Executive Agenda

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15 January 2019

To the Members of the EXECUTIVE

Councillors:	M. A. Brunt	Leader of the Council
	G. J. Knight	Deputy Leader, Housing and Benefits
	R. H. Ashford	Leisure and Wellbeing
	Mrs. N. J. Bramhall	Property and Acquisitions
	J. E. Durrant	Community Safety
	K. Foreman	Planning Policy
	A. C. J. Horwood	Neighbourhood Services
	E. Humphreys	Business and Economy
	T. Schofield	Finance

For a meeting of the **EXECUTIVE** to be held on **THURSDAY, 24 JANUARY 2019** at **7.30 pm** in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

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Notice is given of the Executive's intention to hold part of its meeting on Thursday, 24 January 2019 in private for consideration of reports containing "exempt" information

1. **MINUTES** (Pages 7 - 12)

To confirm as a correct record the Minutes of the Executive meeting held on 29 November 2018.

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DECLARATIONS OF INTEREST**

To receive any declarations of interest.

4. **OBSERVATIONS FROM THE OVERVIEW AND SCRUTINY COMMITTEE ON THE DRAFT BUDGET PROPOSALS FOR 2019/20** (Pages 13 - 20)

Executive Member: Portfolio Holder for Finance, Leader of the Council

To receive and consider the comments received from the Overview & Scrutiny Committee on the Service and Financial Plans for 2019/20.

5. **QUARTERLY PERFORMANCE REPORT (Q2 2018/19)** (Pages 21 - 36)

Executive Member: Portfolio Holder for Finance

To consider the Performance Report for Quarter 2 (2018/19).

6. **BUDGET 2019/20 AND CAPITAL PROGRAMME 2019 TO 2024** (Pages 37 - 54)

Executive Member: Portfolio Holder for Finance, Leader of the Council

To propose a budget for approval for the 2019/20 financial year.

7. **COUNCIL TAX SETTING 2019/20** (Pages 55 - 66)

Executive Member: Portfolio Holder for Finance

The purpose of this report is to propose the technical recommendations which Council will need in order to comply with The Local Government Finance Act 1992 and set a legally compliant budget.

8. **DRAFT TREASURY MANAGEMENT STRATEGY 2019/20** (Pages 67 - 110)

Executive Member: Portfolio Holder for Finance

To seek approval of the Treasury Management Strategy 2019/20 for consultation.

9. **SCHEDULE OF MEETINGS 2019/20** (Pages 111 - 118)

Executive Member: Leader of the Council

To consider the proposed Schedule of Meetings for 2019/20.

10. **PROPERTY ACQUISITIONS**

Executive Member: Portfolio Holder for Property and Acquisitions

To consider any property acquisitions proposed.

11. **STATEMENTS**

To receive any statements from the Leader of the Council, Members of the Executive or the Chief Executive.

12. **ANY OTHER URGENT BUSINESS**

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency – Local Government Act 1972, Section 100B(4)(b).

(Note: Urgent business must be submitted in writing but may be supplemented by an oral report).

13. EXEMPT BUSINESS

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and

(ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. PROPERTY ACQUISITIONS (EXEMPT)

Executive Member: Portfolio Holder for Property and Acquisitions

To consider exempt information in relation to these proposals.

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BOROUGH OF REIGATE AND BANSTEAD

EXECUTIVE

Minutes of a meeting of the Executive held at the New Council Chamber - Town Hall, Reigate on 29 November 2018 at 7.30 pm.

Present: Councillors M. A. Brunt (Leader), G. J. Knight (Deputy Leader), R. H. Ashford, Mrs. N. J. Bramhall, K. Foreman, A. C. J. Horwood and T. Schofield.

Also present: Councillors Mrs. R. Absalom, J. C. S. Essex, N. D. Harrison, R. C. Newstead, Mrs. R. S. Turner and C. T. H. Whinney.

75. MINUTES

RESOLVED that the Minutes of the Executive meeting held on 8 November be approved as a correct record and signed.

76. APOLOGIES FOR ABSENCE

Executive Members: Councillor J.E. Durrant and Councillor E. Humphreys.

Non-Executive Members: None.

77. DECLARATIONS OF INTEREST

None.

78. REPLACEMENT OF THE COUNCIL'S FLEET OF DOMESTIC REFUSE COLLECTION VEHICLES

Councillor A.C.J. Horwood, Executive Member for Neighbourhood Services, explained that the proposals set out in the report, of the Strategic Head of Operations, addressed the need to replace the Council's existing fleet of 17 Refuse Collection Vehicles. The following points were noted by the Executive:

- The existing fleet had been procured in 2011/12 as part of the planned introduction of an enhanced kerbside recycling service.
- Vehicles were entering their seventh year of continuous service.
- An options appraisal had been undertaken and it was noted that this had considered the use of alternative fuels and had compared the lease hire of vehicles with outright purchase. It was also highlighted that opportunities in relation to potential refurbishment of some vehicles, to extend service life, had been explored.

In response to questions, Councillor Horwood highlighted that the proposals set out in the report supported the outright purchase of diesel vehicles, complying with Euro VI emission standards, over a three year period, along with the refurbishment of selected vehicles from the existing fleet. The Executive Member went on to explain that this approach provided flexibility and would allow the Council to react to any changes in waste legislation and any changes to financial transfers that would be

agreed between Surrey County Council and Reigate and Banstead post 2020/21. The Executive was informed that should the proposals be approved:

- Three new replacement vehicles would be procured in 2019/20 at an estimated cost of £600,000. It was noted that an additional sum of £120,000 would be made available for the refurbishment of up to three vehicles from the existing fleet.
- Up to seven vehicles would be purchased in 2020/21 with an estimated total cost of £1.5 million. It was noted that an additional sum of £120,000 would be made available for refurbishment.
- The arrangements for 2020/21 would be repeated in 2021/22.
- At the end of the process an entirely new fleet of household Refuse Collection Vehicles would be in operation.

Councillor Horwood explained, by phasing the procurement of new vehicles over three years, the financial burden of future replacement would be mitigated by extending the period over which any future fleet was acquired.

During the discussion a number of issues were considered in relation to alternative fuels, including the distinction between air pollution and greenhouse gas emissions.

In response to questions, the Leader of the Council explained that currently alternative fuels were not viable (at the time of making the decision) however rapid technological advances meant these would be kept under close review. It was also emphasised that the proposed approached provided flexibility and allowed for improvements to be made, within an agreed budget, to the Council's fleet in the future. This included further consideration of alternative fuels, once these became viable, and other considerations to ensure the recycling service remained cost effective, robust and fully legally compliant.

In conclusion, the Executive Member for Neighbourhood Services explained the regular collection of household recycling and residual waste was one of the Council's highest profile services. It was highlighted that residents expected their waste to be collected in a timely and efficient manner and that this required a fleet of well maintained, reliable vehicles that were fit for purpose each and every week.

RECOMMENDED that, in order to fulfil resolution (ii) below, financial provision be made as follows:

- **Include within the Council's capital programme planning the sum total of £600,000 in financial year 2019/20 to fund the initial purchase of three new vehicles;**
- **Include within the Council's capital programme planning the sum total of £120,000 in financial years 2019/20, 2020/21 and 2021/22 to fund a refurbishment programme of vehicles from the current fleet; and**
- **Include within the Council's capital programme planning the sum total of £1.5 million in financial years 2020/21 and 2021/22 (£3 million total across these two financial years) to fund the purchase of up to fourteen new vehicles.**

RESOLVED that:

(i) The Council's current fleet of domestic refuse collection vehicles be recognised as approaching the end of its economical service life.

(ii) The Council purchase new vehicles over a period of three financial years, concluding in 2021/22, supported by the refurbishment of vehicles from the current fleet (Option 2).

(iii) The Strategic Head of Neighbourhood Operations be authorised, in consultation with the Leader of the Council and Executive Member for Neighbourhood Services, to make revisions to the replacement options and approach within the agreed budget as required.

Reason for decision: To continue to deliver a cost effective, robust and legally compliant refuse collection service for the borough's residents.

Alternative options: To outright capital purchase a new fleet with in-house maintenance, with capital expenditure incurred in one financial year (2019/20); to contract hire a new fleet of vehicles, with maintenance undertaken in-house; or to contract hire a new fleet of vehicles, with outsourced maintenance.

79. PROPERTY ACQUISITIONS

It was noted that there was one property acquisition proposed, the acquisition of a freehold in Salfords as set out below.

79.1 Acquisition of Freehold in Salfords

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced a report concerning the acquisition of a property freehold in Salfords.

The Executive Member highlighted that the Council's Five Year Plan (2015-2020) identified property investment and development as one of its key objectives. As set out in the report, Councillor Mrs Bramhall explained that this acquisition would provide the Council with rental income from occupational leases, with scope for rental and asset value growth in the short term.

The Executive was informed heads of terms for the purchase were in the process of being agreed and it was highlighted that the report recommended a delegation be put in place to allow variations to the agreed terms. It was noted that this would allow for any necessary changes following the usual rigorous due diligence requirements.

The Executive Member for Property and Acquisitions explained full details of the Council's bid, including the financial implications, had been set out in the exempt Part 2 report on the agenda. It was also highlighted that additional exempt information, concerning financing options for the purchase, had been published via an addendum.

Clerk's note – *at this point in the meeting (at 8.00pm) agenda item 5a (Acquisition of Freehold in Salfords) was adjourned so that exempt information, at agenda items 8 (Exempt Business) and 9a (Acquisition of*

Freehold in Salfords – Exempt), could be considered ahead of making a decision.

Clerk's note – *The minutes of the meeting reflect the order of business listed on the published agenda, not the order taken during the meeting.*

On conclusion of agenda item 9a (at 8.12pm) the Executive returned to agenda item 5a and;

RESOLVED that subject to a satisfactory due diligence report being received, the Head of Finance and Assets, in consultation with the Director for Finance and Organisation, the Executive Member for Property and Acquisitions, and Executive Member for Finance, be authorised to: (a) acquire the Freehold referred to in the report for investment purposes; and (b) agree any variations to the heads of terms and to the acquisition price further to external valuation advice and due diligence investigations as set out in the exempt Part 2 report.

Reason for decision: To obtain Executive authority to proceed with a freehold acquisition in Salfords to secure additional income to support the Council's 5 Year Plan objective to become financially self-sufficient.

Alternative options: Investigate alternative property acquisitions, investigate a joint venture on the purchase or do nothing.

80. STATEMENTS

None.

81. ANY OTHER URGENT BUSINESS

None.

82. EXEMPT BUSINESS

RESOLVED that members of the press and public be excluded from the meeting for agenda item 9a (Acquisition of Freehold in Salfords - Exempt) under Section 100A(4) of the Local Government Act 1972 on the grounds that: (i) it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and (ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

83. PROPERTY ACQUISITIONS (EXEMPT)

It was noted that there was exempt information to consider in relation to one property acquisition proposed, the acquisition of a freehold in Salfords as set out below.

83.1 Acquisition of Freehold in Salfords (exempt)

Councillor Mrs N.J. Bramhall, Executive Member for Property and Acquisitions, introduced the exempt report and Councillor T. Schofield, Executive Member for Finance, provided an update on the financial information set out in the addendum to the agenda.

During the discussion the Leader of the Council, the Executive Member for Property and Acquisitions, and Executive Member for Finance responded to questions concerning the purchase.

RESOLVED that the exempt information in relation to the acquisition of a freehold in Salfords be noted.

The Meeting closed at 8.13 pm

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	CHIEF EXECUTIVE
AUTHOR:	Tom Borer
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TO:	EXECUTIVE
DATE:	25 JANUARY 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	N/A

SUBJECT:	**OBSERVATIONS OF THE OVERVIEW & SCRUTINY COMMITTEE ON THE DRAFT BUDGET PROPOSALS FOR 2019/20**

RECOMMENDATION:

That the report of the Overview & Scrutiny Committee on the service and financial plans for 2019/20 be approved, as identified in paragraphs 12, 13 and 14 of this report, with regard to:

i). the budget proposals for 2019/20,
ii). the reporting of budget contingency or headroom, and
iii). the proposed internal audit of budget development and reporting prior to the 2020/201 budget setting process.

REASONS FOR RECOMMENDATIONS:

To take account of the views of the Overview & Scrutiny Committee on their consideration of the service and financial plans for 2019/20.

EXECUTIVE SUMMARY:

This report completes the Overview & Scrutiny Committee's consideration of the Service & Financial plans for 2019/20. The proposals have been scrutinised in line with the Council's budget framework.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. This report is brought to the Executive as part of its consultation on the proposed budget for 2018/19 as required by the Policy Framework and Budget Procedure Rules in the Constitution.

2. The Council is required to set a budget for the forthcoming Municipal Year under the *Local Government Acts* of 1972 and 1992. The Executive is asked to consider the final service and financial proposals for 2019/20 at this meeting so that it can make its recommendation to Council on 7 February 2019.

SCRUTINY PROCESS

3. The Overview & Scrutiny Committee established a Budget Scrutiny Review Panel to examine the principles that underlined the provisional service and financial plans recommended by the Executive.

4. The Panel considered the savings and growth proposals that had been agreed for consultation by the Executive on 8 November 2018.

5. The Panel met on 22 November 2018 and Councillors M.A. Brunt, Leader of the Council and T. Schofield, Executive Member for Finance, attended the Panel's meeting to support its consideration of the budget proposals.

6. The Panel's report, including their conclusions and recommendations, was considered by the Overview & Scrutiny Committee on 6 December 2018. An extract from the draft minutes of that meeting is attached at **Annex 1**, and the full report of the Budget Scrutiny Review Panel is at **Annex 2**.

OVERVIEW & SCRUTINY COMMITTEE CONCLUSIONS

7. The Overview and Scrutiny Committee concluded that the provisional budget proposals for 2019/20 were achievable, realistic and based on sound financial practices and reasonable assumptions. This also applied specifically to the following:

    a. Savings proposals totalling £1.229m

    b. Growth proposals totalling £2.620m

8. The Committee had no significant concerns about the budget proposals as a whole, which it agreed had minimal impact on the range and quality of service delivery by the Council.

9. Additionally the Executive was requested to consider the Committee's recommendations that future budget papers should set out the amount of any budgetary contingency or headroom included in that budget, that quarterly and year end budget monitoring arrangements should report on the use of such contingency, that any under or overspend should be reported in the year-end report, and that an internal audit of how budgets are developed and reported be conducted in advance of the 2020/21 budget process

RISK MANAGEMENT CONSIDERATIONS

10. The Budget Scrutiny Panel recognised that no budget planning process was without risk, and identified the following particular risks that needed to be

monitored throughout 2019/20 and when considering performance and future budgets:

- The risk of increased budgetary pressure as a result of cuts to funding by Surrey County Council, both directly and as a result of the impact upon partner organisations.
- The future risk of increased budgetary pressure from the need to address homelessness, with government monies to support the implementation of the Homelessness Reduction Act only being received for a limited period.
- The potential future increase to budgetary pressure resulting from the roll-out of Universal Credit.
- The risk of increased budgetary pressure around waste and refuse collection activities as a result of uncertainty around recyclate prices and arrangements with Surrey County Council.

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OVERVIEW & SCRUTINY COMMITTEE RECOMMENDATIONS AND ACTIONS

11. The Overview & Scrutiny Committee at its meeting on 6 December 2018 recommended the following:

12. That in response to the Service and Financial Planning (Provisional Budget) 2019/20 report, the following comments be submitted for the consideration of the Executive:

    (i) That the Overview and Scrutiny Committee thanks for the Executive Member for Finance, Executive and Officers for preparing balanced budget proposals for 2019/20;

    (ii) That the Overview and Scrutiny Committee considers the following to be achievable, realistic, and based on sound financial practices and reasonable assumptions:

        a. The provisional budget proposals for 2019/20

        b. Savings proposals totalling £1.229m

        c. Growth proposals totalling £2.620m

    (iii) That the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be minimal;

13. That the Overview and Scrutiny Committee considers that future budget papers should set out the amount of any budgetary contingency or headroom included in that budget, that quarterly and year end budget monitoring arrangements should report on the use of such contingency, and that any under or overspend should be reported in the year-end report.

14. That the Overview and Scrutiny Committee recommend that an internal audit of how budgets are developed and reported be conducted in advance of the 2020/21 budget process.

OPTIONS

15. The Overview & Scrutiny Committee have made no recommended changes to the service and financial plans for 2019/20.

16. The Executive can therefore:

    - Accept the report and note the comments of the Overview & Scrutiny Committee (**recommended**); or
    - Request that the Overview & Scrutiny Committee undertake additional scrutiny of all or part of the service and financial plans for 2019/20 (not recommended).

LEGAL IMPLICATIONS

17. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

18. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

19. There are no equalities considerations arising from this report.

CONSULTATION AND POLICY FRAMEWORK

20. The Overview & Scrutiny Committee was consulted by the Executive in accordance with the Policy Framework and Budget Procedure Rules in the Constitution.

Background Papers

Complete Report of the Budget Scrutiny Panel and Supporting Annexes

Extract from draft Minutes of the Overview & Scrutiny Committee meeting held on 6 December 2018

41. SERVICE AND FINANCIAL PLANNING/BUDGET PROPOSAL FOR 2019/20

The Vice-Chairman invited Cllr. N. Harrison, as Chairman of the Budget Scrutiny Review Panel, to introduce the report. Cllr Harrison thanked the Panel members, the supporting officers and other contributing Members for their work to support scrutiny of the proposed budget.

The Committee heard that a wide range of advance questions had been asked as part of the budget scrutiny process, and that the Panel had thoroughly explored not only the savings and growth proposals for 2019/20 but the full service and financial context in which the budget had been prepared.

Councillor Harrison highlighted:

- That there remained a number of forthcoming financial management items to be considered by Committees and Members, including the Capital Plan and Treasury Management Strategy, and the Council's new investment strategy.
- That the Council had substantial reserves, and the Panel was supportive of their use to support the proposed budget, but that this should be a short term measure to address the external financial pressures faced by the Council, and that the Panel supported steps to obtain additional sustainable funding.
- That the Panel supported the inclusion of ongoing costs previously funded through the Corporate Plan Delivery Fund being transferred into the revenue budget.
- That the Council continued to face significant future financial pressures due to potential increases in demand and reductions in available funding.
- That the Panel was pleased to note that the income in the budget from property rents had been secured and was not speculative.
- That the Council had not included income from the proposed 2019/20 Business Rates Pilot in the budget.
- That the Panel considered that future budget reporting should make clearer reference to the level of budgetary contingency or headroom included in the budget and how this was allocated, and that it would like to see additional information on how this had been spent in previous years.
- That the Panel supported the addition of a new post to support future commercial activities.
- That the Panel supported that the proposed budget did not propose any significant cuts to services provided by the Council.
- That the Panel had no significant concerns with the proposed budget, but was mindful of the future challenges faced by the Council.
- That the proposed budget was considered to be achievable, realistic and based on sound financial practices and reasonable assumptions.

Councillor Harrison proposed that the Overview and Scrutiny make a third recommendation to the Executive, in addition to those proposed by the Budget Scrutiny Review Panel. The proposed recommendation was as follows:

'That the Overview and Scrutiny Committee recommend that an internal audit of how budgets are developed and reported be conducted in advance of the 2020/21 budget process.'

The additional proposed recommendation was supported by the Committee.

There were a number of questions and comments relating to the following topics:

- **Business Rates.** It was noted that the business rates Pool funds received to date would be used to support economic prosperity and businesses in the borough. Members supported ensuring that these funds were used effectively.
- **The National Waste Strategy.** It was noted that a new national waste strategy was expected to be forthcoming, and that there was a potential for this to have financial implications for the Council. It was noted that when the new strategy was released it would be considered by the Council, and that it presented significant financial implications for the Council it was expected that an associated report would be produced.
- **Property Investments.** It was identified that at the time of the meeting, the majority of the Council's commercial income related to property owned by the Council. It was confirmed that the Council's property team was in a good position to continue to support the Council's commercial property activities. It was identified that for any potential future investments financed using borrowing, this would necessitate a higher rate of return to justify the investment than might be required for investments financed from capital reserves. It was identified that investments utilising funding from borrowing would be expected to be located within the Council's economic area. It was noted that the Council would continue to seek to pursue property investments which supported a social benefit for the borough in additional to any financial return.
- **Income and Saving Proposals.** It was suggested that it might be beneficial in future years to provide additional absolute figures for savings and growth in addition to relative movements.
- **Senior Management Team.** It was identified that the budget associated with the Senior Management Team had increased relative to 2018/19, despite the departure from the organisation of some officers, due to the inclusion of a permanent head of legal post, and allocation of resources to support the Council's effective future operations.

RESOLVED:

i). That in response to the Service and Financial Planning (Provisional Budget) 2019/20 report, the following comments be submitted for the consideration of the Executive:
   a. That the Overview and Scrutiny Committee thanks for the Executive Member for Finance, Executive and Officers for preparing balanced budget proposals for 2019/20;
   b. That the Overview and Scrutiny Committee considers the following to be achievable, realistic, and based on sound financial practices and reasonable assumptions:
      i. The provisional budget proposals for 2019/20
      ii. Savings proposals totalling £1.229m
      iii. Growth proposals totalling £2.620m
   c. That the Overview and Scrutiny Committee considers the potential impact of the savings and growth proposals on service delivery to be minimal;

ii). That the Overview and Scrutiny Committee considers that future budget papers should set out the amount of any budgetary contingency or headroom included in that budget, that quarterly and year end budget monitoring arrangements should report on the use of such contingency, and that any under or overspend should be reported in the year-end report.

iii). That the Overview and Scrutiny Committee recommend that an internal audit of how budgets are developed and reported be conducted in advance of the 2020/21 budget process

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION
AUTHOR:	Luke Harvey, Project & Performance Team Leader
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E-MAIL:	Luke.Harvey@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	24 January 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	**QUARTERLY PERFORMANCE REPORT (Q2 2018/19)**

RECOMMENDATION:

To note the performance outlined in the attached report.

REASONS FOR RECOMMENDATIONS:

To consider the performance for the second quarter of the financial year 2018/19.

EXECUTIVE SUMMARY:

The attached report provides the headline issues in relation to the Council's overall performance for Quarter 2.

The attached report (Annex 1) was considered by the Overview and Scrutiny Committee on 6 December 2018.

The Committee made two observations relating to the Performance Report to be reported to the Executive. These are laid out below. One additional observation resulting from the Committee's consideration of the report of the Budget Scrutiny Review Panel is also included for reference, as it relates to the Council's Internal Audit Process which is reported within this report. This is also laid out below.

Executive has authority to approve the above recommendation.

OBSERVATIONS OF THE OVERVIEW & SCRUTINY COMMITTEE

Performance Report – Risk Management

1. The Overview and Scrutiny Committee requested a description of the colour codes used to rate the risks on the Council's risk registers. This is provided in the table below and will appear within future performance reports.

Risk	Action
Red risk	Where management should focus attention. Immediate actions should be identified and plans in place to reduce risk as a priority. Review regularly and report upwards
Amber risk	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.
Yellow risk	These should have basic mechanisms in place as part of the normal course of management.
Green risk	Where risk is minimal if does not demand specific attention but should be kept under review.

2. The Committee queried the identification and evaluation of risks relating to Brexit. In addition to the references made to Brexit within the report, it was identified that consideration has been made to: a possible general election or referendum, recruitment, supply of goods and services, general economic context, increased service pressures, and income received. It was however identified that the Council was considered to be positioned to be able to manage these risks either within the year, or to address them within the budget process for future years, and that the Council was confident that service delivery would not be adversely impacted.

Internal Audit

3. Following consideration of the report of the Budget Scrutiny Review Panel, the Overview and Scrutiny Committee recommended that an internal audit of how budgets are developed and reported be conducted in advance of the 2020/21 budget process.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

Subject:	**Quarterly Performance Report** **(Q2 – July to September 2018)**
Officer:	Jocelyn Convey
To:	Overview and Scrutiny Committee, 6 December 2018.
Purpose:	To consider the key service performance for the second quarter of the year 2018-19.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 2.

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following Annexes:

Key Performance Indicators	Annex 1
Revenue Budget Monitoring	Annex 2
Capital Budget Monitoring	Annex 3
Risk Management	Annex 4
Internal audit	Annex 5

Recommendation

The Committee is requested to review the performance update, consider any advance questions received in relation to strategic issues and make any observations to the Executive.

Annex 1

KEY PERFORMANCE INDICATORS

Headline Information

Of the 14 Key Performance Indicators (KPIs) reported on this quarter, 8 are on target or within the agreed tolerance.

KPIs 4-8 are contextual homelessness indicators introduced to reflect the changes required by the Homelessness Reduction Act (2017). As the impact of the new legislation is uncertain, no target has been set for these indicators this year. Performance this year will therefore inform targets for the next year.

Major variances (those off target)

KPI 13 – number of active bins	
Target	**Actual**
Net increase of 100 active bins	15

Performance this quarter is reflective of a usual seasonal fluctuation. Despite this, the service is on target to achieve its overarching target for the year.

eMembers room information

A copy of the full schedule can be found in the eMembers room.

REVENUE BUDGET MONITORING

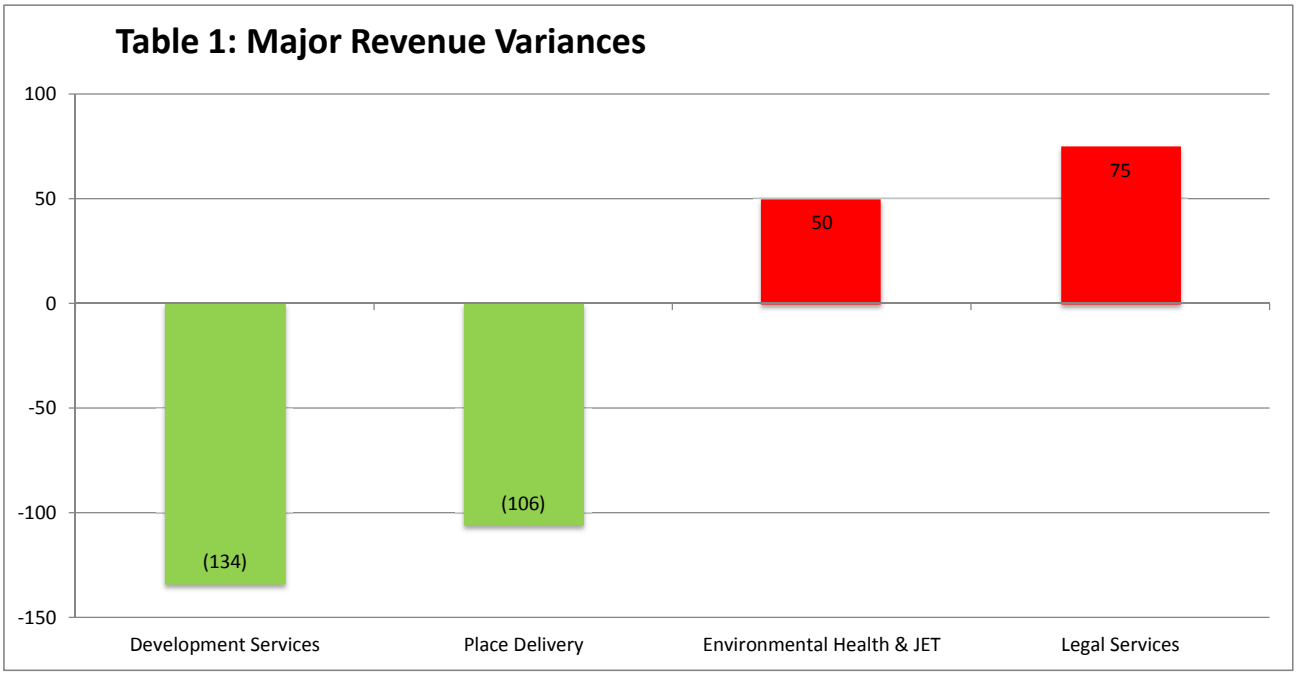
Revenue Budget

Reconciliation of Original Budget to Management Budget for 2018-19

	£'000	£'000
Original Budget		15,494.5
Transfers from Reserves:		
Corporate Plan Delivery Fund	2,019.8	
CIL funds	100.1	
Neighbourhood Improvement Fund	10.7	
		2,130.6
Management Budget		17,625.1

Headline Revenue Budget information 2018-19

	£'000	
Management Budget	17,625.1	
Forecast Year End Outturn	17,538.4	
Projected underspend	-86.7	(or -0.5% of the budget)



Major Variances

Development Services:
As reported at Q1, the income from planning fees continues to remain buoyant with a surplus over the budget being forecast at this stage.

Place Delivery:
As reported at Q1, the forecast underspend relates to posts created in the business plan that are currently vacant. This is temporary. Recruitment will commence shortly following management restructure and will reflect the skills required to deliver the Council's corporate place priorities. Favourable variances accrue whilst this is happening.

Environmental Health and JET:
Two unbudgeted elements have given rise to the forecast overspend. Firstly, £27k for prevention reviews of domestic homicide cases. Secondly, staffing costs totalling £12k for temporary maternity cover and £11k relating to performance pay reviews for staff, make up the balance. All these items are being addressed through the Service and Financial Planning process in 2019/20

Legal Services:
The forecast overspend relates to the reliance on locum staff and external advice to deliver the service.

e-Members Room Information

Further information has been provided in the e-Members Room:

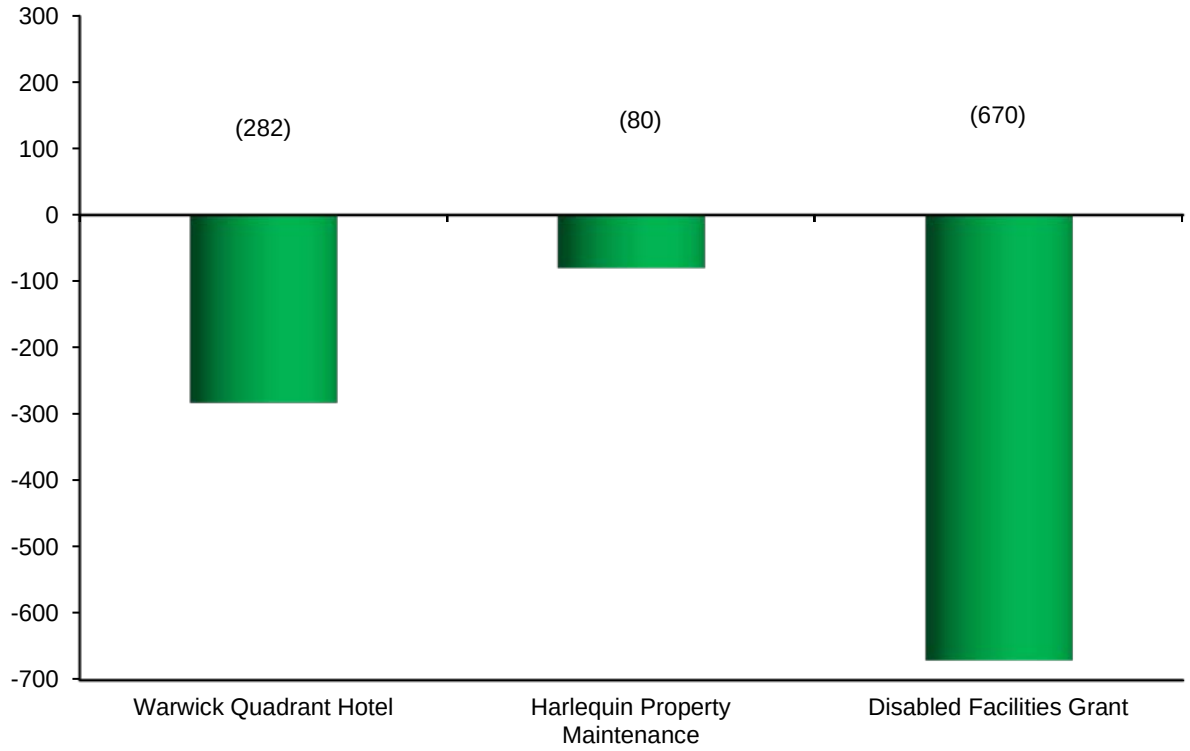
- Budget Monitoring Summary
- Analysis of Key Variances
- Impacts on Reserves

CAPITAL BUDGET MONITORING **Capital Budget**

Headline Capital Budget Information, Quarter 1 2018/19

Current Budget:	£9,839,200	
Forecast Expenditure:	£8,639,100	
Projected Underspend:	(£1,200,100)	(or -12.2% of budget)

Table 1: Major Capital Variances (£000)



Major Variances

Warwick Quadrant Hotel: £282k is an actual underspend as the final work is now completed and no further expenditure is expected.

Harlequin Property Maintenance: There is currently an £80k underspend expected, however, there is a major piece of work currently to realign and agree a new capital budget for the Harlequin. This is expected to be carried out over the next quarter.

Disabled Facilities Grant: Disabled Facilities Grant: The Council is in final stages of awarding our Home Improvement Agency contract with tenders being evaluated and scheduled to mobilise by January 7th. Additional DFG funding was received at the end of 17/18 of £100k and comes with less restricted conditions; which can be utilised to subsidise the management fee in 17/18. Working closely with our new supplier will see an increase to the outturn of our accumulated DFG grant.

Other Capital Investment

Loans to Companies	
As @ 30/09/2018:	
Greensand Holding Ltd	£2,269,639
Horley Business Park Development LLP	£552,000

Preference Shares	
As @ 30/09/2018:	
Pathway for Care Limited	£1,099,920

eMembers Room Information

Further information has been provided in the eMembers' room to support the Committee's consideration of the monitoring report as follows:

- Reconciliation of Capital Programme to Approved Budget
- Budget Monitoring Summary

Annex 4

RISK MANAGEMENT

The report covers the two aspects of risk management

- **Strategic Risks**

  Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for the Strategic Risks.

- **Operational Risks**

  Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team will be responsible for monitoring the operational risk registers.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

There are no new strategic risks to be considered.

Strategic Risks

Ref no	Risk description 2018/19	Risk Rating
SR1	**Long-term financial sustainability** The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly. The Council is therefore reliant on other income including council tax, fees & charges. Increasingly these are impacted by wider economic factors. The Council also has long term Capital requirements and will need to address replenishment of capital. The Council will set out an Investment Strategy to support Revenue and Capital budget requirements in order to help ensure the Council's long term financial sustainability. The Council will therefore need to determine the extent to which we will need to invest further in Treasury management, property and other commercial activities to generate revenue income and capital returns. The Council is therefore seeking a diverse range of investment and	**Yellow**

Ref no	Risk description 2018/19	Risk Rating
	commercial opportunities. These will require capacity, skills, expertise and behaviours within the organisation to generate new initiatives that can be used to invest in our services to residents and businesses. Without this investment, there is a risk that funding reductions or economic downturn could result in cuts to service provision.	
SR2	**Housing, homelessness and welfare** An increasing number of residents are being affected by a combination of welfare reforms – such as Universal Credit – and increasing housing costs. This increases the risk of residents being threatened with homelessness, leading to their health and wellbeing being affected, which could also subsequently increase cost pressures on the Council. A lack of affordable accommodation increases the Council's reliance on expensive bed and breakfast, although following the opening of temporary emergency accommodation we are expecting this to stabilise. At the same time, the Homelessness Reduction Act – coming into effect from 3 April 2018 – has significantly increased the statutory requirements of local authorities in respect of homelessness, including a new prevention duty. As a result, we will experience a marked increase in casework, administration and statutory reviews, which will have resource implications. As well as this, the number of households that we have a statutory obligation to accommodate is likely to increase, and for longer periods.	**Amber**
SR3	**Development Management Plan** Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) has been undertaken prior to submission to the Secretary of State for Examination. The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council's reputation. Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications. It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified	**Amber**

Ref no	Risk description 2018/19	Risk Rating
SR4	**Property Development** In order to support the Council's financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough. Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks. Also the future uncertainty surrounding access to borrowing from the Public Works Loan Board may make it necessary for the Council to have to seek funding from the money markets in line with other commercial property companies These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50. Failure to invest in property will result in the Council not delivering the required savings and income to deliver services and to fulfil our corporate objectives.	**Amber**
SR5	**Cyber security** Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worse the results can be destructive, service affecting or can leave the organisation with data protection issues.	**Amber**
SR6 .	**Economic prosperity** Economic prosperity is essential for the wellbeing of the borough, creating employment and wealth that benefits local people. Increasingly, this also has a direct link to the Council's finance position and impacts on the demand for our services. Reforms to the business rate system mean that the council is liable for any reductions, but also has the potential to benefit from increases (especially through the business rate pilot). Economic prosperity cannot be taken for granted, and there are risks such as uncertainty from the withdrawal from the EU, future interest rate levels, increasing consumer debt and high housing costs.	**Amber**
SR7	**Partner decisions** Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may	**Red**

Ref no	Risk description 2018/19	Risk Rating
	impact on our residents, businesses, and directly on RBBC itself SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a resul	
SR8	**Recycling credits** There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget	**Amber**
SR9	**Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament** We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 25 May 2018 the General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years. The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.	**Amber**

Operational Risks (Exception reporting)

This report highlights those Operational Risks that have been rated as RED. These are the risks where management are focusing their attention and immediate actions have been identified and plans are in place to reduce risk as a priority.

There is one risk rated RED in Quarter 2:

Ref no	Risk description 2018/19	Risk Rating
OR4	**Ageing RBBC fleet** Our fleet vehicles have reached the second half of their service life, and will soon require replacement. In terms of our refuse vehicles, our future fleet replacement is dependent on the waste streams to be collected. As a result of Surrey Waste Partnership's futures paper, we do not have sufficient clarity to plan for future fleet procurement. *(This element of the risk*	**Red**

Ref no	Risk description 2018/19	Risk Rating
	is now superseded). Regarding our pool cars, our fleet is ageing and is beginning to require increasing levels of maintenance. An increase in maintenance costs of our fleet of vehicles is therefore likely.	

Annex 5

INTERNAL AUDIT

Background

The annual Audit Plan is agreed by the Overview and Scrutiny Committee.

SCORING

RED	**Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.** **Urgent action is needed to strengthen the control framework to manage the identified risk(s).**
AMBER/ **RED**	**Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).**
AMBER/ **GREEN**	**Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.** **However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).**
GREEN	**Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.**

Headline Information

During the last quarter 1 internal audit has been completed that provides 2 opinions:

Name of Audit	score
Redaction Procedures - For online representations	Partial Assurance
Redaction Procedures - For areas other than online representations	Reasonable Assurance

Recommendations with a high priority

None

Management action

N/A

eMembers room information

Copies of the individual audit reports.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION (CFO)
AUTHOR:	Mark Herdman
TELEPHONE:	01737 276557
E-MAIL:	mark.herdman@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	24 JANUARY 2019
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD(S) AFFECTED:	ALL

SUBJECT:	**BUDGET 2019/20 & CAPITAL PROGRAMME 2019 to 2024**

RECOMMENDATIONS:

(i) a budget of £16.294m including the savings and growth reported, a provision for a pay award and an increase in Band D Council Tax of 2.99% (or £6.61) be approved

(ii) the statement of the Chief Finance Officer (at Annex 1) be noted

(iii) the Chief Finance Officer be authorised to make any necessary technical adjustments to the budget and Council Tax demand proposed to Council arising from final budget refinements or changes to government funding.

(iv) that the Capital Programme (at Annex 2) be approved

REASONS FOR RECOMMENDATIONS:

The Council is required to set a budget by 11 March each year. This report supports this obligation.

EXECUTIVE SUMMARY:

This report proposes a budget and a 2.99% or £6.61 increase in Council Tax for 2019/20.

It identifies the sources of funding for the budget and includes the proposed Capital Programme.

Recommendations (i), (ii) and (iv) are subject to approval by the Council and the Executive has authority to approve recommendation (iii).

STATUTORY POWERS

1. The Local Government Act 1992 places a requirement on Councils to set the following year's Council Tax by 11 March each year. The Local Government Act 1972, as part of proper financial management, requires a Council to set the associated annual budget requirement. This report is part of that process.

2. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.

ISSUES

Process

3. The purpose of this report is to propose a budget and Council Tax level for 2019/20 and for the Executive to receive a commentary on the budget by Council's designated Chief Finance Officer, in accordance with the Local Government Act 2003.

4. It also provides an update on additional information relating to:
   - The provisional Settlement Announcement of 13 December 2019; and
   - The Capital Programme 2019/20 to 2023/24 proposals.

5. The Provisional Settlement announcement included a significant change to previous proposals, which has now been taken into account in the final base budget proposals for 2019/20.

6. The forecast national £153m budget pressure relating to 'Negative RSG' for 2019/20 will be funded by the Government, through a reduction in its share of business rates. This means that the Council's budget forecast for 2019/20 will be £1.543 million better than the November budget assumptions. Therefore we will be able to fund the majority of the 2019/20 budget from sustainable sources, without drawing on reserves. This is a 'one-off' benefit and is not forecast to continue beyond 2019/20.

7. It also presents a budget growth opportunity to establish a permanent budget of £0.250m to fund new posts that may be required as a result of team restructures during 2019/20. It is intended that this arrangement will continue in future years and will be built into Medium Term Financial Plan and budget projections going forward.

8. The details are set out in the table below.

PROPOSED 2019/20 BUDGET REQUIREMENT As Reported to Executive November 2018		**PROVISIONAL SETTLEMENT DECEMBER 2018**	**CHANGE**
	£m	£m	£m
Reduction in Retained Business Rates	1.48	(0.063)	(1.543)
Salary Change Forecast	0.61	0.61	
Budget Growth *comprised of:*	2.62	2.87	0.25
Loss of income	*0.79*	*0.79*	
Service improvements	*0.75*	*0.75*	
Transfer of CPDF-funded salaries into revenue budget	*1.08*	*1.08*	
New Posts Fund	*0*	*0.25*	*0.25*
Budget Savings *comprised of:*	(1.22)	(1.22)	-
Efficiency measures	*(0.44)*	*(0.44)*	
Income generation	*(0.78)*	*(0.78)*	
Total increased budget requirement	**£3.490m**	**£2.197m**	**(£1.293m)**
PROPOSED FUNDING SOURCES FOR 2019/20 BUDGET REQUIREMENT			
Sustainable Sources			
Council Tax Demand increase at 2.99% (estimate)	(0.57)	(£0.57)	
Property Investment	(0.96)	(£0.96)	
Revenue Resources Released from Budget review	(0.50)	(£0.50)	
Total from sustainable funding sources	**(£2.030m)**	**(£2.030m)**	-
Reserves (One off funding sources)			
Government Funding Reduction Reserve	(0.46)	-	0.46
Business Rates Equalisation Reserve	(1.00)	-	1.00
Other earmarked reserves and General Fund	0	(0.167)	(0.167)
Total From (negative) / To (positive) Reserves	**(£1.460m)**	**(£0.167m)**	**£1.293m**
Total Required to Fund Increased Budget Requirement	**(£3.490m)**	**(£2.197m)**	**£1.293m**

9. Other announcements that are relevant to this Council included:

- A £180m balance on the national Business Rates Levy Account is being distributed based on need.

  We will benefit from additional income in 2019/20 of £36k.

- Council Tax referendum limits will remain as previously indicated;

  This was reflected in the proposed 2.99% council tax increase reported in the November 2018 budget report.

- For 2019/20 there are no changes to the New Homes Bonus 'deadweight';

  The Council's New Homes Bonus allocation will therefore be in line with expectations (£1.993 million in 2019/20).

- Surrey was not selected to be one of the new 75% Business Rates pilots;

  No additional income was assumed to be received as a result of being part of a pilot in 2019/20

10. In addition the Government published two new consultation papers on the Fair Funding Review and future arrangements for Business Rates Retention. The outcome of these consultations is expected to be announced in early autumn 2019 and will determine the arrangements for local Government funding in 2020/21 onwards.

11. The next report on the agenda sets out the formal resolutions that the Council will need to adopt in order to set the Council Tax for 2019/20.The Budget, Council Tax and Capital Programme recommendations will be presented to the Council on 7 February 2019.

Savings & Growth

12. The Council continues to deliver service to a high standard, with all key service targets being met. Savings of £1.2m for 2019/20 have been proposed whilst maintaining our standard of services.

13. In November the Executive received and approved for consultation proposals which identified growth of £2.6m (net £1.4m). In addition to this, a new permanent fund is to be established of £0.250m within the budget, to fund new staff posts in year. It is now recommended that this growth be accepted.

Business Rates Retention

14. The level of Business Rates we are permitted to retain for use in 2019/20 has also been confirmed as £0.8m.

Council Tax

15. In order to manage the reductions in government funding whilst maintaining quality services the Council is adopting a commercial approach to funding. Nevertheless, the Medium Term Financial Plan forecasts that Council Tax increases will still be required.

16. For these reasons the budget is based on a recommended 2.99% (or £6.61) increase in 2019/20.This would increase a Band D charge from £220.85 to £227.46 - an increase of 12 pence per week for Borough Council services.

Budget

17. The net budget for 2019/20 will be £16.294m.

Capital Programme

18. The Council's capital investment plans over the next five years are set out in the Capital Programme. The efficient and effective use of capital resources, including sound asset management, is fundamental to the Council achieving its long and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings across the Council and providing optimum services.

19. Any capital investment decisions will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable.

20. The Prudential System of Local Government Capital Finance has operated since 2004 and allows local authorities to borrow so long as their capital spending plans are affordable, prudent and sustainable. In order for borrowing to meet these criteria there must be a long-term source of revenue funding to meet the costs. Ideally this will come from revenue savings or from additional income generated directly from the capital scheme.

21. Updates to the Prudential Code for Capital Finance and the CIPFA Treasury Management Code were released in during 2017 and 2018. The impact of these changes has been reviewed and is being implemented. This includes the new requirement to develop a Capital Investment Strategy that considers capital investments held for treasury management purposes as well as investment in property and commercial companies. The Council's Investment Strategy will be reported to Executive in March and Full Council in April 2019, at the same time as the annual Treasury Management Strategy Statement.

22. The Capital Programme for 2019/20, as set out below (detail at Annex 2), includes some initial assumptions about capital growth during the year and the resources that are available to fund it. New capital schemes will be reported to Executive for approval during the year as investment opportunities are identified. The current assumption that this expenditure will be funded within existing resources, including previously-approved borrowing limits.

23. The forecast Capital Programme beyond 2019/20 is also summarised below (detail at Annex 2). This is based on previously-approved capital schemes and funding. As explained above, it is anticipated that the forecast capital programme for 2019/20 to 2023/24 will be reviewed during 2019/20 as the new Corporate Plan and Capital

Investment and Housing Strategies are developed. At that stage recommendations will be made regarding further growth and funding requirements to support delivery of corporate priorities.

CAPITAL PROGRAMME 2019/20 to 2023/24						
APPROVED CAPITAL PROGRAMME	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
FINANCE & ORGANISATION:						
Strategic Property	38,363.0	50.0	50.0	76.0	76.0	76.0
IT Services	139.3	275.0	100.0	300.0	275.0	275.0
Organisational Development	181.0	30.0	30.0	30.0	30.0	30.0
PEOPLE SERVICES:						
Housing	1,549.1	1,495.1	1,115.0	1,115.0	1,115.0	1,115.0
Wellbeing & Intervention	245.0	145.0	145.0	145.0	145.0	145.0
Community Partnerships	29.5	25.0	25.0	25.0	25.0	25.0
PLACE SERVICES:						
Neighbourhood Operations	1,323.4	1,742.0	3,661.0	2,927.5	1,307.5	1,307.5
Place Delivery	3,884.2	17,064.7	24,283.6	23,283.0	15,100.0	0.0
TOTAL EXPENDITURE	**45,714.50**	**20,826.80**	**29,409.60**	**27,901.50**	**18,073.50**	**2,973.50**

CAPITAL PROGRAMME GROWTH ASSUMPTIONS	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Projected	Projected	Projected	Projected	Projected
	£000	£000	£000	£000	£000	£000
Merstham Recreation Ground	0.0	100.0	700.0	700.0	0.0	0.0
Anticipated investment in new capital schemes in 2019/20 onwards to support delivery of the Corporate Plan, Housing Strategy and Investment Strategy. Subject to further review as these plans are developed.	0.0	25,000.0	0.0	0.0	0.0	0.0
TOTAL GROWTH	**0.0**	**25,100.0**	**700.0**	**700.0**	**0.0**	**0.0**

TOTAL CAPITAL PROGRAMME INCLUDING GROWTH ASSUMPTIONS	**45,714.47**	**45,926.76**	**30,109.60**	**28,601.50**	**18,073.50**	**2,973.50**

FUNDED BY	2018/19 Budget £0	2019/20 Projected £0	2020/21 Projected £0	2021/22 Projected £0	2022/23 Projected £0	2023/24 Projected £0
Capital Reserves	21,824.8	2,416.9	0.0	4,378.2	0.0	0.0
Capital Receipts	290.3	462.0	17,333.4	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Previously-Approved Borrowing	20,000	40,000	10,000	10,000	0.0	0.0
TOTAL CAPITAL FUNDING	**45,714.50**	**45,926.80**	**30,109.60**	**28,601.50**	**18,073.50**	**2,973.50**

Function & Human Resource Plans

24. Business Plans for each function have been prepared for 2019/20 and are available via the relevant Portfolio Holder. These are used for planning and performance management purposes and incorporate detailed action plans which address:

- key outcomes and milestones
- contributions to Corporate Plan priorities and projects.

25. Detailed Human Resource Plans - by function - are confidential and are available on request from the Head of HR. These set out the staffing resources required to deliver the services provided by each function.

26. Changes to staffing levels as a result of the budget setting process are shown in these Plans. The overall position (expressed as full-time equivalent staff [or FTEs]) is as follows:

FTEs as at April 2018	483.0
Proposed FTEs as at April 2019	485.1
Net Change (FTEs)	**+2.1**

Pay Award

27. In recognition of the continuing commitment of staff, the 2019/20 budget includes provision for a pay award.

28. Negotiations with employee representatives are in progress. A provisional settlement of 2.0% has been allowed for in the budget proposal.

OPTIONS

29. The Executive can accept, amend or reject any or all of the budget proposals. Changes could affect the level of Council Tax to be levied in 2019/20 which in turn would require changes to the formal resolutions to full Council in February.

LEGAL IMPLICATIONS

30. It is a legal requirement that the Council set a balanced budget which it can deliver. The statement from the Chief Finance Officer (CFO) on the 2019/20 budget, attached at Annex 1, is required to give this assurance.

FINANCIAL IMPLICATIONS

31. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

32. This report provides a summary of the service and financial planning activities of the Council. Where individual changes, projects or policies are being developed, equalities impact assessments will be carried out by the responsible officer(s).

33. Changes for staff have been discussed directly with individuals affected and with their representatives.

RISK MANAGEMENT CONSIDERATIONS

34. These are addressed throughout the report and in Annex 1.

CONSULTATION

35. Budget proposals were circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients). At the time of writing no responses to the budget proposals have been received.

36. Savings and growth proposals were considered by the Budget Scrutiny Panel of the Overview & Scrutiny Committee on 6 December 2018. The conclusions and recommendations of the Panel and the Committee are reported separately to this meeting of the Executive.

POLICY FRAMEWORK

37. Approval of the annual Revenue Budget, determination of the Council Tax and approval of the Capital Programme are functions of the full Council under the Council's constitution (Article 4.12).

38. The budget reflects the priorities in the Council's 5 Year Plan 2015 to 2020 and puts in place resources to deliver these priorities.

Background Papers: *Service & Financial Planning 2019/20*
Executive 8 November 2018

Statement of the Chief Finance Officer (CFO) on the 2019/20 Budget

Introduction

The *Local Government Act 2003* places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget.

This annex, which has been prepared by the Director of Finance & Organisation, fulfils that requirement.

The Council is required to "have regard" to this advice when making its Budget decisions.

Context

Next year will see the Council continue to deliver a wide range of statutory and non-statutory services, with a focus on work streams based around housing, homelessness reduction and family support.

Against this background, we will put our existing work streams on a firmer footing by bringing some existing staff costs into the base budget and thereby reducing reliance on the Corporate Plan Delivery Fund. It is however, essential that the Council continues plan for and deliver changes that allow the development of sustainable budgets.

The Council will further embed a range of commercial activities and investments to support long term financial stability in the next year in line with a developing investment strategy.

As highlighted in the Service and Financial Planning report (Executive, 8 November 2018) both general and specific reserves remain healthy. The planned use of some of our reserves this year is in line with the purpose envisaged at their creation, as we transit to a place where our finances rely less on central government grants.

At a national level, CIPFA is developing a Financial Resilience Index of English councils. This is designed to support the local government sector in forward planning as they face continued financial challenges.

The Financial Resilience Index for each local authority will be published online, and will form a key part of the new Financial Management Code, which CIPFA plan to release in 2019.

Budget Proposals

I consider the budget proposals for 2019/20 to be robust. I am also satisfied that our current levels of reserves and provisions offer reasonable cover to meet commitments and provide a "safety net" for unplanned events.

There remain however a number of significant uncertainties and risks which are identified in the following paragraphs.

Uncertainties & Risks

1. *The Economy*: There is still uncertainty and a lack of confidence about the future of the economy as we get closer to the planned exit from the European Union.

   Preparations for our exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures.

   Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recyclate prices) and increases in our costs (on benefits and statutory duties such as homelessness).

   Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

2. *Future Government Funding*: The future of business rates funding is uncertain and an area of concern. Any further reductions in New Homes Bonus payments over the coming years will have an impact on reserves but no direct budget impact.

   The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has committed ring-fenced funding towards this new duty but there remains a question mark over the longer term funding.

   Funding reductions to County Councils are having an impact on Boroughs and Districts. Significant income streams received from upper-tier Councils are being reduced, having an ongoing impact on local residents.

3. *Future Year Savings*: following the significant budget reductions in recent years, it has become increasingly difficult to generate additional ongoing savings. If we are to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving – for example - property investment, partnership working and providing services for other organisations.

4. *Our Five Year Plan 2015-2020*: our Plan sets out our vision and objectives over the medium term and will enable the Council to target its resources in the most efficient and effective way.

   The main challenge, as ever, will be balancing our ambitions as a high performing Council with our ability to resource those ambitions. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals. It will be important that these

principles continue to be reflected as a new corporate Plan for 2020-2025 is developed.

5. *Reserves and Liabilities:* our recent ability to generate fixed term or one-off resources has provided some flexibility in the General Fund Reserve. Given the uncertainty over future economic conditions and the Business Rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish our reserves.

   Despite improvements in recent years the Pension Fund remains a risk over the longer term as the future economic downturns will impact on the value of investments.

   The purpose of our investment strategy is to provide security of investment, liquidity when it is needed and yield. Our Capital Investment Strategy will be put before the Executive in March and Full Council in April 2019.

Overall, I am satisfied that the Council has made realistic budgetary provision for its commitments for the 2019/20 financial year, within the legislative framework that governs our operations and within other constraints such as the Council's policy framework.

Joss Convey
Director of Finance & Organisation

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CAPITAL PROGRAMME 2019-2024 - DETAILS

FINANCE & ORGANISATION

STRATEGIC PROPERTY	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Park Farm	50.0	0.0	0.0	0.0	0.0	0.0
London Road	3,734.5	0.0	0.0	0.0	0.0	0.0
Reading Arch Road	1,125.0	0.0	0.0	0.0	0.0	0.0
Albert Road North	1,003.0	0.0	0.0	0.0	0.0	0.0
Regent House	16,378.0	0.0	0.0	0.0	0.0	0.0
Units 1-5 Redhill Distribution Centre	15,989.5	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:						
Commercial Investment Properties	83.0	50.0	50.0	76.0	76.0	76.0
	38,363.0	**50.0**	**50.0**	**76.0**	**76.0**	**76.0**

IT SERVICES	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
ICT Replacement Programme	69.3	275.0	100.0	300.0	275.0	275.0
Disaster Recovery Systems Upgrade	70.0	0.0	0.0	0.0	0.0	0.0
	139.3	**275.0**	**100.0**	**300.0**	**275.0**	**275.0**

ORGANISATIONAL DEVELOPMENT	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Replacement Photocopiers/Printers	70.0	0.0	0.0	0.0	0.0	0.0
Rolling Programmes:	0.0	0.0	0.0	0.0	0.0	0.0
Great Workplace	111.0	30.0	30.0	30.0	30.0	30.0
	181.0	**30.0**	**30.0**	**30.0**	**30.0**	**30.0**

PEOPLE SERVICES

HOUSING	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Grant Funded						
Flexible Homlessness Support (Grant Funded)	191.0	0.0	0.0	0.0	0.0	0.0
Disabled Facilities Grant	750.0	965.0	965.0	965.0	965.0	965.0
Repossession Prevention Fund	57.5	30.0	30.0	30.0	30.0	30.0
Home Improvement Agency (Part Grant Funded)	132.0	120.0	120.0	120.0	120.0	120.0
Housing Development						
64 Massetts Road	368.6	0.0	0.0	0.0	0.0	0.0
Lee Street Bungalows	50.0	380.1	0.0	0.0	0.0	0.0
	1,549.1	**1,495.1**	**1,115.0**	**1,115.0**	**1,115.0**	**1,115.0**

WELLBEING & INTERVENTION	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programmes:						
Leisure Centres	48.5	30.0	30.0	30.0	30.0	30.0
Existing Pavilions Programme	45.0	30.0	30.0	30.0	30.0	30.0
Harlequin Property Maintenance	90.5	40.0	40.0	40.0	40.0	40.0
Harlequin Facilities Maintenance	41.0	25.0	25.0	25.0	25.0	25.0
Capital Grants	20.0	20.0	20.0	20.0	20.0	20.0
	245.0	**145.0**	**145.0**	**145.0**	**145.0**	**145.0**

COMMUNITY PARTNERSHIPS	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Rolling Programme:						
Day Centres Programme	29.5	25.0	25.0	25.0	25.0	25.0
	29.5	**25.0**	**25.0**	**25.0**	**25.0**	**25.0**

PLACE SERVICES

NEIGHBOURHOOD OPERATIONS	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Refuse Vehicle Replacement	0.0	720.0	1,620.0	1,620.0	0.0	0.0
Rolling Programmes:						
Earlswood Depot/Park Farm Depot	10.0	10.0	10.0	20.0	20.0	20.0
Vehicles & Plant Programme	610.0	582.0	1,542.0	846.0	846.0	846.0
Air Quality Monitoring Equipment	83.6	48.0	108.0	40.0	40.0	40.0
Contaminated Land - Investigation work	60.0	30.0	30.0	30.0	30.0	30.0
Land Flood Prevention Programme	6.0	6.0	6.0	10.5	10.5	10.5
Play Areas Improvement Programme	218.0	222.0	226.0	230.0	230.0	230.0
Park & Countryside - Infrastructure & Fencing	45.0	45.0	45.0	45.0	45.0	45.0
Priory Park Maintenance	37.4	5.0	0.0	0.0	0.0	0.0
Car Parks Capital Works Programme	154.0	30.0	30.0	30.0	30.0	30.0
Public Conveniences	11.0	5.0	5.0	4.0	4.0	4.0
Cemeteries & Chapel	20.0	0.0	0.0	10.0	10.0	10.0
Allotments	22.0	4.0	4.0	2.0	2.0	2.0
CCTV Rolling Programme	31.4	30.0	30.0	30.0	30.0	30.0
Infrastructure (Walls etc.)	15.0	5.0	5.0	10.0	10.0	10.0
	1,323.4	**1,742.0**	**3,661.0**	**2,927.5**	**1,307.5**	**1,307.5**

PLACE DELIVERY	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Merstham Regeneration	54.0	0.0	0.0	0.0	0.0	0.0
Preston Regeneration	249.9	418.5				
Redhill Public Realm Improvements	20.0	24.8				
Marketfield Way Redevelopment	2,430.3	6192.1	18,858.6	23,212.0	15,100.0	0.0
Cromwell Road Redevelopment	720.0	5,707.3	3,680.0	0.0	0.0	0.0
Pitwood Park	300.0	4,332.0	1,745.0	71.0	0.0	0.0
Horley Public Realm Improvements - Phase 3	110.0	390.0	0.0	0.0	0.0	0.0
	3,884.2	**17,064.7**	**24,283.6**	**23,283.0**	**15,100.0**	**0.0**

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	DIRECTOR OF FINANCE AND ORGANISATION (CFO)
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TO:	EXECUTIVE
DATE:	24 JANUARY 2019
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	All

SUBJECT:	**COUNCIL TAX SETTING 2019/20**

RECOMMENDATIONS:

1. It be noted that on 13 December 2018 the Council calculated:

   (a) the Council Tax base 2019/20 for the whole Council as **60,243**

   [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and,

   (b) for dwellings in those parts of its area to which a Parish precept relates:

Horley Town Council	**9,843**
Salfords & Sidlow Parish Council	**1,409**

2. Calculate that the Council Tax requirements for the Council's own purposes for 2019/20 (excluding Parish precepts) is **£13,702,585**

3. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:
   a. **£73,325,578**– being the amounts which the Council estimates for the items set out in Section 32(2) of the Act taking into account all precepts issued to it by Parish Councils
   b. **£59,218,953**– being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) of the Act.
   c. **£14,106,625** – being the amount which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its Council Tax requirement for the year (item R in the formula in Section 32(4) of the Act).
   d. **£234.16**– being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year (including Parish

precepts).

e. **£404,040** - being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix).

f. **£227.46** - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

g. Horley Town Council- **£265.33**
Salfords & Sidlow Parish Council -**£249.64**
Being the amounts given by adding to the amount at 3(f) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

4. It be noted that the figures in the attached Appendix being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportions set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in different valuation bands.

5. It be noted that for the year 2019/20 Surrey County Council and Surrey Police have stated amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown in Appendix 2.

6. Having calculated the aggregate in each case of the amounts 1 to 5, above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown in Appendix 3.

7. Authorise the Chief Finance Officer to make any amendments to the Council Tax demands as might prove necessary as the result of changes to the estimated demands issued by preceptors on the Council's Collection Fund.

REASONS FOR RECOMMENDATIONS:

The *Local Government Finance Act 1992* sets out the requirement for local authorities to set a budget for the next financial year. This report provides the information to fulfil that requirement. Under the Constitution the Executive considers a proposed budget and Council Tax, before then making a recommendation on the appropriate level of Council Tax to full Council. Following consideration, Council may then authorise the budget and Council Tax.

EXECUTIVE SUMMARY:

This report will enable this Council to collect Council Tax for 2019/20 on behalf of itself and its precepting bodies.

Recommendations 1 – 7 are subject to approval by the Council.

STATUTORY POWERS

1. The *Local Government Finance Act 1992* (the Act) sets out the requirement for local authorities to set a budget for the next financial year. The full Council of the authority is formally required to approve the budget and for Council Tax to be levied. Under the Council's Constitution the Executive considers a proposed budget and Council Tax, in order to make a recommendation on the appropriate level of Council Tax to the full Council.

2. Reigate & Banstead Council, in common with other District and Borough Councils, acts as a Council Tax collection agent for other organisations, known as "preceptors" on the Council's Collection Fund. Reigate & Banstead's preceptors are Surrey County Council, Surrey Police, Horley Town Council and Salfords and Sidlow Parish Council. The majority of Council Tax paid by residents of the borough is collected on behalf of these precepting authorities.

3. At the time of writing the final precepts from Surrey County Council and the Surrey Police are not known. They are holding their budget setting meetings in early February. All information relating to the precepts presented in this report is based on the latest available estimates, for illustrative purposes, and may therefore be subject to change.

ISSUES

4. The purpose of this report is to propose the technical recommendations which Council will need in order to comply with the Act and set a legally compliant budget.

5. Annex 1 sets out, in accordance with the legislation, the calculation of the Borough's and the Parish/Town Councils' basic amounts of tax. That is, the taxes for a Band D property.

6. The calculations below have been based on the assumption that the Executive will recommend a budget at that level for acceptance by Council. Any changes by the Executive will, of course, be incorporated into the recommendation to Council in February.

7. **Salfords and Sidlow Parish Council** set their budget on 10 December 2018 based upon an amount of £22.18 for a Band D dwelling which is a decrease of £0.37 for a Band D dwelling.

8. **Horley Town Council** set their budget on 11 December 2018 based upon an amount of £37.87 for a Band D dwelling which is an increase of £0.98 from 2018/19.

9. **Reigate and Banstead Borough Council's** proposed annual Band D Council Tax rates are as follows:

   - £227.46 (or £4.37 per week) in non-parished areas (i.e. the Borough's Council Tax)
   - £265.33 (or £5.10 per week) in the Horley Town Council area
   - £249.64 (or £4.80 per week) in the Salfords and Sidlow Parish Council area.

10. The Council has previously decided to treat all its expenditure as a general expense on the whole of the Borough and not to designate any special expense areas (for example, for parish/town Council areas) (minute no. 5(i)(5), page 623 1993/94 refers). All residents therefore pay the same basic amount for borough services for a Band D property, subject to statutory exemptions, reliefs and discounts.

11. **Surrey County Council** is due to set its budget on 5 February 2019. For the purposes of this report a 4.99% increase in their council tax rate has been assumed. This equates to a Band D Council Tax of £1,481.71. The calculations shown in Tables 1, 2 and 3 are therefore illustrative only, in order to show what the Band D Council Tax for the average Council Taxpayer might look like. The Executive is recommended to authorise the Chief Finance Officer to make such amendments as are necessary to this report in order to reflect the final demand from the County Council in the report to Council in 7 February 2019.

12. **Surrey Police** is due to set its budget in early February 2019 with a proposed increase of £24 in their council tax rate. Again, the calculations in Tables 1, 2 and 3 are illustrative only, in order to show what the Band D Council Tax for the average Council Taxpayer might look like. The Executive is recommended to authorise the Chief Finance Officer to make such amendments as are necessary to this report in order to reflect the final demand from the Surrey Police in the budget report to Council on 7 February 2019.

13. The 2019/20 Council Tax for each area of the Borough is as detailed in Annexes 2, 3 and 4. In summary, the total to be collected in 2019/20 is shown in Table 1 below.

Table 1: Analysis of Council Tax by Preceptor

Authority	£000	% share
Surrey County Council	89,262.7	74.97%
Surrey Police	15,697.52	13.18%
Reigate & Banstead BC	13,702.6	11.51%
Horley Town Council	372.8	0.31%
Salfords & Sidlow Parish Council	31.3	0.03%
Total to be collected	**119,066.8**	**100%**

14. An analysis of the individual Council Tax elements is set out in Table 2 overleaf.

Table 2: Analysis of Council Tax Changes by Preceptor

Authority	2019/20 £	2018/19 £	Increase/Decrease £	Increase/Decrease %
Surrey County Council	1,481.71	1,411.29	70.42	4.99%
Surrey Police	260.57	236.57	24.00	10.14%
Reigate & Banstead BC	227.46	220.85	6.61	2.99%
Horley Town Council	37.87	36.90	0.98	2.65%
Salfords & Sidlow Parish Council	22.18	22.55	-0.37	-1.63%
Totals	**2,029.79**	**1,928.16**	**101.64**	**5.27%**

15. The total figures above are for statutory reporting purposes only. The actual levels of Council Tax to be paid, given the assumptions about the precepts, are shown in Table 3 below.

Table 3: Actual Council Tax Payable at Band D

Area	Borough & Parish Services £	County & Police Services £	Total Payable at Band D £
Horley Town Council	265.33	1,742.28	2007.61
Salfords & Sidlow Parish Council	249.64	1,742.28	1,991.92
Rest of the Borough	227.46	1,742.28	1,969.74

OPTIONS

16. The budget is based on a recommended Council Tax rise of £6.61 (or 2.99%) in 2019/20.

LEGAL IMPLICATIONS

17. The legal implications of this report are fully covered in the statutory powers and issues sections.

FINANCIAL IMPLICATIONS

18. The financial implications of this report are fully covered in the issues section.

EQUALITIES IMPLICATIONS

19. There are no direct equalities implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

20. These are explored in the Budget 2019/20 report elsewhere on the agenda.

OTHER IMPLICATIONS

21. There are no other implications.

CONSULTATION

22. The budget proposals were circulated to the business community via the monthly Business e-bulletin (which has in excess of 1,500 recipients).

POLICY FRAMEWORK

23. Approval of the annual General Fund Budget and determination of the Council Tax is a function of full Council under the Council's constitution (Article 4.12).

Background Papers:

Council Tax Base 2019/20
Council
13 December 2018

Budget 2019/20
Executive
24 January 2019

COUNCIL TAX 2019/20

REIGATE AND BANSTEAD'S AND PARISH/TOWN COUNCILS' BASIC AMOUNTS OF TAX

	RBBC average including parishes	RBBC excluding parish precept	Horley Town Council area	Salfords & Sidlow Parish Council area
Tax base	60,243	60,243	9,843	1,409
	£	**£**	**£**	**£**
Gross expenditure (Borough)	72,921,538	72,921,538	72,921,538	72,921,538
Income (Borough)	-55,417,300	-55,417,300	-55,417,300	-55,417,300
	17,504,238	17,504,238	17,504,238	17,504,238
Contribution from Reserves	-2,980,000	-2,980,000	-2,980,000	-2,980,000
NET BOROUGH BUDGET	14,524,238	14,524,238	14,524,238	14,524,238
Horley TC precept	372,775	0	372,775	0
Salfords & Sidlow PC precept	31,265	0	0	31,265
BUDGET REQUIREMENT	14,928,278	14,524,238	14,897,013	14,555,503
General government grant	-821,653	-821,653	-821,653	-821,653
Council Tax freeze grant	0	0	0	0
Local Council Tax Support grant	0	0	0	0
TOTAL	14,106,625 *	13,702,585	14,075,360	13,733,850
BASIC AMOUNT OF TAX	234.16	227.46	265.33	249.64

* Demand on Collection Fund

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COUNCIL TAX 2019/20

SETTING OF TOTAL COUNCIL TAX (INCLUDING BOROUGH & ALL PRECEPTING AUTHORITIES) - BASIC AMOUNT (BAND D)

AUTHORITY	AREA		
	Reigate & Banstead	**Horley TC**	**Salfords & Sidlow PC**
	£	**£**	**£**
Reigate & Banstead *	227.46	265.33	249.64
Surrey County Council	1,481.71	1,481.71	1,481.71
Surrey Police	260.57	260.57	260.57
TOTAL	1,969.74	2,007.61	1,991.92

* Including Parish and Town Council where appropriate

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COUNCIL TAX 2019/20

COUNCIL AREA	VALUATION BANDS A £	B £	C £	D £	E £	F £	G £	H £
1. AMOUNTS OF TAX FOR REIGATE AND BANSTEAD BOROUGH COUNCIL, HORLEY TOWN COUNCIL AND SALFORDS AND SIDLOW PARISH COUNCIL								
Horley Town Council area	176.89	206.37	235.85	265.33	324.29	383.25	442.22	530.66
Salfords and Sidlow Parish Council are	166.43	194.16	221.90	249.64	305.12	360.59	416.07	499.28
Rest of Borough	151.64	176.91	202.19	227.46	278.01	328.55	379.10	454.92
2. AMOUNTS OF TAX FOR SURREY COUNTY COUNCIL AND SURREY POLICE								
Surrey County Council precept	987.81	1152.44	1,317.08	1,481.71	1,810.98	2,140.25	2,469.52	2,963.42
Surrey Police precept	173.71	202.67	231.62	260.57	318.47	376.38	434.28	521.14
3. TOTAL AMOUNTS OF COUNCIL TAX FOR 2019/20								
Horley Town Council area	1,338.41	1,561.48	1,784.55	2,007.61	2,453.74	2,899.88	3,346.02	4,015.22
Salfords and Sidlow Parish Council are	1,327.95	1,549.27	1,770.60	1,991.92	2,434.57	2,877.22	3,319.87	3,983.84
Rest of Borough	1,313.16	1,532.02	1,750.89	1,969.74	2,407.46	2,845.18	3,282.90	3,939.48

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION (CFO)
AUTHOR:	Semena Williams
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TO:	EXECUTIVE
DATE:	24 JANUARY 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	**DRAFT TREASURY MANAGEMENT STRATEGY 2019/20**

RECOMMENDATIONS:

That Executive approves the contents of this report and annexes for formal consultation in accordance with the Council's Constitution.

REASONS FOR RECOMMENDATIONS:

To support the adoption of a Treasury Management Strategy for the 2019/20 financial period.

EXECUTIVE SUMMARY:

To comply with the Code of Practice on Treasury Management, the Council must approve Prudential Indicators and a Treasury Management Strategy each year that reflect the Council's expected operations in this area for the 2019/20 financial year.

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage the Council's finances under the *Local Government Act 2003* and associated regulations.
2. The Council's Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.

ISSUES

Background

3. The Council is required to approve an annual Treasury Management Strategy and Prudential Indicators so that borrowing and investments are prudent, affordable and sustainable.

4. The Strategy has been prepared in line with the CIPFA Treasury Management Code of Practice published in late 2017. The draft for consultation is attached at Annex 1.

Matters for Consideration

Guidance

5. A number of changes have been required when preparing the Council's 2019/20 Treasury Management Strategy as a consequence of recent revisions of MHCLG Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

6. These changes are intended to reflect the increasingly complex business models being adopted by Local Authorities in response to reductions in other funding streams.

7. Changes to the guidance include the introduction of a new requirement to publish a Capital Investment Strategy, to provide a longer-term focus to the capital plans. There are also enhanced reporting requirements surrounding commercial activity undertaken under the Localism Act 2011.

Capital Investment Strategy and Capital Programme

8. The Council's Capital Investment Strategy will be presented to Executive in March and full Council in April 2019. It is likely that further changes to the scope/ structure of the final draft of the Treasury Management Strategy will be required at that stage to ensure full alignment.

9. The Capital Programme as reflected in this report represents approved capital expenditure to date and forecast future investment plans. These are also subject to review as the Capital Investment Strategy is finalised.

Financial Reporting Standards

10. IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement - and was effective from April 2018. It is intended to respond to criticisms that IAS 39 was too complex and inconsistent with the way entities manage their businesses and risks, and defers the recognition of credit losses on loans and receivables until too late in the credit cycle. The implications of these changes for this Council will be assessed during the final accounts process for the financial year 2018/19.

Prudential Indicators

11. The statutory Prudential Indicators contained within the Treasury Management Strategy are based on the new guidance.

12. The changes in mandatory Prudential Indicators include the removal of the following:

    - Actual and estimates of the ratio of financing costs to net revenue stream

    - Estimates of the incremental impact of capital investment decisions on the council tax

13. There is a new mandatory prudential indicator that measures the level of gross debt to the current Capital Financing Requirement (CFR). The purpose of this indicator is ensure that gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

OPTIONS

14. There are 3 options:

15. **Option 1 – Approve the recommendations within this report**

    This would provide the best opportunity to maximise the potential returns that can be earned during the coming financial year and minimise the risk of audit criticism.

    This is the recommended option.

16. **Option 2 - To defer the report and ask Officers to provide more information and/or clarification on any specific points**

    The current Investment Regulations issued by MHCLG means that this Strategy must be approved prior to the financial year to which it relates.

    Any delay in approving the Strategy could leave the Council open to the same risks identified in option 3 below.

17. **Option 3 - To not support the contents of this report**

    This would mean that Officers will not have a mandate to undertake treasury management activities, which will lead to the Council only receiving minimal returns on its investments and hence poor value for money.

    It would also leave the Council not being compliant with the MHCLG statutory guidance and the CIPFA Code of Practice, which will result in criticism from our External Auditor.

LEGAL IMPLICATIONS

18. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

19. The financial impacts of this proposed strategy have already been reflected within the Council's 2019/20 Budget proposals. There are no additional direct financial implications that arise from this report or from the changes to the CIPFA Treasury Management Code of Practice and the Prudential Code.

EQUALITIES IMPLICATIONS

20. There are no equality implications arising from this report.

COMMUNICATION IMPLICATIONS

21. The report should set out what communications plans are in place to support the decision, or to communicate the reasons for the decision. This could include proactive promotion, campaigns, key messages, and partnership communications.

22. Where there are significant communications implications, the draft report must be shared with the communications team before white list stage.

RISK MANAGEMENT CONSIDERATIONS

23. These are detailed in Annex 1

OTHER IMPLICATIONS

24. There are no other implications arising from this report

CONSULTATION

25. This report will be reviewed by a Member Panel led by the Portfolio Holder for Finance in February and then by the Overview and Scrutiny Committee at its February meeting.

POLICY FRAMEWORK

26. The Strategy is part of the Council's Policy Framework as set out in Article 4 of the Constitution.

Background Papers:

27. None

Draft Treasury Management Strategy Statement 2019/20

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1. INTRODUCTION

Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments in line with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is funding of the Council's capital plans. These capital plans provide a guide to borrowing need, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic to do so, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution that the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and/or ability to meet spending commitments as they fall due, either on day-to-day revenue-funded activity or for larger capital projects. The treasury operations will oversee a balance of the interest costs of debt and the investment income arising from cash deposits which in turn affect the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

> *"The management of the local authority'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."*

Revised reporting is required for the 2019/20 cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a Capital Investment Strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.The Capital Investment Strategy is being reported separately to Executive and full Council in March/April 2019.

Reporting requirements

1.2.1 Capital Investment Strategy

The revised CIPFA 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a Capital Investment Strategy, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the Capital Investment Strategy is to ensure that all elected Members on the full Council fully understand the overall long-term policy objectives and resulting Capital Investment Strategy requirements, governance procedures and risk appetite.

This Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The Capital Investment Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being purchased, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and Treasury Indicators and Treasury Strategy** (this report). This first, and most important, report is forward-looking and covers:
   - capital spending plans, (including prudential indicators);
   - the minimum revenue provision (MRP) policy, demonstrating how residual capital expenditure is charged to revenue over time;
   - the Treasury Management Strategy, setting out how the investments and borrowings are to be organised), including treasury indicators; and
   - a Treasury Investment Strategy, describing the parameters for how investments are to be managed.

b. **A Mid-Year Treasury Management Report** – This is primarily a progress report and will update Members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An Annual Treasury Report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the Treasury Investment Strategy;
- creditworthiness policy; and

- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. The 2018/19 training for Members is scheduled in February 2019 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

Treasury management consultants

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties.

2. THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2023/24

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Members are asked to approve the capital expenditure forecasts:

Table 1:Capital Expenditure Programme

APPROVED CAPITAL EXPENDITURE PROGRAMME	2018/19 Budget £000	2019/20 Projected £000	2020/21 Projected £000	2021/22 Projected £000	2022/23 Projected £000	**2023/24** Projected £000
Finance & Organisation:						
Sub-Total	38,683.3	355.0	180.0	406.0	381.0	381.0
People Services						
Sub-Total	1,823.6	1,665.1	1,285.0	1,285.0	1,285.0	1,285.0
Place Services:						
Sub-Total	5,207.6	18,806.7	27,944.6	26,210.5	16,407.5	1,307.5
Total Expenditure	**45,714.5**	**20,826.8**	**29,409.6**	**27,901.5**	**18,073.5**	**2,973.5**

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2:Capital Expenditure Programme Financing

CAPITAL EXPENDITURE FINANCING	**2018/2019** Projected £000	**2019/20** Projected £000	**2020/21** Projected £000	**2021/22** Projected £000	**2022/23** Projected £000	**2023/2024** Projected £000
Capital Reserves	21,824.8	1,016.8	152.9	6,123.1	0.0	0.0
Capital Receipts	290.3	362.0	19,680.5	11,569.5	15,575.5	475.5
Capital Grants & Contributions	3,599.4	3,047.9	2,776.2	2,653.8	2,498.0	2,498.0
Total Financing	**25,714.5**	**4,426.8**	**22,609.6**	**20,346.4**	**18,073.5**	**2,973.5**
Net Financing Need	20,000.0	16,400.0	6,800.0	7,555.1	0.0	0.0
Total Expenditure	**45,714.5**	**20,826.8**	**29,409.6**	**27,901.5**	**18,073.5**	**2,973.5**

The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

Table 3: Projected Capital Financing Requirement

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Capital Financing Requirement						
CFR – General Fund	20,000.0	36,269.0	42,825.3	50,082.5	49,716.9	49,336.8
Total CFR	**20,000.0**	**36,269.0**	**42,825.3**	**50,082.5**	**49,716.9**	**49,336.8**
Movement in CFR	**20,000.0**	**16,269.0**	**6,556.3**	**7,257.1**	**-365.5**	**-380.2**
Movement in CFR represented by						
Net financing need for the year (above)	20,000.0	16,400.0	6,800.0	7,555.1	0.0	0.0
Less MRP/VRP and other financing movements	0.0	-131.0	-243.7	-298.0	-365.5	-380.2
Movement in CFR	**20,000.0**	**16,269.0**	**6,556.3**	**7,257.1**	**-365.5**	**-380.2**

Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council is recommended to approve the following MRP Statement*:*

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (option 2);

This option provide for an approximate 4% reduction in the borrowing need (CFR) each year. The Council has no such capital expenditure incurred before 1 April 2008.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
- **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);

These options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £Nil.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's Capital Investment Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual Treasury Investment Strategy.

Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and the position as at 21 December 2018 are shown below for both borrowing and investments.

Table 4: Treasury Portfolio

Portfolio Position	2017/18		2018/19	
	Actual as at 31 March 2018		Actual as at 31 December 2018	
	£'000	%	£'000	%
Investments:				
Local Authorities	10,000	16%	0	0%
Clearing Banks	5,000	8%	0	0%
Call Account	5,811	9%	19,370	28%
Money Market Funds	8,000	13%	8,000	11%
Building Societies	33,000	53%	43,000	61%
Total Investments	**61,811**	**100%**	**70,370**	**100%**
Long-Term Borrowing				
PWLB	0		0	
Market Loans	0		0	
Total Long Term	**0**		**0**	
Short Term Borrowing	0		0	
Total Borrowing	**0**		**0**	
Total Net Treasury Investments/(Borrowings)	**61,811**		**70,370**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5: External Debt

£'000	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt						
Debt 1 April	**0**	**20,000**	**36,400**	**43,200**	**50,755**	**50,755**
Expected Change in Debt	20,000	16,400	6,800	7,555	0	0
Other Long-Term Liabilities (OLTL)	0	0	0	0	0	0
Expected Change in Other Long-Term Liabilities (OLTL)	0	0	0	0	0	0
Actual Gross Debt at 31 March	**20,000**	**36,400**	**43,200**	**50,755**	**50,755**	**50,755**
The Capital Financing Requirement	**20,000**	**36,269**	**42,825**	**50,082**	**49,717**	**49,337**
Under/ (Over) Borrowing	**0**	**-131**	**-375**	**-673**	**-1,038**	**-1,418**

*** The Council is currently debt free. New borrowing is expected in the final quarter of 2018/19. Therefore, the Council is starting from a nil CFR position, the gross debt should be the same as the Capital Financing Requirement. The difference is represented by the cumulative minimum revenue provision (MRP) netted-off from the CFR amounts.*

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 6: Operational Boundary

Operational Boundary £'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Other Long term liabilities	0	0	0	0	0	0	0
Total	**70,000**	**70,000**	**70,000**	**70,000**	**70,000**	**70,000**	**70,000**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Table 7: Authorised Limit

Authorised Limit £'000	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Debt	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Other Long-term liabilities	0	0	0	0	0	0	0
Total	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**

Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table and commentary sets out their current view.

Table 8: Interest Rates

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally-positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy changes also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative

easing, when they mature. We have, therefore, seen US 10-year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully-funded with loan debt; instead cash supporting the Council's reserves, balances and cash flow has been used as a temporary funding measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long-term and short-term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely

as short-term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Executive at the earliest meeting following its action.

4. ANNUAL TREASURY INVESTMENT STRATEGY

Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, will be covered in the Capital Investment Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio, (see paragraph 4.3).

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in appendix 5.4.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2018/19 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. MHCLG, are currently conducting a consultation for a “temporary override” to allow English local authorities time to adjust their portfolio of investments.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating "Watches" (notification of a likely change), rating "Outlooks" (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

Table 9: Counterparty List

Counterparty List		Credit Rating (Fitch or Equivalent)	
UK Banks	Covers UK Retail & Clearing Banks	Short term - F1+	Extremely Strong Grade
		Long Term - AAA	
Non-UK Banks	Non-UK Banks must be domiciled in a country which has a minimum sovereign Long Term rating of AAA (Fitch or equivalent)	Short term - F1+	Extremely Strong Grade
		Long Term - AAA	

Counterparty List		Credit Rating (Fitch or Equivalent)	
Part Nationalised UK Bank	Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in UK Banks above.	Short term - F1+	Extremely Strong Grade
		Long Term - AAA	
The Council's own banker for day to day banking transactional purposes.	If the bank falls below the above criteria, in this case balances will be minimised in both monetary size and time invested.	Short term - F1+	Extremely Strong Grade
		Long Term - AAA	
Building societies	The Council will use all societies which:	Short term - F1+	Extremely Strong Grade
		Long Term - AAA	
		Assets in excess £1bn (and/or)	
Money Market Funds (MMFs)	Constant Net Asset Value (CNAV)	Short term - F1+	Extremely Strong Grade
Money Market Funds (MMFs)	Low-Volatility Net Asset Value (LVNAV)	Short term - F1+	Extremely Strong Grade
Money Market Funds (MMFs)	Variable Net Asset value (VNAV)	Short term - F1+	Extremely Strong Grade
UK Government (including gilts, Treasury Bills and the DMADF)	No credit rating UK Government guarantees		
Local authorities, parish councils etc.	No credit rating UK government guarantees		
Housing associations		Short term - F1+	Very Strong Grade
		Long Term - AA	
Supranational institutions		Short term - F1+	Extremely Strong Grade
		Long Term - AAA	

A limit of 60% will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative

rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

Table 10: Counterparty Limits

	Fitch Long term Rating (or equivalent)		**Money and/or % Limit**	**Time Limit**
	Short Term	Long Term		
UK Banks higher quality	*F1+*	AAA	£10m	5yrs
UK Banks medium quality	*F1+*	AA	£5m	3yrs
Part nationalised UK Bank	N/A		£10m	1yr
Council's banker (not meeting UK Banks higher quality)	F1+	AA	£10m	1 day
DMADF	UK sovereign rating		unlimited	6 months
Local authorities	N/A		£10m	3yrs
Housing associations higher quality	F1+	AAA	£5m	3yrs
Housing associations medium quality	F1+	AA	£3m	2yrs
	Fund rating		**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	AAA	N/A	£10m	liquid
Money Market Funds LVNAV	AAA	N/A	£10m	liquid

The proposed criteria for specified and non-specified investments are shown in Appendix 5.4 for approval.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day

core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other Members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 60% of the total investment portfolio.

b) **Other limits.** In addition:

- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

4.4 Treasury Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%

- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Table 11: Treasury Limits

Upper limit for principal sums invested for longer than 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested for longer than 365 days	£m	£m	£m
Current investments as at 31.12.18 in excess of 1 year maturing in each year	*These limits are currently subject to review with our treasury advisors and will be confirmed in the final Treasury Management Strategy report in March 2019*		

Notes:
1. Councils which are expected to place investments for an average period of up to 100 days may prefer to set a budget for investment earnings in line with our three-month LIBID forecasts shown in appendix 5.2.

2. Councils which expect to place investments for longer periods than 100 days will need to adjust the average figures above as appropriate.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

Link Asset Services "SLY" model
These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft
- Liquid short-term deposits available with a week's notice.
- Weighted average life benchmark.

Yield - local measures of yield benchmarks are*:*

- Investments – internal returns above the 7-day LIBID rate
- Investments – external fund managers - returns 110% above 7 day compounded LIBID.

And in addition that the security benchmark for each individual year is:

Table 12: Security Benchmarks

	1 year	2 years	3 years	4 years	5 years
Maximum	*These limits are currently subject to review with our treasury advisors and will be confirmed in the final Treasury Management Strategy report in March 2019*				

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 External fund managers

The Council's external fund manager(s) will comply with the Annual Treasury Investment Strategy. The agreement(s) between the Council and the fund manager(s) additionally stipulate guidelines and duration and other limits in order to contain and control risk.

The minimum credit criteria to be used by the cash fund manager(s) are as follows:

Table 13: Credit Criteria

	Fitch	Moody's	Standard and Poors
Long Term	*These limits are currently subject to review with our treasury advisors and will be confirmed in the final Treasury Management Strategy report in March 2019*		
Short Term			

5. APPENDICES

1. Capital Prudential and Treasury Indicators and MRP Statement
2. Economic Background
3. Treasury Management Practice 1 – credit and counterparty risk management
4. Approved Countries for Investments
5. Treasury Management Scheme of Delegation
6. The Treasury Management Role of the Section 151 Officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22 AND MRP STATEMENT

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

5.1.1. Capital expenditure

Details of the Capital Programme 2019/20 to 2023/24 are reported separately on this agenda.

5.1.2. Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

The estimates of financing costs include current commitments and the proposals in the 2019/20 Budget Report.

5.1.3. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central

Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed, they gave a figure for this of around 2.5% in ten years' time but declined to give a medium-term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation fell from 2.7% to 2.4% in September. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.1%, (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.7%, the highest level since 2009. This increase in

household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has

indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds
and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS
The interest rate forecasts provided by Link Asset Services in paragraph 3.2 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed

for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly in **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. At the time of writing, the EU has rejected the proposed Italian budget and has demanded cuts in government spending which the Italian government has refused. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- **Other minority eurozone governments.** Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with.
- **Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU while **Italy,** this year, has also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much-improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.

- March 2019: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed transitional period ending around December 2020.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU Members, such as changes to the EU's budget, voting allocations and policies.

5.3 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT (OPTION 2)

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual Treasury Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual Treasury Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society) For category 5 this covers bodies with a minimum Short-Term rating as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£ or %)**
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	*These limits are currently subject to review with our treasury advisors and will be confirmed in the final Treasury Management Strategy report in March 2019*
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size, but will restrict these type of	

	investments.	
e.	Any **bank or building society** that has a minimum long-term credit rating, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	
f.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category.	
g.	**Share capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	
h.	**Loan capital** in a body corporate. See note 1 below.	
i.	**Bond funds.** See note 1 below.	
j.	**Property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

5.4 APPROVED COUNTRIES FOR INVESTMENTS

Link Asset Services: This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

To be updated to reflect the most current list.

5.5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Executive/Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Overview & Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Section 151 (Responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Investment Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the Capital Investment Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:

- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

REPORT OF:	DIRECTOR OF FINANCE & ORGANISATION
AUTHOR:	TOM BORER
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E-MAIL:	tom.borer@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	24 JANUARY 2019

WARD(S) AFFECTED:	**N/A**
SUBJECT:	**SCHEDULE OF MEETINGS 2019-20**

RECOMMENDATION:

To approve the Schedule of Meetings for the 2019-20 Municipal Year, as set out in Annex 1.

REASONS FOR RECOMMENDATION:

To establish a timetable to ensure the efficient and effective conduct of Council business for the forthcoming municipal year.

EXECUTIVE SUMMARY

The schedule of meetings for 2019-20 draws upon past experience and has regard to comments from both Members and Officers.

The schedule was considered by the Overview and Scrutiny Committee at its meeting on 6 December 2018 and it had no comments to make.

One change has been made to the schedule since its consideration by the Overview and Scrutiny Committee. This is to swap the scheduling of the meetings of the Overview and Scrutiny Committee and Executive in September, in order to support earlier consideration of the Quarter 1 Performance Reporting for 2019/20.

The recommendation requires approval by full Council.

BACKGROUND

1. Under the Constitution it is for the Council to approve a Schedule of Meetings for the forthcoming Municipal Year.
2. A draft schedule is attached to this report at Annex 1.

FACTORS FOR CONSIDERATION

3. The following points might be helpful to Members in considering the draft schedule:

- The proposed schedule builds upon past experience and is designed to ensure that all business is accomplished as efficiently as possible.
- The draft schedule includes indicative dates for meetings at the start of the 2020-21 municipal year to assist with planning for future business. These dates will be confirmed as part of the Schedule of Meetings for 2020-21, subject to any revisions.
- The deadline for the publication of the Council's annual Statement of Accounts and the opinion of the External Auditors is 31 July. The Executive meeting has therefore been set for 18 July to accommodate this.
- In order to accommodate the August break for Members, the following Council meeting is scheduled for 25 July. Any resulting Executive recommendations for this meeting will therefore need to be circulated as a following addendum to the main agenda papers.
- As in previous years, meetings of the Licensing & Regulatory Committee and its sub-committees, Standards Committee, Employment Committee and Executive Sub Committees have not been scheduled, except for the initial meeting to make appointments to the chair.
- The initial meetings of the Standards Committee and Employment Committee are expected to be brief, and have therefore been scheduled on dates coinciding with other Committee meetings in order to reduce unnecessary travel requirements for Members.
- An additional meeting of the Overview & Scrutiny Committee has been incorporated into the schedule to allow for any additional scrutiny activities identified in the Committee's work programme, or as may arise.
- One change has been made to the schedule since its consideration by the Overview and Scrutiny Committee. This is to swap the scheduling of the meetings of the Overview and Scrutiny Committee and Executive in September, in order to support earlier consideration of the Quarter 1 Performance Reporting for 2019/20.
- Amendments to the schedule may be made at any time in the course of the year, in the case of unforeseen circumstances. Any changes will be publicly notified as and when they occur.
- Following conclusion of the Boundary Commission Review, there will be all-out elections in May 2019. These elections will elect 45 Members of the Council, reduced from a previous number of 51.
- In line with the reduction in the total number of Members, changes may be agreed to the number of Members forming the Council's committees. Any such changes will be considered in line with the Council's constitution and are not expected to affect scheduling requirements.
- All scheduled meetings will be listed in the Centralised Diary, which can be viewed by both officers and members, to avoid meeting clashes.
- An electronic schedule of meeting dates will be available to download to Members' personal devices.
- Scheduled meetings will be available to view on the Council's website.

CONSULTATION

4. Group Leaders and the Overview and Scrutiny Committee have been consulted and they had no comments to make.

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2019					
Mon	29 April		Mon	8 Jul	
Tue	30 April		Tue	9 Jul	
Wed	1 May		Wed	10 Jul	
Thu	2 May	ELECTIONS	Thu	11 Jul	OVERVIEW & SCRUTINY
Mon	6 May	BANK HOLIDAY	Mon	15 Jul	
Tue	7 May		Tue	16 Jul	
Wed	8 May		Wed	17 Jul	
Thu	9 May		Thu	18 Jul	EXECUTIVE
Mon	13 May		Mon	22 Jul	
Tue	14 May		Tue	23 Jul	
Wed	15 May	PLANNING	Wed	24 Jul	
Thu	16 May		Thu	25 Jul	COUNCIL
Mon	20 May	Planning Training	Mon	29 Jul	
Tue	21 May		Tue	30 Jul	
Wed	22 May		Wed	31 Jul	PLANNING
Thu	23 May	ANNUAL COUNCIL	Thu	1 Aug	
Mon	27 May	BANK HOLIDAY	Mon	5 Aug	
Tue	28 May		Tue	6 Aug	
Wed	29 May	LIC. & REG. (Meeting & Training)	Wed	7 Aug	
Thu	30 May	EXECUTIVE	Thu	8 Aug	
Mon	3 Jun		Mon	12 Aug	
Tue	4 Jun		Tue	13 Aug	
Wed	5 Jun		Wed	14 Aug	
Thu	6 Jun	STANDARDS (19 :00) OVERVIEW & SCRUTINY	Thu	15 Aug	
Mon	10 Jun		Mon	19 Aug	
Tue	11 Jun		Tue	20 Aug	
Wed	12 Jun	PLANNING	Wed	21 Aug	
Thu	13 Jun		Thu	22 Aug	
Mon	17 Jun		Mon	26 Aug	BANK HOLIDAY
Tue	18 Jun		Tue	27 Aug	
Wed	19 Jun		Wed	28 Aug	
Thu	20 Jun	EMPLOYMENT (19:00) EXECUTIVE	Thu	29 Aug	
Mon	24 Jun		Mon	2 Sep	
Tue	25 Jun		Tue	3 Sep	
Wed	26 Jun		Wed	4 Sep	PLANNING
Thu	27 Jun		Thu	5 Sep	
Mon	1 Jul		Mon	9 Sep	
Tue	2 Jul		Tue	10 Sep	
Wed	3 Jul	PLANNING	Wed	11 Sep	
Thu	4 Jul		Thu	12 Sep	OVERVIEW & SCRUTINY

All formal meetings begin at 19:30 unless otherwise stated.

2019					
Mon	16 Sep		Mon	25 Nov	
Tue	17 Sep		Tue	26 Nov	
Wed	18 Sep		Wed	27 Nov	**PLANNING**
Thu	19 Sep	**EXECUTIVE**	Thu	28 Nov	
Mon	23 Sep		Mon	2 Dec	
Tue	24 Sep		Tue	3 Dec	
Wed	25 Sep		Wed	4 Dec	
Thu	26 Sep	**COUNCIL**	Thu	5 Dec	**EXECUTIVE**
Mon	30 Sept		Mon	9 Dec	
Tue	1 Oct		Tue	10 Dec	
Wed	2 Oct	**PLANNING**	Wed	11 Dec	**OVERVIEW & SCRUTINY**
Thu	3 Oct		Thu	12 Dec	**COUNCIL**
Mon	7 Oct		Mon	16 Dec	
Tue	8 Oct		Tue	17 Dec	
Wed	9 Oct		Wed	18 Dec	**PLANNING**
Thu	10 Oct	**EXECUTIVE**	Thu	19 Dec	
Mon	14 Oct		Mon	23 Dec	
Tue	15 Oct		Tue	24 Dec	
Wed	16 Oct		Wed	25 Dec	**XMAS HOLIDAY**
Thu	17 Oct	**OVERVIEW & SCRUTINY**	Thu	26 Dec	**XMAS HOLIDAY**
					2020
Mon	21 Oct		Mon	30 Dec	
Tue	22 Oct		Tue	31 Dec	
Wed	23 Oct		Wed	1 Jan	**NEW YEAR HOLIDAY**
Thu	24 Oct		Thu	2 Jan	
Mon	28 Oct		Mon	6 Jan	
Tue	29 Oct		Tue	7 Jan	
Wed	30 Oct	**PLANNING**	Wed	8 Jan	
Thu	31 Oct	**COUNCIL**	Thu	9 Jan	
Mon	4 Nov		Mon	13 Jan	
Tue	5 Nov		Tue	14 Jan	
Wed	6 Nov		Wed	15 Jan	
Thu	7 Nov	**EXECUTIVE**	Thu	16 Jan	**EXECUTIVE**
Mon	11 Nov		Mon	20 Jan	
Tue	12 Nov		Tue	21 Jan	
Wed	13 Nov		Wed	22 Jan	**PLANNING**
Thu	14 Nov		Thu	23 Jan	**OVERVIEW & SCRUTINY**
Mon	18 Nov		Mon	27 Jan	
Tue	19 Nov		Tue	28 Jan	
Wed	20 Nov		Wed	29 Jan	
Thu	21 Nov	***Budget Scrutiny Panel 6.30pm***	Thu	30 Jan	**EXECUTIVE**

All formal meetings begin at 19:30 unless otherwise stated.

2020					
Mon	3 Feb		Mon	13 Apr	EASTER MONDAY
Tue	4 Feb		Tue	14 Apr	
Wed	5 Feb		Wed	15 Apr	PLANNING
Thu	6 Feb		Thu	16 Apr	OVERVIEW & SCRUTINY
Mon	10 Feb		Mon	20 Apr	
Tue	11 Feb		Tue	21 Apr	
Wed	12 Feb		Wed	22 Apr	
Thu	13 Feb	COUNCIL	Thu	23 Apr	EXECUTIVE
Mon	17 Feb		Mon	27 Apr	
Tue	18 Feb		Tue	28 Apr	
Wed	19 Feb	PLANNING	Wed	29 Apr	
Thu	20 Feb	OVERVIEW & SCRUTINY	Thu	30 Apr	
Mon	24 Feb		Mon	4 May	BANK HOLIDAY
Tue	25 Feb		Tue	5 May	
Wed	26 Feb		Wed	6 May	
Thu	27 Feb	EXECUTIVE	Thu	7 May	ELECTIONS
Mon	2 Mar		Mon	11 May	
Tue	3 Mar		Tue	12 May	
Wed	4 Mar		Wed	13 May	
Thu	5 Mar		Thu	14 May	
Mon	9 Mar		Mon	18 May	
Tue	10 Mar		Tue	19 May	
Wed	11 Mar		Wed	20 May	PLANNING
Thu	12 Mar		Thu	21 May	
Mon	16 Mar		Mon	25 May	BANK HOLIDAY
Tue	17 Mar		Tue	26 May	Planning Training
Wed	18 Mar	PLANNING	Wed	27 May	
Thu	19 Mar	OVERVIEW & SCRUTINY	Thu	28 May	ANNUAL COUNCIL
Mon	23 Mar		Mon	1 Jun	
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Thu	2 Apr		Thu	11 Jun	STANDARDS (19 :00) OVERVIEW & SCRUTINY
Mon	6 Apr		Mon	15 Jun	
Tue	7 Apr		Tue	16 Jun	
Wed	8 Apr		Wed	17 Jun	
Thu	9 Apr	COUNCIL	Thu	18 Jun	

All formal meetings begin at 19:30 unless otherwise stated.

2020					
Mon	22 Jun		Mon	24 Aug	
Tue	23 Jun		Tue	25 Aug	
Wed	24Jun		Wed	26 Aug	
Thu	25 Jun	**EMPLOYMENT (19:00)** **EXECUTIVE**	Thu	27 Aug	
Mon	29 Jun		Mon	31 Aug	
Tue	30 Jun		Tue	1 Sep	
Wed	1 Jul		Wed	2 Sep	
Thu	2 Jul	**OVERVIEW & SCRUTINY**	Thu	3 Sep	
Mon	6 Jul				
Tue	7 Jul				
Wed	8 Jul	**PLANNING**			
Thu	9 Jul				
Mon	13 Jul				
Tue	14 Jul				
Wed	15 Jul				
Thu	16 Jul				
Mon	20 Jul				
Tue	21 Jul				
Wed	22 Jul				
Thu	23 Jul	**EXECUTIVE**			
Mon	27 Jul				
Tue	28 Jul				
Wed	29 Jul	**PLANNING**			
Thu	30 Jul	**COUNCIL**			
Mon	3 Aug				
Tue	4 Aug				
Wed	5 Aug				
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Thu	13 Aug				
Mon	17 Aug				
Tue	18 Aug				
Wed	19 Aug				
Thu	20 Aug				

All formal meetings begin at 19:30 unless otherwise stated.