	0.00%
Banks, Building Societies & Other Organisations					
- Short Term	2,800	34,249	(33,856)	3,201	0.02%
AAA-rated Money Market Funds					
- Short Term Cash Equivalents	4,700	6,631	(3,724)	7,600	0.20%
- Long Term	2,091	100	0	2,191	4.20%
Total Investments	22,394	226,479	(221,587)	27,286	0.42%

In the light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Authority kept more cash available at very short notice than is normal. Liquid cash was diversified over several counterparties and/or Money Market Funds to manage both credit and liquidity risks.

- 4.7 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.

- 4.8 The Council maintained its investment of £2m in the CCLA Property Fund whilst the remainder of investments were invested in money market funds. Since 30th September 2020, this £2m longer term investment over the past 12 months has generated a total return of 15.22% (capital return of 10.82% and an income return of 4.40%). Since investing into the CCLA Property Fund back in 2014, the Fund has generated a total return of 44.68% (capital return of 11.87% and an income return of 32.82%).
- 4.9 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.
- 4.10 In 2021/22 the Authority expects to receive significantly lower income from its cash and short-dated money market investments and from its externally managed funds than it did in 2020/21 and earlier years. Dividends and income paid will ultimately depend on many factors including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral.
- 4.11 Annex A lists the Council's investments as at the 30th September 2021.

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
31/03/2021	4.04	AA-	4.04	AA-
31/09/2021	4.12	AA-	3.71	AA-

The value weighted average and time weighted average credit ratings increased to 3.95 at 30.09.2021 compared to 4.07 at 31.03.2021. This AA- rating at 30.09.21 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
- B- = lowest credit quality = 16
- 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 £24.5m during the half year. The Council's best performing investment was its £2m of externally managed pooled (property) fund.
- 4.14 The balance of the Council's investments were kept in short-term money markets.
- 4.15 The Council's investment income for the first six months was £52k compared to an annual budgeted figure of £140k. The estimated return at year end is £115k which will show a shortfall of £25k due to currently low interest rates as per Annex D of this report (Outlook for the remainder of 2021/22).

Compliance with Treasury Management Indicators

- 4.16 The Council confirms compliance with its Treasury Management Indicators in the period to 30th September 2021. These were set in February 2021. Details of these indicators are shown in Annexes B and C.

Economic Review and Outlook for the remainder of the year

- 4.17 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. Proposals

- 5.1 It is proposed that the Executive note and comment on the report.

6. Corporate Objectives and Key Priorities

- 6.1 The Treasury Management processes support the Council's objective of 'Delivering services efficiently, effectively and economically' through the Council's new 5 year strategy.

7. Policy Framework

- 7.1 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.

8. Legal Issues

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

9. Risk Management

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

9.2 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 Strategic Director for Finance and Customer Service in consultation with the Portfolio Holder for Finance to reflect increased uncertainty and increase in perceived risk in financial institutions and the economy. This will usually be at the cost of lower returns.

9.3 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.

9.4 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.

Annexes	Annex A – Investments as at 30th September 2021 Annex B – Treasury Management Performance Indicators
Background papers	CIPFA code on Treasury Management
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Head of service

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Interim Strategic Director of Finance and Customer
Service

INVESTMENTS as at 30th September 2021

	£
Debt Management Office	14,294,000
Other Local Authorities Short Term	0
Total Government	<u>14,294,000</u>
Money Market Fund - Aberdeen Standard	3,000,000
Money Market Fund – CCLA	700,000
Money Market Fund – Federated	3,000,000
Money Market Fund - Legal and General	900,000
Total Money Market Funds	<u>7,600,000</u>
CCLA Property Fund	<u>2,192,156</u>
Total Longer Term Investments	<u>2,192,156</u>
NatWest Bank Accounts	3,200,458
Total Invested	<u><u>27,286,614</u></u>

Treasury Management Indicators as at the 30th September 2021

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.

	30.09.21 Actual £m	2021/22 Operational Boundary £m	2021/22 Authorised Limit £m	Complied? Yes/No
Borrowing	175	230	235	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	30.09.20 £000s
Not over 1 year	100%	0%	69%	117.64
Over 1 but not over 2 years	100%	0%	1%	1.09
Over 2 but not over 5 years	100%	0%	2%	3.30
Over 5 but not over 10 years	100%	0%	3%	5.60
Over 10 but not over 15 years	100%	0%	4%	7.25
Over 15 but not over 20 years	100%	0%	3%	5.23
Over 20 but not over 30 years	100%	0%	3%	5.43
Over 25 but not over 30 years	100%	0%	2%	3.18
Over 30 but not over 40 years	100%	0%	6%	10.80
Over 40 years	100%	0%	6%	10.94
Total			100%	170.45

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:

	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£2.5m	£2.5m	£2.5m
Actual	£2.0m		

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 30/09/2021
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 30/09/2021
Total cash available within 3 months	£5m	£9m

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 £860k. The Council has sufficient reserves in an Interest Equalisation Reserve to mitigate the impact of an interest rate rise for 2021/22.

Annex C

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

	2021/22 Limit	30.09.21 Actual	Complied
Any single organisation, except the UK Government	£3m each	0	Yes
UK Central Government	Unlimited	£14.294m	Yes
UK Local Authorities	£3m each	0	Yes
Any group of organisations under the same ownership	£3.5m per group	£3.2m	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	£7.6m	Yes

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

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest

rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%. The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Outlook for the remainder of 2021/22

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England’s desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the ‘pingdemic’ and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support

programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Exclusion of Press And Public

Recommendation

The Executive is advised to RESOLVE that, under Regulation 4 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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