

Executive Agenda



Reigate & Banstead
BOROUGH COUNCIL
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20 March 2018

To the Members of the EXECUTIVE

Councillors:

V. W. Broad	Leader
Dr. L. Hack	Deputy Leader, Neighbourhood Services
N. J. Bramhall	Property and Acquisitions
K. Foreman	Planning Policy
A. C. J. Horwood	Community Support
E. Humphreys	Business and Economy
G. J. Knight	Community Safety
R. Mill	Leisure and Wellbeing
R. Renton	Housing and Infrastructure
T. Schofield	Finance

For a meeting of the **EXECUTIVE** to be held on **THURSDAY, 29 MARCH 2018** at **7.30 pm** in the New Council Chamber.

John Jory
Chief Executive

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Notice is given of the Executive's intention to hold part of its meeting on Thursday, 29 March 2018 in private for consideration of reports containing "exempt" information

1. **MINUTES** (Pages 7 - 20)
To confirm as a correct record the Minutes of the meeting held on 25 January 2018.
2. **APOLOGIES FOR ABSENCE**
To receive any apologies for absence.
3. **DECLARATIONS OF INTEREST**
To receive any declarations of interest.
4. **REVISED CONTRACT PROCEDURE RULES** (Pages 21 - 48)
Executive Member: Councillor T. Schofield
To consider the revised contract procedure rules.
5. **TREASURY MANAGEMENT STRATEGY 2018/19** (Pages 49 - 90)
Executive Member: Councillor T. Schofield
To consider the Treasury Management Strategy for 2018/19.
6. **APPOINTMENTS TO THE BOARD OF THE BANSTEAD COMMONS CONSERVATORS** (Pages 91 - 94)
Executive Member: Councillor Mrs R. Mill
To consider nominations to the Banstead Commons Conservators and appoint three representatives to fill positions.
7. **OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME 2018/19** (Pages 95 - 100)
Executive Member: Councillor V. W. Broad
To consider the proposed Work Programme for the Overview and Scrutiny Committee in 2018/19.
8. **QUARTERLY PERFORMANCE REPORT (Q3 2017/18)** (Pages 101 - 116)
Executive Member: Councillor T. Schofield
To consider the performance report for Quarter 3 2017/18, and to consider the revised Key Performance Indicators and Strategic Risks for 2018/19.

9. **PROPERTY ACQUISITIONS**

Executive Member: Councillor Mrs N. J. Bramhall

To consider any property acquisitions proposed.

10. **STATEMENTS**

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

11. **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).

12. **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.

13. **APPOINTMENTS TO THE BOARD OF THE BANSTEAD COMMONS CONSERVATORS** (Pages 117 - 124)

Executive Member: Councillor Mrs R. Mill

To consider exempt information in relation to the appointments to the Board of the Banstead Commons Conservators.

14. **PATHWAY FOR CARE: NEXT STEPS** (Pages 125 - 136)

Executive Member: Councillor Mrs R. Mill

To consider proposals including exempt information regarding the next steps for the Pathway for Care company.

The observations and comments from the Overview and Scrutiny Committee from its meeting on 15 March 2018 will follow as an Addendum.

15. **PROPERTY ACQUISITIONS**

Executive Member: Councillor Mrs N. J. Bramhall

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 Town Hall, Reigate on 25 January 2018.

Present: Councillor V.W. Broad (Leader of the Council); Councillor Dr L.R. Hack (Deputy Leader); Councillors Mrs N.J. Bramhall, A. Horwood, G. F. Knight, Mrs R. Mill, Mrs R. Renton and T. Schofield.

Also present: Councillors Mrs R. H. Absalom, D. Allcard, R. W. Coad, J. C. S. Essex, N. D. Harrison, A. M. Lynch, Mrs D. A. Ross-Tomlin, B. A. Stead, C. Stevens, Mrs R. S. Turner and C. T. H. Whinney.

The Leader of the Council, Councillor V. W. Broad, informed all those in attendance at the start of the meeting that the meeting would not be webcast as a result of a technical issue.

The Leader also issued a statement to the Executive that Councillor G. F. Knight had indicated an intention to abstain from the vote on any items relating to the proposed Horley Business Park. Councillor G. F. Knight explained that he sought further information on the socio-economic and environmental impact of the proposals before making a determination on the matter.

51. MINUTES

RESOLVED that the minutes of the meeting held on 9 November 2017 be approved as a correct record and signed.

52. APOLOGIES FOR ABSENCE

Executive Members: Councillors K. Foreman and E. Humphreys.

Non-Executive Members: Councillors M. Blacker, D. Pay and M. J. Selby.

53. DECLARATIONS OF INTEREST

None.

54. OBSERVATIONS OF THE OVERVIEW & SCRUTINY COMMITTEE ON THE DRAFT BUDGET PROPOSALS FOR 2018/19

The Executive Member for Finance, Councillor T. Schofield, submitted a report that set out the outcome of the Overview and Scrutiny Committee's consideration of the draft budget for 2018/19.

The report included the relevant statutory powers, the outcome of the Overview and Scrutiny Committee's considerations, legal, financial and equalities implications, consultation undertaken and policy framework considerations. The Executive received the full report of the Committee and considered its conclusions and recommendations.

In introducing the report to the Executive the Executive Member thanked Councillor N.D. Harrison for his hard work in chairing the Budget Scrutiny Review Panel in its consideration of the budget for 2018/19. He also expressed his gratitude to the Members of the Scrutiny Review Panel and the Overview and Scrutiny Committee for their contribution to a very important process.

It was noted that the Panel conducted a thorough review of the budget proposals, aided as in previous years, by a high number of advance questions. The report and recommendations of the Panel were subsequently considered by the Overview and Scrutiny Committee in December.

Following its deliberations the Committee made four recommendations for the consideration of the Executive. These had been carefully considered by the Portfolio Holder who reflected on the Committee's overall positive conclusions about the provisional budget proposals.

Since the Scrutiny Panel and Overview & Scrutiny Committee met, it was confirmed that seven of the clawback arrangements recommended for consideration by the panel were currently in place, and that the Planning Committee would support their implementation where it judged it appropriate to do so, in line with the Council's policies.

Members sought clarification on whether the impact of funding for a business rates retention pilot would be included as part of the budget considerations in future. The Chief Executive advised Members that the funding was not included in the base budget due to it being a one-off benefit.

RESOLVED that the report of the Overview & Scrutiny Committee on the service and financial plans for 2018/19 be accepted and the comments noted.

Reasons for decision:

To take account of the views of the Overview & Scrutiny Committee on their consideration of the service and financial plans for 2018/19.

Alternative options:

Request that the Overview & Scrutiny Committee undertake additional scrutiny of all or part of the service and financial plans for 2018/19.

55. BUDGET 2018/19

The Executive Member for Finance, Councillor T. Schofield, introduced the proposed Budget for 2018/19 which included an updated capital programme up to 2023 for recommendation to Full Council.

A consultation exercise had been undertaken on the savings and growth proposals that had been considered by the Executive in November 2017. These proposals had been the subject of review by the Budget Scrutiny Panel and the Overview and Scrutiny Committee and the Portfolio Holder thanked them for their hard work in ensuring that the proposals were sound.

The Executive Member also indicated that the proposed Council Tax increase would mean that the average Council Tax charge would increase by 12 pence per week, which equated to a charge of £220.85 for a band D property per year for all the Council's services. The Executive Member highlighted that this equated to less than £19 per month for the average resident.

The Executive noted that the savings proposed, coupled with the modest tax increase, would allow the Council to maintain and to continue to deliver its services at excellent value for money for the taxpayer. The Executive Member stressed that the alternative option of not increasing Council Tax would result in significant challenges to the Council's financial sustainability.

The Executive Member explained that the savings requirements addressed in the report were driven by the removal of the Revenue Support Grant and changes to business rates retention, as part of the wider national context.

The Chief Finance Officer's statement on the proposed budget, was noted, which pointed out the risks and uncertainties associated with the budget proposals. This included economic factors and the implications of further reductions to government funding levels.

The Executive Member reiterated that the Council provided excellent value for money and was on course to deliver its Five Year Plan to the benefit of all those living and working in the borough. Members acknowledged the quality of services and the commissioning of major regeneration schemes in the area.

Members expressed satisfaction that the budget was balanced in light of challenges such as the withdrawal of all government grant funding. A Member referred to the Chief Financial Officer's report with regards to long term asset liability and noted that the cautious investment strategy taken would mitigate a potential risk with accounting for pension funds.

RECOMMENDED that:

- (i) a budget of £15.495m including the savings and growth previously reported, a provision for a pay award and an increase in Band D Council Tax of 2.99% (or £6.41) be approved;**
- (ii) the updated Capital Programme (shown at Annex 1 of the report presented) be approved;**
- (iii) the statement of the Chief Finance Officer (at Annex 2 of the report presented) be noted; and,**

- (iv) **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 grant.**

Reasons for decision:

The Council was required to set a budget by 11th March each year.

Alternative options:

To amend or reject any or all of the budget proposals.

56. COUNCIL TAX SETTING 2018/19

A report was submitted on the level of Council Tax for 2018/19. It set out relevant statutory powers, issues (the proposed Council Tax increase and current information relating to precepting authorities), legal, financial and equalities implications, risk management considerations, consultation undertaken and policy framework factors.

The Executive Member for Finance, Councillor T. Schofield, informed the Executive that the proposed Council Tax would be the subject of a recommendation to the February Council meeting. That meeting would receive confirmation of the final precept levels from the County Council and the Police together with any necessary adjustments required.

It was noted that when the report was produced a 5.99% increase was assumed for the County Council and £12 for the Police Authority. Any changes to these would form part of the update to the February Council meeting.

RECOMMENDED that:

- (i) **It be noted that on 14 December 2017 the Council calculated:**
- (a) **the Council Tax base 2018/19 for the whole Council as 59,781 [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 | 9,522 |
| Salfords & Sidlow Parish Council | 1,386 |
- (ii) **Calculate that the Council Tax requirements for the Council’s own purposes for 2018/19 (excluding Parish precepts) is £13,202,695**
 - (iii) **That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:**
 - (a) **£70,461,931– 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) £56,876,638– being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) of the Act.**
- (c) £13,585,293 – being the amount which the aggregate at (iii)(a) above exceeds the aggregate at (iii)(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) £227.25– being the amount at (iii)(c) above (Item R), all divided by Item T ((i)(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) £382,598 - being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the Appendix attached to the report presented).**
- (f) £220.85 - being the amount at (iii)(d) above less the result given by dividing the amount at (iii)(e) above by item T ((i)(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- £257.75
Salfords & Sidlow Parish Council -£243.40**

Being the amounts given by adding to the amount at 3(iii)(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 (i)(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.

- (iv) It be noted that the figures in the Appendix attached to the report presented being the amounts given by multiplying the amounts at (iii)(f) and (iii)(g) above by the number which, in the proportions set out in Section 5(1) of the Act, was applicable to dwellings listed in a particular valuation band divided by the number which in that proportion was 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.**
- (v) It be noted that for the year 2018/19 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 of the report presented.

(vi) Having calculated the aggregate in each case of the amounts (i) to (v), above, the Council, in accordance with Section 30(2) of the Act, hereby sets the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown in Appendix 3 of the report presented.

(vii) the Chief Finance Officer be authorised 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 decision:

To provide the information to fulfil the requirement of the Local Government Finance Act 1992 which sets out the requirement for local authorities to set a budget for the next financial year.

Alternative options:

There was no Council Tax Freeze Grant available for 2018/19. The budget was based on a recommended Council Tax rise of £6.41 (or 2.99%) in 2018/19.

57. DRAFT TREASURY MANAGEMENT STRATEGY 2018/19 FOR CONSULTATION, INCLUDING PRUDENTIAL INDICATORS & INVESTMENT STRATEGY

The Executive considered a report seeking approval to consult on a draft Treasury Management Strategy. This was appended to the report. The report set out a range of issues for the Executive to consider (objectives, the current treasury position, proposed changes and prudential indicators) together with legal, financial and equalities implications, risk management considerations, consultation undertaken and policy framework factors.

It was noted that the Strategy was broken down into the following sections:

- Investment Strategy
- Borrowing Strategy
- Cash Management Strategy

The Executive Member for Finance, Councillor T. Schofield, indicated that the Borrowing Strategy was unchanged and continued to focus on delivering projects that were already approved, including the activities of the property company. The investment strategy was unchanged and was focussed on generating income within the Council's risk profile.

The Cash Management Strategy was also unchanged and continued to focus on optimising cash flow through operational improvements.

The Executive was informed that the associated strategies would be reviewed in due course by a Member Panel with the assistance of external Treasury Advisors, to ensure that the proposals within the Treasury Management Strategy best supported the Council's expected activity in 2018/19 and beyond.

Members were advised that changes to the Prudential Code, the Treasury Management Code of Practice and other regulations were published in late 2017/18. Those changes were intended to properly reflect the increasingly complex business models adopted by Local Authorities in response to reductions in other funding streams and were expected to impact the Council's Treasury Management Strategy in the future.

The Executive Member noted that the draft Treasury Management Strategy was based on the 2011 guidelines and that the strategy would be comprehensively reassessed in 2018 in accordance with the updates contained within the Prudential Code and the Treasury Management Code produced by CIPFA.

A Member sought clarification on whether a new capital strategy could be drafted in advance to consider the new CIPFA rules at an earlier stage. The Leader of the Council informed the Executive that this was already being investigated.

RESOLVED that that the contents of the Treasury Management Strategy report and Annexes to the report presented be approved for formal consultation in accordance with the Council's Constitution.

Reasons for decision:

To support the adoption of a Treasury Management Strategy for the 2018/19 financial period.

Alternative options:

To not support the report or to defer the report and ask Officers to provide more information and/or clarification on any specific points.

58. UNIT 1 RUSSELL SQUARE (55-57 VICTORIA ROAD)

The Executive Member for Property and Acquisitions, Councillor Mrs N. J. Bramhall, introduced a report outlining proposals for the grant of a long lease of Unit 1, Russell Square in Horley to Surrey County Council for the provision of a new library in the town.

The Executive Member highlighted the merits of the proposals, including that the letting was at a premium in the form of a substantial capital payment in lieu of rent and represented an opportunity to meet several objectives for both Councils.

Members acknowledged that the regeneration of Horley town centre was a key priority for the Borough Council and that both Borough and County Councils were committed to improving services for residents as part of the Horley Master Plan.

The Executive was informed that the Council's Local Plan identified a number of key new facilities for the town, one of which was a new library. The Executive Member for Property and Acquisitions supported the proposals on the basis that granting the lease would help realise this ambition.

The Executive Member noted that Surrey County Council would provide a new fit for purpose library that was better located and equipped to serve the growing population of the town. It was planned that the proposed library would facilitate a range of functions, including children's services, leisure, business, creative, cultural activities and **18** the provision of guidance and information

services to the community.

Members were informed that the proposed library would increase footfall in the immediate area, to the benefit of other local retail occupiers, and increase the likelihood of letting other vacant units nearby.

Members expressed their support for the proposals and noted that the library would provide the community with an important hub for a variety of activities and services.

RESOLVED that:

- (i) the Head of Property be authorised to dispose of Unit 1 Russell Square (55-57 Victoria Road) Horley to Surrey County Council by way of a 999 year ground lease at a peppercorn rent and subject to a premium as set out in the Exempt report in Part 2 of the agenda; and,
- (ii) the Head of Property, in consultation with the Executive Member for Property & Acquisitions, be authorised to agree the final terms of the lease.

Reasons for decision: To provide a new library that will improve services for Horley's growing population and assist in the town centre's regeneration.

Alternative options: To continue to market the unit to secure a commercial letting at a market rent, or; to not support the report.

59. HORLEY BUSINESS PARK: LOCAL ENTERPRISE PARTNERSHIP GRANT FUNDING FOR HIGHWAYS IMPROVEMENTS AND ALTERATIONS

The Executive Member for Property and Acquisitions, Councillor Mrs N. J. Bramhall, presented a report to Members which proposed that the development site at Junction 9a off the spur road to the M23 be allocated for a business park and public park.

The Executive agreed on 15 March 2015 to create a Joint Venture Special Purpose Vehicle to bring forward the plan to create a high class Business Park to support this Council's ambition to create a leading business park in the south east.

In parallel with the work being undertaken by the Joint Venture, the Council made a separate application for Local Enterprise Funding towards the significant costs of the planned highways improvements to Junction 9a of the spur road to the M23. The planned improvements to Junction 9a were intended to provide the main access to the business park.

The Executive was advised that the Council had agreed in principle with the Coast to Capital Local Enterprise Partnership (CCLEP), for the CCLEP to provide grant funding towards the delivery of this project.

The Executive Member clarified that officers of the Council would finalise and conclude the terms of the grant, subject to the approval of the Executive. The Executive Member referred the Executive to the details of the terms set out in the exempt report.

RESOLVED that the Head of Property be authorised, in consultation with the Head of Finance and the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and the Executive Member for Property and

Acquisitions, to enter into the funding agreement with the Coast to Capital Local Enterprise Partnership to contribute towards the anticipated improvements to Junction 9a on the M23 spur road into Gatwick Airport. The terms of the funding to be as set out in the Part 2 (Exempt information) report to the Executive.

Reasons for decision:

To contribute towards the anticipated improvements to Junction 9a on the M23 spur road into Gatwick Airport.

Alternative options:

To not enter into the agreement, or; to do nothing.

NOTE: The Executive Member for Community Services, Councillor G. Knight, abstained from the vote on the basis that he sought further information on the socio-economic and environmental impact of the proposals before making a determination on the matter.

60. HORLEY BUSINESS PARK UPDATE AND REQUEST FOR ADDITIONAL WORKING CAPITAL

The Executive agreed on the 15th March 2015 to create a Joint Venture Special Purpose Vehicle to bring forward the plan to create a high class Business Park to support this Council's ambition to create a leading business park in the south east. The Joint Venture was established after that Executive meeting and had been progressing with the project since.

The Executive Member for Property and Acquisitions, Councillor Mrs. N.J. Bramhall referred the Executive to an update from officers on progress of the work of the Joint Venture in both the public and exempt sections of the associated reports on the agenda.

The Executive Member informed the Executive that progress was being made in a number of areas, including Planning, Land Assembly, and Highways design. Executive Members noted that the site was included in the draft version of the Development Management Plan, which was out for public consultation at Regulation 19.

Members were advised that the Horley Business Park Development LLP, which oversees the work of the Joint Venture, may require additional working capital to continue to progress the work currently being undertaken. The Executive Member requested that the Executive increase the loan facility to the Special Purpose Vehicle, if required.

The Executive Member referred the Executive to a potential increase to the loan facility detailed in the associated exempt report. Members noted that there was ongoing work to finalise an agreement which would not require this additional funding. The Executive Member highlighted that any additional funding would be matched by the Council's Joint Venture partners.

A Member sought clarification on a number of aspects, including the amount of working capital associated with the Horley Business Park project, the role played by Taylor Wimpy, and the ownership and governance of Mill Hill Properties.

The Chief Executive advised Members that the resources invested in the company would be disclosed under exempt business in view of maintaining

commercial confidentiality. It was also noted that it was proper practice for the Council to have discussions with businesses in the immediate vicinity of the proposed development, including Taylor Wimpy. Members were informed that information on Mill Hill Properties was publicly available online.

RECOMMENDED that the Head of Finance be authorised, in consultation with the Head of Property and the Leader of the Council, Deputy Leader of the Council, Executive Member for Finance and the Executive Member for Property and Acquisitions, to make arrangements to extend the loan facility to increase the working capital to the Joint Venture Limited Liability Partnership to facilitate the making of a Planning Application, noting that costs were recoverable as set out in the report at Part 2 (in the exempt part of the Agenda).

RESOLVED that:

- (i) the progress on the land assembly to facilitate the development of the Horley Business Park set out in this report and in the report contained in the Executive's Part 2 (Exempt information) report be noted; and,
- (ii) the Horley Business Park Development LLP (LLP) would be endeavouring to finalise and agree Heads of Terms with Surrey County Council to allow them to enter the Joint Venture and Special Purpose Vehicle (Horley Business Park Development LLP) on terms outlined in the Executive Part 2 (Exempt information) report be noted. Executive further noted that the LLP would exchange and complete contracts on the finalised terms agreed which would require the approval Surrey County Council.

Reasons for decision:

To enable the Joint Venture to bring forward a Planning Application for the Horley Business Park development.

Alternative options:

To not authorise the Head of Finance to extend the current loan facility.

NOTE: The Executive Member for Community Services, Councillor G. Knight, abstained from the vote on the basis that he sought further information on the socio-economic and environmental impact of the proposals before making a determination on the matter.

61. HORLEY BUSINESS PARK: ACQUISITION OF LAND IN HORLEY

The Executive Member for Property and Acquisitions, Councillor Mrs N.J. Bramhall introduced a report regarding the conditional acquisition of one of the key pieces of land required to bring forward the Horley Business Park.

Members were advised that, if the Council was successful in acquiring the land, the Council and the Joint Venture would have secured two of the three pieces of land forming the Business Park.

The Executive Member referred the Executive to the details of the acquisition set out in the associated exempt report.

Members raised a number of concerns regarding the public perception of the proposed Horley Business Park and sought clarification on the timeline for the release of future communications to alleviate residents' concerns.

The Leader of the Council reassured Members that residents would be appropriately informed when the details of the project were established. The

Executive Member for Property and Acquisitions noted that the Council was working closely with Members representing residents in Horley to produce a communications plan in February.

RECOMMENDED that:

- (i) **the Head of Finance be authorised in consultation with the Head of Property and Head of Legal together with the Executive Members for Property and Acquisitions and Finance to fund the acquisition in line with the prevailing Treasury Management Strategy once the conditions have been satisfactorily cleared; and,**
- (ii) **the Head of Property be authorised in consultation with the Head of Finance and Head of Legal together with the Executive Members for Property and Acquisitions and Finance to agree to make available an additional loan facility to Horley Business Park Development LLP or another Special Purpose Vehicle to acquire the freehold land which was the subject of the officer's report, and to agree a conditional contract with Horley Business Park Development LLP to acquire the Freehold interest in the land, subject to conditions, referred to in the Executive's Part 2 (Exempt information) report.**

RESOLVED that:

- (i) the Head of Property be authorised in consultation with the Head of Finance and Head of Legal together with the Executive Members for Property and Acquisitions and Finance to agree a conditional contract to acquire the Freehold interest of the land, subject to conditions, and valuation referred to in the Executive's Part 2 (Exempt information) report and subsequently to exchange and complete on the acquisition; and,
- (ii) the Head of Property be authorised in consultation with the Head of Legal and the Executive Member for Property and Acquisitions to bring forward a further report to appropriate the land for Planning purposes once acquired.

Reasons for decision:

To acquire the freehold interest, subject to conditions, of land in Horley as part of the proposed business park and new park for residents use.

Alternative options:

To find an alternative funder, or; to do nothing.

NOTE: The Executive Member for Community Services, Councillor G. Knight, abstained from the vote on the basis that he sought further information on the socio-economic and environmental impact of the proposals before making a determination on the matter.

62. SCHEDULE OF MEETINGS 2018/19

The Leader of the Council, Councillor V.W. Broad, presented a report with a proposed schedule of meetings for 2018/19. It set out background and factors for consideration. The draft schedule drew upon past experience and had regard to comments from both Members and Officers. It had been considered by the Overview and Scrutiny Committee at its meeting on 7 December 2017 and its comments were reported to the Executive.

The Executive noted that a meeting of the Executive was scheduled for 19 July, to coincide with the submission of an audit report on the annual Statement of Accounts.

Members were advised that, if required, meetings could be added or cancelled in the course of the year, subject to the usual protocols and statutory requirements.

RECOMMENDED that the Schedule of Meetings for the 2018-19 Municipal Year be approved as set out at Annex 1 to the report presented.

Reasons for decision:

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

Alternative options:

None.

63. QUARTERLY PERFORMANCE REPORT (Q2- JULY TO SEPTEMBER 2017)

The Executive Member for Finance, Councillor T. Schofield submitted a report with financial and performance monitoring information for the second quarter of 2017/18. The report provided the headline issues on major variances in relation to the Council's overall performance for the period. Members of the Overview and Scrutiny Committee had considered the performance and had raised no issues to refer to the Executive.

The Executive Member confirmed that 11 of the Council's 12 key performance indicators were on target or within agreed tolerances.

With regards to the financial aspects within the report, there was a healthy underspend on the revenue budget. This was driven by higher than budgeted recycling prices. The Executive also noted that good progress was being made on the capital programme.

The report was presented to the Overview and Scrutiny Committee on 7 December 2017. The Committee did not make any observations on the report for consideration by the Executive.

The Executive Member for Community Safety, Councillor G. Knight, clarified that there was no operational risk to the delivery Parking Services as there was ongoing work to finalise partnership agreements in respect of this.

The Executive Member for Leisure and Wellbeing, Councillor Mrs R. Mill, sought a briefing for Members on the General Data Protection Regulation to raise awareness of their obligations as Members of the Council.

In respect of this, the Chief Executive undertook to circulate a note to Members and assured the Executive that the Council was performing well nationally. Members noted that a robust audit programme was underway to ensure compliance with the new regulations.

RESOLVED that the performance outlined in the report presented be noted.

Reasons for decision:

To consider the performance for the second quarter of the financial year 2017/18.

Alternative options:

None.

64. DEBT WRITE OFF & RECOVERY PERFORMANCE

The Executive Member for Finance, Councillor T. Schofield, proposed that the Executive write off 11 debts. This proposal followed all possible action to recover these amounts.

Councillor Schofield stated that the Council took debt recovery very seriously, that it would work with individuals and companies in difficulty to bring things to a satisfactory conclusion, but that all legal tools would be used to recover the debt until it became impossible or uneconomic to do so.

Members were informed that the impact of debt write-off on the Council was a fraction of the total amount incurred. The Executive Member noted that the Borough Council retained one-eighth of a Council Tax bill and approximately £2.3m of the £54.5m of Business Rates collected each year.

It was also emphasised that write off was essentially an accounting process to protect the Council against mis-statement of the accounts and that in all cases it was only recommended when all possible avenues had been exhausted. If further information was received or if the circumstances surrounding the debts changed then they would be pursued again.

The Executive noted that despite the proposed write offs; Reigate and Banstead remained a high performing Council in terms of debt recovery. In support of this point, Members were advised that the written-off debt represented approximately one half of a percent of the Council's annual turnover.

A Member sought clarification on the actions taken by officers to recover debts owed and raised concerns over the timeline in a number of cases. Members were assured that the Council performed above average nationally to pursue debts as a priority, as far as possible.

In eight of eleven cases, the Council was legally prohibited from pursuing a debt. In some cases, debts were owed by companies that had been dissolved. In respect of debts owed for social and housing benefits, those cases were usually referred to the courts by the Council's fraud team in collaboration with the Department for Work and Pensions.

RESOLVED that:

- (i) eleven debts totalling £126,860.91 (as detailed in Annex 1 of the report to the Executive) be approved for writing out of the Council's accounts.
- (ii) the performance on debt recovery for the 2017/18 financial year to date be noted.

Reasons for decision:

Eight of the debts related to National Non Domestic Rates (NNDR or Business Rates), and three debts related to Council Tax.

All possible action was taken to recover the amounts concerned and the report sought approval to technically write them out of the accounts.

Alternative options:

To not approve the proposed write offs.

65. PROPERTY ACQUISITIONS

There was no business to be considered under this agenda item.

66. STATEMENTS

None.

67. ANY OTHER URGENT BUSINESS

None.

68. EXEMPT BUSINESS

RESOLVED that members of the Press and public be excluded from the meeting for the following items of business 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.

69. UNIT 1 RUSSELL SQUARE (55-57 VICTORIA ROAD)

RESOLVED that the exempt information relating to the report on Unit 1 Russell Square (55-57 Victoria Road) be noted.

70. HORLEY BUSINESS PARK: CONDITIONAL ACQUISITION OF FREEHOLD LAND IN HORLEY

RESOLVED that the exempt information relating to the conditional acquisition of freehold land in Horley be noted.

71. HORLEY BUSINESS PARK UPDATE AND REQUEST FOR ADDITIONAL WORKING CAPITAL

RESOLVED that the exempt information relating to the Horley Business Park update and request for additional working capital be noted.

72. HORLEY BUSINESS PARK: ACQUISITION OF LAND IN HORLEY

RESOLVED that the exempt information relating to the acquisition of land in Horley be noted.

73. PROPERTY ACQUISITIONS

There was no exempt business to be considered under this agenda item.

The meeting closed at 9:07pm.

Agenda Item 4

EXECUTIVE
29 March 2018

Agenda Item: 4
Revised Contract Procedure Rules



REPORT OF:	HEAD OF CORPORATE POLICY, PERFORMANCE & LEGAL
AUTHOR:	Kuldip Channa
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TO:	EXECUTIVE
DATE:	29 MARCH 2018
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	REVISED CONTRACT PROCEDURE RULES
RECOMMENDATIONS:	
<p>(i) That the revised Contract Procedure Rules, as attached in Annex 2 to this report, be approved.</p> <p>(ii) That the Monitoring Officer be authorised to amend the Constitution to include the revised Contract Procedure Rules.</p> <p>(iii) That the Monitoring Officer be authorised, in consultation with the Portfolio Holder for Finance and the Chief Finance Officer, to undertake any minor amendments to the Contract Procedure Rules as may be necessary to comply with any future legislative requirements.</p> <p>(iv) That the Monitoring Officer be authorised, in consultation with the Portfolio Holder for Finance and the Chief Finance Officer, to undertake any minor and administrative amendments to the Contract Procedure Rules as may be necessary to achieve internal practical implementation and compliance.</p>	
REASONS FOR RECOMMENDATIONS:	
To ensure legal and administrative compliance by adopting the revised Contract Procedure Rules as part of the Council's Constitution.	
EXECUTIVE SUMMARY:	
<p>The Council's Contract Procedure Rules (CPRs) form an important part of the Council's governance framework, help to ensure best value and protect us from allegations of impropriety.</p> <p>Since the previous update in 2016 there has been an internal review of the practical implementation of the CPRs which has highlighted the need to introduce amendments to</p>	

the current CPRs in order to simplify the process for users.

There have also been recent legislative amendments to the financial limits in respect of the UK and European Union (EU) regulations governing procurement.

As a result of the internal review and legislative changes it has been necessary to consider revisions to the existing CPRs forming part of the Constitution.

The above recommendations are subject to approval by Full Council.

STATUTORY POWERS

1. The Council is required to produce Contract Procedure Rules under Section 135 of the Local Government Act 1972.
2. The Council is also required to comply with the Public Contract Regulations 2015 which brought into UK law EU procurement Directives (2014/24/EU). These Regulations govern public sector procurement activity.
3. In December 2017, Central government issued, the *Procurement Policy Note – New Thresholds – 2018 Information Note PPN 04/17 December 2017*, which sets out the new European financial thresholds for public procurement. These changes in the financial thresholds bring the UK levels in line with the figures issued by the EU. The agreed European financial thresholds apply to all public procurement from 1st January 2018. Any procurement exercise meeting the EU financial thresholds must be advertised in Europe (known as an OJEU notice) to ensure competition. Failure to do so can result in legal action being taken against the contracting public body.

BACKGROUND

4. The Council's CPRs form an important part of its governance framework, which helps to ensure best value, efficiency, transparency, accountability and protect the Council from allegations of impropriety.
5. The CPR's are continually monitored to ensure they are effective, comply with the Law and that the procurement process is effective. A number of legal, administrative and process amendments are now required in order to achieve continuing efficiency and compliance.
6. In terms of the operational processes, since the previous update in 2016 there has been an internal review of the practical implementation of the CPRs which has highlighted the need to introduce amendments to the current CPRs in order to simplify the process. Furthermore in view of the rising costs the lower thresholds are impractical to maintain and creates a cumbersome procurement process which is not conducive to the conduct of business efficiency and management.

7. And further on 1 January 2018 in the UK there was a legislative amendment to EU financial thresholds.

SUMMARY OF CHANGES TO CONTRACT PROCEDURE RULES

8. A summary of the proposed changes to the CPRs is set out in Annex 1.
9. Annex 2 provides a complete set of the revised CPRs, incorporating the proposed changes. Table 1 in Annex 2 sets out the required procurement routes for proposals of each type (e.g. goods, services, care and support, and works) and specific financial thresholds. This is where the majority of changes are proposed.
10. The detail below is a brief clarification of changes of the wording and process:
 - a. The number of value levels has reduced from 7 to 6. This streamlines the CPR process.
 - b. The lower limit has increased to allow spend up to £10,000 without the In-tend system (from £5,000). The Procuring officer will need to get 1 quote from their chosen supplier up to this value. This creates more flexibility and efficiency within the CPRs.
 - c. A new level of £10,001 to £25,000 has been added allowing Procuring Officers to get up to 3 quotes for spend or conduct an open competition at their discretion. Previously the only option was to do an open competition. This ensures transparency and value for money.
 - d. A new level of between £25,001 and £181,302 has been added allowing the Procuring Officer to either invite 4 suppliers to submit a bid or conduct an open competition or follow the Framework Contract guide lines. This also creates more flexibility and efficiency within the CPRs.
 - e. A new level £181,302 up to £4,551,413 for works (building and Civil Engineering Projects) Tenders has been added. The Procuring Officer can either invite 4 suppliers to submit a bid or conduct an open competition or follow the Framework Contract guidelines. This creates flexibility but also ensures compliance with legal requirements.
 - f. The processes and financial thresholds of the current CPRs also required a Performance Bond for Contracts to the value of £25,000. Consideration of current economic and business factors has established that it is more realistic to require a Performance Bond for Contracts valued at £75,000. The value of the Performance Bond for contracts valued at £75,000 will be determined by the type of work being carried out and in consultation with Legal Services. This is a positive step to encourage the smaller, medium sized local commercial organisations to participate in the Council's procurement process.
 - g. The process for seeking a 'waiver' from the Council's Procurement Rules is retained and continues to ensure flexibility as well as a high degree of professional challenge and a robust audit trail.

- h. As mentioned above since the last update in 2016 there has been amendments to the financial threshold limits in respect of the UK and EU regulations governing public procurement and these are captured within the revised CPRs.
- i. Other changes are undertaken to facilitate the relevant changes for example, there is clarification wording changes and information about the new Standard Selection Questionnaire document which replaced the Pre-Qualification Questionnaire used for all above EU threshold Tenders. There is also revised wording throughout the CPRs in order to facilitate the revised thresholds and process.

BREXIT IMPLICATIONS

- 11. In theory, from March 2019, the EU financial thresholds will not apply as the UK will no longer be subject to the EU regime. However, at the time of this report, there is expected to be a two year transition period. This may mean that EU financial thresholds will continue to be applied until 2021. If this is the case, then compliance may be required with the EU financial thresholds until the next review in January 2020.
- 12. It should also be noted that, the Government has transposed the EU procurement Directives (2014/24/EU) into UK law in the form of the Public Contracts Regulations 2015. Therefore it is anticipated that the rules will still apply and that only the EU financial thresholds maybe in question.

ONGOING PRACTICAL MONITORING AND IMPLEMENTATION OF PROCUREMENT

- 13. The In-Tend system which is hosted by Surrey County Council and is used by the majority of Surrey districts (including Reigate & Banstead) to support procurement activity is operating well. Its adoption meets the requirements of the *Public Contract Regulations 2015*.
- 14. The use of In-Tend ensures that all except very low value tender processes are run on a fully electronic basis. It is a self-contained electronic system with a detailed "audit-trail" facility. It continues to offer more transparency and security around the tendering and contract letting processes.
- 15. All tender documentation (with the exception of very low value tenders) is now published by the Council on this system and all information received from suppliers comes via it.
- 16. The processes required by the In-Tend system will continue to fully reflect the revised CPRs.

OPTIONS

17. The Executive may approve the new CPRs (the preferred option), reject them or request amendments.

LEGAL IMPLICATIONS

18. The proposed changes to the CPRs will ensure that the Council complies with its legal requirements for procurement and contracts.

FINANCIAL IMPLICATIONS

19. The proposed changes to the CPRs will support the Council to receive value for money from all contracts.

EQUALITIES IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

21. If the Council fails to maintain and follow up-to-date CPRs there may be legal, financial and reputational consequences. This is mitigated through these procedures and the regular review of the CPRs.

POLICY FRAMEWORK

22. The adoption of these revised CPRs requires the replacement of *Procedure Rule 8, Part 4: Procedure Rules* of the Constitution.

Background Papers: None

ANNEX 1

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Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
1.	All	As per current CPR's	General wording changes throughout the documents to clarify certain stages of the Procurement process	Ensures CPR procedures are compliant and effective.	Yes	Yes
2.	Table 1 Procedural Steps of Procurement	Up to £5,000	LEVEL REMOVED	-	Yes	Remove this Level
3.	Table 1 Procedural Steps of Procurement	£5,001-£10,001	LEVEL REMOVED	-	Yes	Remove this Level
4.	Table 1 Procedural Steps of Procurement	£10,001 to £24,999	LEVEL REMOVED	-	Yes	Remove this Level
5.	Table 1 Procedural Steps of Procurement	£1 164,176 - £4,104,394 <u>Works only</u>	LEVEL REMOVED	-	Yes	Remove this Level Yes
6.	Table 1 Procedural Steps of Procurement	£164,176 and above <u>Supplies and Services</u>	LEVEL REMOVED	-	Yes	Remove this Level

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
7.	Table 1 Procedural Steps of Procurement	£0 to £10,000	New Level 1- written quote	Yes – good governance requirements: value for money efficiency, transparency, accountability	Yes	New Level
8.	Table 1 Procedural Steps of Procurement	£10,001 to £25,000	NEW LEVEL ITQ Up to 3 invited suppliers to take part in tender or Open competition (at the discretion of the Procuring Officer)	Yes – good governance requirements: value for money: efficiency, transparency, accountability	Yes	New Level

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
9.	Table 1 Procedural Steps of Procurement	£25,001 - £181,302	<p>NEW LEVEL</p> <p>ITT</p> <p>or</p> <p>Further Competition or Direct Award if using a Framework Agreement⁴</p> <p>Minimum of 4 invited suppliers to take part in tender</p> <p>or</p> <p>Open competition in the UK</p> <p>or</p> <p>As per Framework requirements</p>	Yes – good governance requirements: value for money efficiency, transparency accountability	Yes	New Level

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
10.	Table 1 Procedural Steps of Procurement	<p>£181,302 -£4,551,413</p> <p><u>Works only</u>³</p>	<p>NEW LEVEL</p> <p>ITT</p> <p>or</p> <p>Further Competition or Direct Award if using a Framework Agreement</p> <p>Minimum of 4 invited suppliers to take part in tender</p> <p>Open competition in the UK</p> <p>or</p> <p>As per Framework requirements</p>	Yes – new UK agreed European thresholds	YES	New OJEU ¹ Level

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
11.	Table 1 Procedural Steps of Procurement	<p>£181,302 and above</p> <p><u>Supplies and Services</u>²</p> <p><u>(Consumables goods and Services)</u></p>	<p>New Level</p> <p>NEW OJEU THRESHOLD</p> <p>OJEU Tender</p> <p>Or</p> <p>Further Competition or Direct Award if using a Framework Agreement Open procedure¹ – unlimited</p> <p>Restricted procedure¹ – top 5 from SSQ shortlist (Part 3)</p> <p>Other procedures¹ – appropriate numbers as agreed with Procurement Officer and Legal Services</p> <p>As per Framework requirements</p>	Yes – new UK agreed European thresholds	YES	New Level

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
12.		<p>£4,551,413 and above</p> <p>Works only³ (building and Civil Engineering Projects)</p>	<p>NEW LEVEL</p> <p>NEW OJEU THRESHOLD</p> <p>OJEU tender</p> <p>Further Competition or Direct Award if using a Framework Agreement⁴ Open procedure¹ – unlimited</p> <p>Restricted procedure¹ – top 5 from PAS 91 shortlist</p> <p>Other procedures¹ – appropriate numbers as agreed with Procurement Officer and Legal Services.</p> <p>As per Framework requirements</p>	<p>Yes – new UK agreed European thresholds</p>	<p>Yes</p>	<p>New Level</p>
13.	Section 19 -23 PQQ	<p>Explanations about PQQ</p>	<p>Section replaced with information on the new SSQ , PAS91 and ESPD</p>	<p>Yes</p>		<p>Information about new SSQ</p>

Item No.	Sections	Previous wording	Change requested or proposed new wording	Legal Requirement	Process change	Wording/ Admin change
14.	Section 42	Where a contract is estimated to be £25,000 or over, the relevant Procuring Officer must discuss with the Service Manager before the procurement, whether the Council should require security for its performance. It must be recorded that either no such security is considered necessary, or, specify in the conditions of tender the nature and amount of security to be given	Where a contract is estimated to be £75,000 or over, the relevant Procuring Officer must discuss with the Service Manager before the procurement, whether the Council should require security for its performance. It must be recorded that either no such security is considered necessary, or, specify in the conditions of tender the nature and amount of security to be given.	-	Yes	Yes raise value for requirement of a performance bond from £25K to £75,000.
15.	Appendix A Exemption Process	As per CPR's	Clarification and wording changes. Exemption process tightened	Yes	Yes	Yes

¹ OJEU - For EU procurements different procedures can apply (i.e. open, restricted, competitive dialogue, competitive procedure with negotiation or innovation partnerships).

² Consumable goods and services.

³ Building or civil engineering projects

⁴ Framework Agreements are an agreed and trusted pool of available contractors (suppliers of goods and services or works) usually supported by a Central Government, such as, Crown Commercial Service or a group of public bodies, such as the Surrey Local Authority Framework Agreement.

Abbreviations

OJEU Official Journal of the European Union

ITQ Invitation to Quote

ITT Invitation to Tender

CFO Chief Finance Officer

HoS Head of Service

PAS91 Construction pre qualification questionnaires (Publicly Available Specification (PAS))

Procurement Regulations Public Contract Regulations and the Concession Contracts Regulations

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General

Introduction

1. These Contract Procedure Rules (CPRs) apply to all procurement on behalf of the Council. They apply equally to the supply of goods, materials, services or other work. In procuring such contracts, the overriding objective is to obtain the best value for the Council. The officer of the Council procuring (Procuring Officer) must consult with the Council's Procurement Officer and Legal Services prior to commencing any procurement exercise.

Application

2. Every contract procured by or for the Council must comply with these CPRs except where exemptions are obtained in advance. The circumstances where an exemption would apply are listed in Appendix A.

Preparing for the Contract

Contract/tender information to be recorded on In-Tend

4. All Tenders and Contracts over £10,000.00 must be fully documented on the In-Tend e-procurement system.
5. All contract files should clearly record the identity of the officer undertaking the procurement (the Procuring Officer).

Responsibilities of the Procuring Officer

6. The Procuring Officer is responsible for ensuring and recording that the relevant authority (in accordance with Table 1) has been obtained and there is sufficient budget in place for the procurement before any steps are undertaken.
7. The Procuring Officer is to ensure that the supplier is sufficiently capable and financially sound to undertake the contract by making enquiries, pursuing references and reviewing the quotes, tender proposals/method statements as appropriate, during the procurement process.

Invitation to Quote (ITQ) Invitation to Tender (ITT) documents specification and evaluation criteria (Over £10,000.00.).

8. A ITQ or ITT document, specification and evaluation criteria must be prepared by the Procuring Officer, in advance of tenders or quotations being sought. The evaluation criteria will be set to identify the "most economically advantageous tender" (MEAT), based on price and a range of value considerations. Both the specification and the evaluation criteria must be recorded and used to evaluate tenders/quotations received.
9. If a potential supplier requires information not provided in the ITQ/ITT and specification documents, such additional information must be sent to all other bidders through the clarification link within the project summary on the In-Tend portal. It is important that all potential suppliers are treated equally.

Procedural Steps of the Procurement

Estimated value of contracts

10. An estimated value must be identified and documented for every contract immediately before starting the procurement process to confirm there is adequate budget provision, and to determine the appropriate form of tender or quotation process to follow detailed in Table 1.
11. For contracts which continue over a number of years, the estimated value of the contract shall be taken to be **the annual value multiplied by term of the contract including any extension periods** to assess whether the relevant Public Contracts Regulations apply.
12. For contracts which repeat annually but have no fixed contract term, the annual value should be multiplied by four years.

Division of contracts

13. Large scale works or orders must not be broken down into smaller units for the purpose of creating lower value contracts to avoid Public Contracts Regulations unless, there are sound, operational or management reasons for doing so. Procuring Officers should take into consideration that in some cases splitting the contract into lots may be advantageous to the Council and will make the contract more attractive to suppliers, particularly small and medium sized enterprises (SME's).

It is a legal requirement to consider whether to split a contract into lots. Consideration must be given to this and when lots are not used the Procuring officer must be able to justify why it was not considered appropriate to do so.

Specialist advice

14. All contracts above the relevant thresholds must comply with the relevant Public Contracts Regulations as applicable. Where there is a conflict between these CPRs and any statutory provision, the law must prevail. Advice on the tender process and form of contract should be taken from the Procurement Officer and Legal Services at the start of any procurement project.
15. The procedures outlined by contract value in Table 1 below are the minimum. It is important to remember that procurement rules are designed to achieve best value for the residents of Reigate & Banstead. Consequently, where better value for the Council might be achieved by seeking more tenders or quotations, this should be done. The figures outlined in this document are exclusive of VAT.

Framework agreements

16. Procuring Officers wishing to let a Framework Agreement should follow the steps required in Table 1.
17. Procuring Officers may purchase goods, works or services from existing Framework Agreements if best value can be demonstrated.

Procedural rules for a procurement

18. The Procuring Officer must ensure that all procurement activity complies with the procedures shown in Table 1 below.

Table 1: Procedural steps of a procurement

1. Value over 4 years?	2. Use In-Tend?	3. Procedure?	4. Minimum number of quotes or tenders?	5. Use a SSQ /PAS91?	6. Minimum time for receipt of quotes or tender?	7. Authority to award contract?	8. Contract requirement & signatory?	9. Errors & exemptions agreed by?
Up to £10,000	Optional	Contact Supplier	1 written quote	No	Determined by the Procuring Officer	Service Manager (or delegated officer acting on behalf of Service Manager)	No. Retain quotes and invoices. Notify Procurement Officer of any spend over £5000 for inclusion on the Contracts Register	Service Manager
£10,001 - £25,000	Project Wizard – Quick Quote on In-tend	ITQ	Up to 3 invited suppliers to take part in tender or Open competition (at the discretion of the Procuring Officer)	No	Determined by the Procuring Officer or 14 days for open competition	Service Manager (or delegated officer acting on behalf of Service Manager)	Yes. as agreed by Legal Services To be signed by Service Manager (or delegated officer).	Service Manager
£25,001 - £181,302	Project Wizard - Quick Quote on In-tend Or New Project – Process on In-tend	ITT or Further Competition or Direct Award if using a Framework Agreement	Minimum of 4 invited suppliers to take part in tender or Open competition in the UK or As per Framework requirements	No	21 days or As per Framework requirements	Service Manager	Yes – as agreed by Legal Services. To be signed by Service Manager.	Service Manager in consultation with CFO & Portfolio Holder
£181,302 - £4,551,413 Works only ³	Project Wizard - Quick Quote on In-tend Or Project –New Project on In-tend	ITT or Further Competition or Direct Award if using a Framework Agreement	Minimum of 4 invited suppliers to take part in tender or Open competition in the UK or As per Framework requirements	Use PAS91	21 days or As per Framework requirements	Up to £250 ,000 – Service Manager in consultation with relevant Portfolio Holder Above £250,000 – Executive	Yes – as agreed by Legal Services. Up to £250,000 to be signed by Service Manager. Above £250,000 to be signed by Chief Executive and Legal Services Officer.	Up to £250,000 - Portfolio Holder, CFO & Service Manager Over £250,000 - Executive Officer.
EU Threshold Tenders								
£181,302 and above Supplies and Services ²	Yes New Project	OJEU with ITT Or Further Competition or Direct Award if using a Framework Agreement	Open procedure ¹ – unlimited Restricted procedure ¹ – top 5 from SSQ shortlist (Part 3) Other procedures ¹ – appropriate numbers as agreed with Procurement Officer and Legal Services As per Framework requirements	Yes standard SSQ available online on In-Tend	Open procedure – 35 days (5 day reduction for electronic tender bids) All other procedures: SSQ - 30 days, plus subsequent ITT - 30 days Or As per Framework requirements	Up to £250 ,000 – Service Manager in consultation with relevant Portfolio Holder Above £250,000 – Executive	Yes – as agreed by Legal Services. Up to £250,000 to be signed by Service Manager. Above £250,000 to be signed by Chief Executive Officer and Legal Services Officer.	Up to £250,000 - Portfolio Holder, CFO & Service Manager Over £250,000 - Executive
£4,551,413 and above Works only ³	Yes New Project	OJEU level ITT Or Further Competition or Direct Award if using a Framework Agreement	Open procedure ¹ – unlimited Restricted procedure ¹ – top 5 from PAS 91 shortlist Other procedures ¹ – appropriate numbers as agreed with Procurement Officer and Legal Services. As per Framework requirements	Yes standard SSQ available online on In-Tend or PAS 91	Open procedure – 35 days (5 day reduction for electronic tender bids) All other procedures: SSQ - 30 days, plus subsequent ITT - 30 days Or As per Framework requirements	Executive	Yes – as agreed by Legal Services. To be signed by Chief Executive Officer and Legal Services Officer.	Executive

¹ OJEU - For EU procurements different procedures can apply (i.e. open, restricted, competitive dialogue, competitive procedure with negotiation or innovation partnerships). Contact the Procurement Officer or Legal Services to agree the most appropriate method.

² Consumable goods and services.

³ Building or civil engineering projects

Abbreviations

OJEU Official Journal of the European Union
CFO Chief Finance Officer
HoS Head of Service

SSQ Standard Selection Questionnaire
ITQ Invitation to Quote
ITT invitation to Tender
PAS91 Construction pre qualification questionnaires (Publicly Available Specification (PAS))
Procurement Regulations Public Contract Regulations and the Concession Contracts Regulations

Tender and quotation handling procedure

Standard Selection Questionnaire (SSQ), Electronic Single Procurement Document (ESPD) or Publicly Available Specification (PAS 91)

19. The SSQ, ESPD and PAS 91 asks potential supplier to self declare their status against the exclusion grounds and selection questions. All self-assessment of compliance must be accepted and evidence is only required of the winning bidder.

The SSQ consists of 3 parts

Part 1

The first part covers basic information about the supplier such as the contact details, trade memberships, details of parent companies, group bidding and so on.

Part 2

The second part covers self declaration regarding whether or not any of the exclusion grounds apply.

(It is mandatory for a bidder to complete Part 1 and Part 2 of the SSQ, or the ESPD template, for all Procurements above EU thresholds)

Part 3

The final part covers a self declaration regarding whether or not the supplier meets the selection criteria in respect of their financial standing and technical capabilities.

(The questions included in Part 3 of the SSQ should be adopted across all relevant procurement procedures over the threshold. You do not have to use all the questions - only those relevant and proportionate to the contract).

Part 1, Part 2 and Part 3 of the SSQ have been created in the form of “questionnaires” on the In-tend system and are available for use on all Tenders above EU threshold.

20. The European Single Procurement Document (ESPD) is a standard form for use by all EU member states, allowing bidders to self-declare that they meet selection and exclusion criteria, without the need to provide evidence unless they are the winning bidder.
21. PAS 91 provides a set of questions to be asked by Procuring Officers of potential suppliers to enable prequalification for construction projects.
22. For works contracts (including the procurement of goods and services in relation to the works) valued between the supplies and services EU threshold and the works EU threshold you may use a two stage tender process and make use of the PAS91 PQQ to shortlist potential bidders.

Tender opening

23. All tenders for contracts must be returned through the In-Tend system and must only be opened via the appropriate tender opening process.
24. The Procuring Officer may wish to invite the Service Manager and Portfolio holder to observe the opening ceremony if the tender is valued at more than the EU threshold.

Clarifications of tenders

25. Tender or bid clarifications may become necessary during the evaluation of tenders e.g. if a bid appears especially low, or especially high on price or where there are aspects of the bids that are unclear or contain minor errors.
26. Clarification may also be sought from tenderers on matters of quality or performance or particular terms and conditions of contracts.
27. The Procuring Officer should give all tenderers who are able to meet the requirements of the tender the same opportunity to engage in tender/bid clarification. All communication with individual suppliers must be via the correspondence link on the In-Tend portal to maintain a proper audit trail.

Post tender negotiations

28. The Procuring Officer should take advice from Legal Services and no negotiations may be entered into with any suppliers submitting tenders or quotations unless the Chief Finance Officer considers it necessary to obtain best value for the Council, to accommodate unforeseen changes in the specification, or for any other reason the Chief Finance Officer considers is appropriate.
29. In this event, details of the negotiations must be recorded in writing and must be conducted either solely with the supplier who has won the tender, or with all suppliers who have submitted tenders. The reasons for entering into post tender negotiations must be recorded.
30. For procurements which fall within the remit of the Public Contracts Regulations, no negotiations shall be allowed unless the procurement adopts one of the procedures under the relevant Public Contracts Regulations which allow for negotiation.

Content of Contracts

Terms and conditions of contracts

31. All must be in writing, in a form approved by Legal Services.
32. On some occasions the Council may be obliged to contract on the standard terms and conditions of another supplier on low value purchases. In these cases:

- (a) Complete the invitation to quote template (ITQ) and produce a specification of the services required and send to the Procurement Officer.
- (b) The Procurement Officer will approach Legal Services to agree on the Terms and Conditions of contract.
- (c) Legal Services will advise if the suppliers Terms and Conditions can be used in this instance.

Public liability insurance and professional indemnity insurance

- 33. The Procuring Officer must consider the Council's need for appropriate indemnities backed by insurance. In the case of a contract for works or services, the contract must require the supplier to carry Public Liability insurance to a minimum of £5m unless otherwise agreed by the Chief Finance Officer.
- 34. In the case of a contract for professional services, the contract must require the supplier to carry Professional Indemnity insurance to a minimum of £5m unless otherwise agreed by the Chief Finance Officer.
- 35. For all contracts there must be a requirement for the supplier to carry Employers Liability insurance to a minimum of £5m.
- 36. These insurance requirements are summarised in the table below:

Table 2: Insurance Requirements Summary

Type of insurance	Minimum Value
Public Liability	£5 million
Professional Indemnity	£5 million
Employers Liability	£5 million

Assignment of contracts

- 37. Assignment or under-letting of contracts is not to be permitted except with the prior consent of the Chief Finance Officer, and then only where the Chief Finance Officer is satisfied that an effective vetting procedure for assignees or subcontractors has been implemented.

Liquidated damages

- 38. The Procuring Officer must consider whether the contract should provide for the supplier to pay liquidated damages on failure to complete the contract by the specified completion date. Where considered appropriate by the Head of Legal Services, the contract must require the supplier to pay damages for any breach of the terms of the contract. Advice on liquidated damages should be taken from Legal Services at an early stage in the procurement project.

Corruption, bankruptcy and cancellation

39. Every contract must state that the Council may cancel the contract and recover any resulting losses if the supplier, his employees or anyone acting on his behalf, with or without his knowledge, does anything improper to influence the Council or commits an offence under Bribery Act 2010.
40. Every contract must state that if the supplier enters into liquidation or administration, the Council is entitled to cancel the contract and recover any resulting losses.

Performance bonds

41. Where a contract is estimated to be £75,000 or over, the relevant Procuring Officer must discuss with the Service Manager before the procurement, whether the Council should require security for its performance. It must be recorded that either no such security is considered necessary, or, specify in the conditions of tender the nature and amount of security to be given.
42. In the latter case the relevant Service Manager must ensure that the required bond or other security is in place at the time the contract is let.

Nominating subcontractors and suppliers

43. Where it is decided to be in the Council's interest that a subcontractor or supplier should be nominated to a main supplier, at least three tenders for the nomination must be invited in accordance with one of the methods described in Table 1 above.
44. The invitation to tender as subcontractors or suppliers must require an undertaking from any tenderer to enter into a contract with the main supplier, including an obligation to indemnify the main supplier in respect of matters included in the sub contract.

Consultants

45. Any consultant employed by the Council to let or manage contracts must comply with these CPRs. The contract with any consultant must provide that all records maintained by the consultant in relation to a contract must be made available to the Council on request and handed over to the Council on completion of the procurement.

Managing the contract

Contract management

46. For all contracts in excess of £25,000 a Contract Manager should be appointed. Where reasonably practicable, the Contract Manager should be part of the initial procurement process and an officer of Reigate & Banstead Borough Council. The Procuring Officer must notify the name of the Contract Manager to the supplier prior to letting of the contract.

47. The role of the Contract Manager will be to manage the contract throughout its duration, as well as enforce duties owed to the Council under contract and to be responsible on behalf of the Council for those duties owed to the contractor.
48. The responsibilities of the Contract Manager will include:
 - (a) Monitoring performance of the supplier against the agreed level of service
 - (b) Monitoring the continuing level of operational and financial risk to which the Council is exposed and to institute controls as appropriate
 - (c) Ensuring the supplier's compliance with all appropriate health and safety obligations
 - (d) Facilitating the resolution of issues between the supplier and users of the service
 - (e) Ensuring prompt payment of invoices and compliance with all financial regulations and CPRs during the lifetime of the contract
 - (f) Ensuring that appropriate arrangements are made for the termination or re-letting of the contract at the appropriate time.

Variations

49. Where the relevant Contract Manager considers an existing contract needs to be varied (i.e. practical changes which do not alter the essential nature of the original contract as opposed to additional works or supplies not originally envisaged) he or she may approve these subject to the proposed variation being contained within the total budget approved for the contract. The reasons for and details of any such variation must be recorded and stored with the contract.
50. For contracts which fall within the remit of the Public Contracts Regulations, no variations are permitted unless such variation is within the scope of the original contract and in accordance with the provisions of the Public Contracts Regulations.
51. Where the approved budget would be exceeded because of the variation, approval for any such variation must be sought in accordance with column 9 of Table 1.

Contracts register

52. All contracts in excess of £5,000 will be recorded using the Reigate and Banstead contracts template within the In-Tend system and this will effectively be the Council's contract register. Where possible, all records of activity up to the letting of the contract will be maintained in the In-Tend system.
53. The Agresso financial system will show the state of account of each contract between the Council and supplier, together with any other payments and related professional fees.

Retention of records

54. Store copies of all contracts for the duration of the contract and a further 6 years.

55. Contracts signed under Seal are required to be stored for the length of the contract and a further 12 years.
56. We are required to grant access to these contracts, but access to specific documents or items of information may be denied under EU or national rules on access to documents and data protection.

Conflict of interest

57. All purchasing decisions should be free of any conflict of interest. A conflict of interest may arise where someone involved in the purchasing decision has a close financial or relational connection with a potential supplier (or other party involved) and this could influence the outcome of the buying process.
58. The fact that a supplier may be subject to a conflict of interest does not mean that the supplier should not be considered, so long as the conflict is declared, recorded, its potential impact assessed, and the risks appropriately managed.

Appendix A: Applying for Exemptions from Contract Procedure Rules

Please note

- An exemption can only be granted in exceptional circumstances.
- No Exemption can be granted where the request would result in a breach of EU Procurement Law or Public Contract Regulations.
- All Exemptions will only be granted on a temporary basis.
- Lack of sufficient planning and / or internal process delays does not constitute a reason for an Exemption

Application Procedure

Any exemptions from CPRs must be obtained before the procurement process commences. To obtain an exemption:

- contact the Procurement Officer for a copy of the CPR Exemption Form
- complete the Exemption Form and send to the Authorised Officer (as shown in column 9 of Table 1) for approval
- Once approval has been granted the signed document should be returned to the Procurement officer.
- An ITQ document must be completed and loaded on to In-tend and the named supplier on the Exemption must be invited to submit their quotation through the portal

Examples

CPRs may not apply in the following situations:

1. a procurement by the Council acting solely as the agent of another body in compliance with the contract standing orders of that other body and where the Council either does not incur expenditure, or is to be fully reimbursed by another party.
2. Contracts of employment.
3. Orders placed against a Call-off Contract itself awarded in accordance with these CPRs.
4. Where the Council is part of a public sector consortium contracting with a supplier(s) for the provision of supplies, services or works, where the Council is not the lead authority and the contract has been let in accordance with the Contract Standing Orders of the lead authority.
5. Purchase or sale by auction.
6. Where “spot-purchases” demonstrably provide better value for money than longer term contract arrangements.
7. Where only one supplier is able to carry out the works or services and where no satisfactory alternative is available because of:
 - technical reasons, artistic reasons or because of exclusive rights

- Branded items which are sold at a single fixed price.
8. Orders required as an addition to an existing or previous contract and it is necessary to use the same supplier for the reasons stated in 10.
 9. An extension to an existing contract which is within the terms of the contract provided that the decision is taken at the level (Service Manager/Portfolio Holder/Executive) at which the original decision to award the contracts was required by these CPRs.
 10. An extension for additional work to an existing contract where the goods/services required is outside the scope of the original contract but the circumstances are such that it would be inappropriate to offer the additional work to competition.
 11. An emergency where immediate action is necessary to:
 - prevent significant loss to the Council
 - prevent danger, injury or hardship
 - Comply with public health requirements.

In such circumstances, the best practicable means of obtaining value for money should be used. If the contract exceeds £25,000 in value, the Service Manager should consult the relevant Portfolio Holder and the Chief Finance Officer.
 12. Purchasing services on behalf of the Council from another Local Authority Trading Company.
 13. Any other exemptions specifically authorised by the Executive.

Agenda Item 5

Executive
29 March 2018

Agenda Item: 5
Treasury Management Strategy 2018/19



REPORT OF:	HEAD OF FINANCE (CFO)
AUTHOR:	Jocelyn Convey /Semena Williams
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TO:	EXECUTIVE
DATE:	29 March 2018
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

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

SUBJECT:	TREASURY MANAGEMENT STRATEGY 2018/19
RECOMMENDATION: (i) That the comments of the Overview and Scrutiny Committee be noted (Annex 5). (ii) That the Treasury Management Strategy 2018/19 be approved.	
REASON FOR RECOMMENDATION: To support the adoption of a Treasury Management Strategy for the 2018/19 financial period.	
EXECUTIVE SUMMARY: To comply with the Code of Practice on Treasury Management the Council has to annually approve prudential indicators and a Treasury Management Strategy that reflects the Council's expected operations in this area for the 2018/19 financial year.	

Full Council is required to approve recommendation (ii).

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

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 consists of three separate statements that have been compiled in accordance with the Council's Treasury Management Policy Statement.
5. These are:
 - The Investment Strategy (Annex 1)
 - The Borrowing Strategy (Annex 2)
 - The Cash Management Strategy (Annex 3)
6. Each document contains the appropriate Prudential Indicators relevant to that area. In addition, the Treasury Risk Management Assessment has been incorporated in the report as **Annex 4**. This Strategy has been prepared in line with the CIPFA Treasury Management Code of Practice published in 2011 and adopted by this council in April 2011.

Objectives

7. To accord with the Council's Treasury Management Policy Statement, the Treasury Management Strategy has the following objectives:
 - To consider and effectively address the risks associated with Treasury Management activity.
 - To optimise the flow of cash through the organisation in order to maximise the potential for using it to earn investment income for the Council.
 - To optimise the returns from investments whilst meeting the overriding need to protect the capital sum and ensure that the cash is available when the Council requires it.
 - To align investments in relation to cash flow, within statutory constraints, in order to increase investment returns in future years.
 - To optimise the revenue costs of undertaking all treasury activities.
 - To monitor and review significant changes in the pattern of cash movements and interest rate movements and react accordingly.
 - To incorporate any proposed changes to the Treasury Management Code of Practice and the Prudential Code that will affect effective treasury management.

The Treasury Position 2017/18

8. The following table shows the Council's net investment position at 30 November 2017 and the projected position for 31 March 2018. The table also splits both the borrowings and investments between fixed or variable interest rates.

Table 1: Treasury Position 2017/18

	Actual as at 31/3/2017	Average Earnings or Interest Paid Rate	Current position as at 30/11/17	Estimated Position as at 31/3/18	Anticipated Average Earnings or Interest paid Rate
	£'000	%	£'000	£'000	%
Fixed Rate Borrowings	0	n/a	0	0	n/a
Variable Rate Borrowings	0	n/a	0	0	n/a
Total Borrowings	0	0	0	0	0
Fixed Investments:					
Externally Managed	43,000	0.92%	43,000	43,000	1.03%
In House	5,000	1.05%	5,000	5,000	1.05%
Variable Investments	-		-	-	
Total Investments	48,000	0.93%	48,000	48,000	1.03%
Net Investments	48,000		48,000	48,000	

9. The current economic environment continues to remain challenging for the Council with interest rates on short term investments remaining low. Returns for medium to long-term investments have however, shown improvement over the past financial year and we have improved returns marginally by increasing investment durations in a few cases.

Matters for consideration

10. Counterparty security remains the Council's over-arching investment objective and the criterion for selection of these institutions is not proposed to be changed.
11. Due to the ongoing low interest rates relating to cash investments the Property team have been looking at further acquisitions of investment properties, both inside and outside the borough. The Property Investment portfolio provides additional income to support the Council's budget in the current challenging financial environment. Each property investment will be considered individually and assessed before a decision is made.
12. The Authorised and Operational Limits for prudential borrowing remain the same for 2017/18. The current authorised limit is £80m and the operational limit is £70m. Full details are shown in **Annex 2** (Borrowing Strategy).
13. Paragraphs 14 to 20 note some of the anticipated changes to the Prudential Code, the Treasury Management Code of Practice and other regulations in 2018, which are expected to impact the Councils Treasury Management Strategy in the future.

14. Proposed changes to the Treasury Management code and Prudential Code, produced by CIPFA, are intended to properly reflect the increasingly complex business models being adopted by Local Authorities in response to reductions in other funding streams.
15. Under the proposed changes the treasury management strategy will be supported by the introduction of a capital strategy, which will have a key role in informing the development of the capital programme. The capital strategy will explain why an investment is being undertaken.
16. The new proposals suggest the principal of security, liquidity and yield continue to be applied, and this approach is expected extend to all investment activity, not just financial instruments.
17. Indicators to assess loans, (transfers of cash to joint ventures, subsidiaries and associates), local SME's and non-financial investment will be included in future reporting alongside existing indicators.
18. In accordance with the proposed changes, the new strategy will disclose steps taken to ensure the skills and capability of officers and members support informed decisions. The changes are expected to propose the need to report how individual investments in the context of the strategic objective and risk profile of the council and to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.
19. MiFID2: The Markets in Financial Instruments Directive (MiFID) is the framework for investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as 'financial instruments'). As of January 2018 all local authorities will be classified as retail counterparties and will have to consider whether to opt up to professional status and for which types of investments. The council is not anticipating a change to the current professional status.
20. Changes to International Financial Reporting Standard (IFRS) 9 Financial Instruments expected in 2018 aim to simplify the test required to assess the measurement method for financial assets and the impairment of financial assets. The full impact of these changes will be reflected in the Treasury Management Strategy following implementation of the reporting standard.

Prudential Indicators

21. The statutory Prudential Indicators contained within the Treasury Management Strategy are based on the 2011 guidelines. These will be reassessed in 2018 in accordance with the proposed updates contained within the Prudential Code and the Treasury Management Code produced by CIPFA. A summary of the existing key indicators that impact upon the Council are set out in the following table. All of the prudential indicators are set out and explained in the Investment and Borrowing Strategies.

Table 2: Summary of ‘Key’ Prudential Indicators

	2017/18 Projected £'000	2018/19 Projected £'000	2019/20 Projected £'000	2020/21 Projected £'000	2021/22 Projected £'000	2022/23 Projected £'000
Capital Expenditure	27,954	49,881	42,742	3,546	3,039	3,039
Capital Financing Requirement	-					
Authorised Limit for External Debt	80,000	80,000	80,000	80,000	80,000	80,000
Operational Boundary for External Debt	70,000	70,000	70,000	70,000	70,000	70,000
Upper Limits on Variable Rate Exposure	25%	25%	25%	25%	25%	25%
Upper Limits on Fixed Rate Exposure	100%	100%	100%	100%	100%	100%

OPTIONS

22. There are 3 options:

23. 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.

24. 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 the Department of Communities and Local Government means that this strategy should 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.

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

This would mean that Officers will not have a mandate under which 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 Code of Practice, which will result in criticism from our External Auditor, KPMG.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

27. The financial impacts of this proposed strategy have already been reflected within the Council's 2018/19 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

28. There are no equality issues that need to be considered as part of this report.

RISK MANAGEMENT CONSIDERATION

29. These are detailed in **Annex 4** (Risk Management Assessment).

OTHER IMPLICATIONS

30. There are no other implications arising from this report.

CONSULTATION

31. This report was reviewed by a Member Panel led by the Portfolio Holder for Finance in early February and then by the Overview and Scrutiny Committee on 15 February.

32. The Overview and Scrutiny Committee minute relating to this report is attached as **Annex 5** for consideration by the Executive.

POLICY FRAMEWORK

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

Background Papers: Executive Report: 25th January 2018

**REIGATE & BANSTEAD
BOROUGH COUNCIL**

INVESTMENT STRATEGY

2018 / 2019

BACKGROUND

1. This strategy is made in accordance with the DCLG Guidance on Local Government Investments and the CIPFA Treasury Management Code of Practice.
2. This strategy applies to both in-house and externally managed funds. The external managers must confirm with the Council the acceptability of counterparty before an investment is made.

INVESTMENT OBJECTIVES

3. The Council's investment strategy primary objectives are as follows:
 - Security – safeguarding the repayment of the principal sum invested
 - Liquidity – funds are available when needed
 - Yield – return on the investment (but only considered once the first two objectives are satisfied)

PRUDENTIAL INDICATORS

4. There are three indicators that apply to investments. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates impacting negatively upon the Council's overall financial position. However, if these are set up to be too restrictive they will impair the opportunities to optimise returns. The indicators are:
 - a. Upper limits on variable interest rate exposure (see Table 1 below) – this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
 - b. Upper limits on fixed interest rate exposure (see Table 1 below) - this relates to deposits in fixed-term arrangements.
 - c. 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.

Table 1: Limits on variable and fixed interest rate exposure

Indicator	2016/17	2017/18	2018/19
Upper limits on variable rate exposure	25%	25%	25%
Upper limits on fixed rate exposure	100%	100%	100%

5. For liquidity planning processes the Council aligns the duration of its investments with the Council's anticipated spending requirements, up to a maximum of five years. This therefore sets the percentage of the investment portfolio that will be invested for more than 365 days.

6. The following table compare the Council's current overall cash flow requirement, which is its capital expenditure programme. This sets out the percentages that are then used to set the financial limits for investments in each time period. This sets the maximum limit as to how much can be invested for a period greater than 365 days.

Table 2: Analysis of investments

		<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Total
Planned Expenditure Programme	£'000	27,954	9,881	2,742	3,546	3,039	47,161
	%	59.3%	21.0%	5.8%	7.5%	6.4%	100%
Potential Investment Programme	£'000	28,451	10,057	2,791	3,609	3,093	48,000
	%	59.3%	21.0%	5.8%	7.5%	6.4%	100%
Forecast Investment Position as at 31/12/2017	£'000	43,000	5,000	-	-	-	48,000
	%	90%	10%	-	-	-	100%

OTHER PERFORMANCE INDICATORS

7. The Code of Practice on Treasury Management requires the Council to set Performance Indicators to assess the adequacy of the treasury function over the year. The Performance Indicators relevant to this Investment Strategy are set out in the following paragraphs.

(i) Internally managed funds

8. The in-house officer will focus their time on the overall management of the Council's cash flow and will limit their investments deals to durations that are under 3 years.
9. As the nature of these investments will be associated with the effective management of the cash flow, any investment opportunities will need to be evaluated against the alternative cost of maintaining any short term borrowings that the Council may need.

(ii) Externally managed funds

10. The External Fund Managers will manage investment deals over the full range of durations from three months up to a maximum of 5 years (although limited by operational arrangements to a maximum of 3 years – see main report).
11. The performance of the External Manager is reviewed monthly. Officers and the Managers meet on an annual basis for a formal review of performance
12. Overall treasury management performance is reviewed monthly and reported biannually in the Mid-Year Treasury Performance and Treasury Management Outturn reports.

RISK MANAGEMENT

13. In terms of implementing the above investment objective the Council will need to consider it against the risk elements identified in Treasury Management Risk Assessment Statement.
14. This risk assessment - showing how the risks will be managed in order to achieve the investment objectives - is set out on Appendix 1.
15. In accordance with the CIPFA Code of Practice on Treasury Management, Appendix 2, sets out the framework that the Head of Finance (as the Council's s151 officer) will ensure is used to make individual investment decisions.

Appendix 1

TREASURY MANAGEMENT – RISK ASSESSMENT

RAG indicator:

- Red (R) - This is a risk which has a high potential to impact the Council and therefore should be actively being managed
- Amber (A) - This is a risk which the Council needs to monitor, but is not viewed as having a high potential of impact on the Council
- Green (G) - This is a risk which either does not apply to the Council, or is under sufficient control to be viewed as having a very low potential of impacting the Council

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
<p>Credit & Counterparty</p> <p>59</p>	<p>This is the key risk for the Council. The security of 'capital' investment is critical.</p>	<p>R</p>	<p>The Council uses Credit Ratings and other market intelligence to access the credit quality of any potential counterparty.</p> <p>The Council sets limits as to the minimum level of credit rating that it will accept for any individual counterparty. The current minimum levels are:</p> <p>Short-term (less than one year in duration) Fitch - F1 Standard & Poors - A-1 Moody's - P-1</p> <p>Medium-term (greater than 1 year up to and including 3 years) Fitch A+ Standard & Poors A+ Moody's A1</p> <p>Longer-term (greater than one year in duration up to and including 5 years)</p>

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
60			<p>Fitch - AA- Standard & Poors - AA- Moody's - Aa3</p> <p>In addition all international banks we might want to invest in will need to be supported by guarantees from their national central banks and their national government will need to have their own sovereign rating of 'AAA'.</p> <p>The constitution of Money Market Funds means that they spread their investment over a wide range of counterparties and financial instruments which itself reduces the impact of this risk being realised. In addition these funds will be subject to either having UK Government guarantees or will have the following minimum credit rating.</p> <p>Fitch - AAA Standard & Poors- AAA Moody's - Aaa</p> <p>The Council sets a maximum exposure level, expressed in "£" that can be invested with any one organisation. The current limit is a maximum of £10m for some UK banks. UK Government securities or other Local authorities, parish or community councils form an exception, where exposure can be unlimited.</p> <p>To limit exposure in respect of Building Societies the</p>

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			Council will only invest with those societies with a minimum asset base of over £1 billion pounds.
Liquidity 61	This is a managed risk for the Council. To provide services it needs to ensure that it has money available when required and that the provision of the money should be delivered in the most cost effective way.	A	The Council maintains both an operational (1 year) and strategic (up to 5 years) Cash Flow model. Investment durations are then set to accord with when the money will be required according to the strategic cash flow model. Each transaction takes into account the underlying macro economic environment at the time the transaction is being considered.
Interest Rate	This is a potential risk to the Council of investing in transactions that have a 'variable' interest rate that might change over the duration of the transaction.	A	All 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' deal basis which determines the interest rate and duration at the time the transaction is entered into.
Exchange Rate	This is not a risk for this Council, as all financial investment transactions are undertaken in '£' sterling.	G	Not applicable
Refinancing	This is an emerging risk for the Council.	A	Accurate records of loans will be maintained. Borrowing requirements will be planned well in advance of need to negotiate rates. The maturity profile of loans will be spread to reduce prospect of having to negotiate at a time that is unfavourable to the organisation.

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
<p>62</p> <p>Legal and Regulatory</p>	<p>This is a potential risk for the Council.</p>	<p>A</p>	<p>The Council's constitution and associated documentation (i.e. Financial Procedure Rules) clearly set out the governance framework within which Treasury Management activity is undertaken.</p> <p>The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibilities and authorisation limits.</p> <p>In terms of the legal status of counterparties to deal with the Council, the Council relies upon advice from its Treasury Advisors and the fact that legal status is part of the elements that go to make up the 'credit rating' issued by the Rating Agencies.</p> <p>The 'Credit Quality' checks undertaken on all potential counterparties include a check that they are legally able to transact financial arrangements with public sector organisations. This is also mitigated by limiting the Council's counterparty list.</p>
<p>Fraud, error & corruption and contingency management</p>	<p>This is a potential risk for the Council.</p>	<p>A</p>	<p>The Council's Treasury Management Practice notes (TMP's) clearly set out roles and responsibility and authorisation limits.</p> <p>All treasury transactions require the involvement of at least three Officers, split across two separate work teams (Treasury Management and Cash Management). Each with the power to defer any transaction taking place.</p>

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
			<p>Internal audit undertake an annual independent audit on both the effectiveness of the Council's treasury management control arrangements and whether all the transactions that have been undertaken are compliant with the Treasury Management Policy, Treasury Management Strategy and the Treasury Management Practice.</p>
<p>Market risk</p> <p>63</p>	<p>This is a potential risk for the Council.</p>	<p>A</p>	<p>As all 'cash' deposit transactions are undertaken on a 'Fixed-term' or 'Structured/stepped' basis this removes the potential of this risk occurring.</p> <p>All 'Gilt' investments are bought and held to maturity, this again removes the potential for this risk.</p> <p>As you buy a share in the value of the MMF at the time of investment, any downward movement in the relative share price could open the Council to a potential capital loss, but the likelihood of this occurring is low given that these funds by their nature invest in a wide range of financial instruments and financial institutions and earn their commission from increases in the share price.</p>
<p>Property investments</p>	<p>These are properties which are being held for capital appreciation or for a longer term rental income stream. These are a risk to the Council due to the potential for property prices to fall or for rental voids.</p>	<p>A</p>	<p>Each acquisition will require appropriate approval.</p> <p>Property holding will be re-valued regularly and reported annually with gross and net rental streams</p>

Risk	Council's view of Risk	RAG Indicator	Mitigation actions/controls included within the Treasury Management Strategy
<p>9 Loans to third parties, including soft loans</p>	<p>These are investments at market rates of interest. These types of investments may exhibit credit risk.</p>	<p>A</p>	<p>All investments will be required to demonstrate a return in excess of the opportunity cost of capital which is calculated with reference to the Council's interest payable on equivalent borrowing and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing.</p> <p>The progress made in respect of achieving an appropriately balanced and diversified portfolio over the longer term will be monitored.</p>
			<p>Each third party loan requires appropriate approval and each application is supported by the rationale behind the loan and the likelihood of default.</p>

Appendix 2

Treasury Management Practice (TMP) 1 (1) – Credit and Counterparty Risk Management

1. The CLG issued Investment Guidance in 2010, 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.
2. 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 adopted the Code in April 2011 and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.
3. Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:
 - a) The strategy guidelines for choosing and placing investments, particularly non-specified investments.
 - b) The principles to be used to determine the maximum periods for which funds can be committed.
 - c) 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.
 - d) 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.
4. 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:

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

- 4.3. A local authority, parish council or community council.
- 4.4. 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 AAA by Standard and Poor's, Aaa for Moody's and AAA for Fitch rating agencies.
- 4.5. 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 of A-1 as rated by Standard and Poor's, P-1 for Moody's and F1 for 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.

5. **Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not categorised as Specified above) with an investment duration that is (in most cases) greater than 365 days. 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.	Securities fully backed by the UK Government. This includes Debt Management Office, Nationalised Banks, UK Treasury Bills or Gilt-edged securities with a maturity of greater than one year and held to maturity ¹ . 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.	Unlimited
b.	Local authority, parish council or community council	£5m up to 3 years for an individual counterparty (up to a maximum of the lower of £10m or 20% of the portfolio)
c.	UK Building Societies , regulated by the Prudential Regulation Authority. The operating activities of some building societies are such that they do 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 but only if they have a minimum asset size of £1 Billion.	£5m up to 3 years for an individual counterparty
d.	Any UK Bank , regulated by the Prudential Regulation Authority that has a minimum long-term credit rating from all three of the Credit Rating Agencies; for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). Minimum ratings Fitch AA- Moody's Aa3 Standard & Poor AA-	£10m up to 5 years for an individual counterparty (or group)

¹ Gilts will always be held to maturity.

	Non Specified Investment Category	Limit (£ or %)						
e.	<p>Any UK Bank, regulated by the Prudential Regulation Authority that has a minimum long-term credit rating from all three of the Credit Rating Agencies; for deposits greater than one year (including forward deals in excess of one year from inception to repayment).</p> <p>Minimum ratings</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Fitch</td> <td style="text-align: right;">A+</td> </tr> <tr> <td>Moody's</td> <td style="text-align: right;">A1</td> </tr> <tr> <td>Standard & Poors</td> <td style="text-align: right;">A+</td> </tr> </table>	Fitch	A+	Moody's	A1	Standard & Poors	A+	£5m up to 3 years for an individual counterparty (or group)
Fitch	A+							
Moody's	A1							
Standard & Poors	A+							
f.	<p>International Banks or Financial Institutions. This will include organisations such as the World Bank, European Central Bank and other commercial banks/institutions where wholesale investments are fully guaranteed by the associated national government. These banks will have to possess as a minimum a following long term credit rating from all three of the Credit Rating Agencies.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Fitch</td> <td style="text-align: right;">AA+</td> </tr> <tr> <td>Moody's</td> <td style="text-align: right;">Aa1</td> </tr> <tr> <td>Standard & Poor's</td> <td style="text-align: right;">AA+</td> </tr> </table>	Fitch	AA+	Moody's	Aa1	Standard & Poor's	AA+	£5m up to 3 years for an individual counterparty (or group)
Fitch	AA+							
Moody's	Aa1							
Standard & Poor's	AA+							

6. **The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating lists covering all three Credit Rating Agencies advice from its advisers, who issue daily updates as and when ratings change. These lists form the Council's counterparty list from which institutions are selected subject to them meeting the minimum criteria set in the above tables. On occasion ratings may be downgraded to below the minimum ratings or institutions are placed on negative credit watch. In either of these instances such institutions are not considered as acceptable counterparties for investment purposes.

**REIGATE & BANSTEAD
BOROUGH COUNCIL
BORROWING STRATEGY
2018/19**

BACKGROUND

1. The *Local Government Act 2003* requires the Council to adopt the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and to produce “prudential indicators”. Each indicator either summarises the expected capital and borrowing activity or introduces limits on that activity. The indicators are required to be approved by the Council as part of its annual review of Treasury Management activity.
2. The purpose of this Strategy is to set out the Council’s position on the need to borrow money to fund its capital expenditure, or its cash flow, for the 2018 /19 financial year.

PRUDENTIAL INDICATORS

Capital Expenditure Plans

3. The Council’s capital expenditure plans are summarised in Table 1 and this forms the first of the prudential indicators. A certain level of capital expenditure may be grant supported by Government; any decisions taken to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure will need to have regards to:
 - Service objectives (e.g. strategic planning)
 - Stewardship of assets (asset management planning)
 - Value for money (e.g. options appraisal)
 - Prudence and sustainability (e.g. implications of external debt and whole life costing)
 - Affordability (e.g. implications for council tax)
 - Practicality (e.g. achievement of forward plan)
4. This expenditure can be paid for immediately (by resources such as capital receipts, capital grants etc.), but if these resources are insufficient any residual expenditure will create a borrowing need.
5. The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some of the estimates for other sources of funding, such as capital receipts, may also be subject to change over time.

6. The Council will be reviewing the following capital expenditure programme as part of its budget for 2018/19.

Table 1: Capital Expenditure Programme

CAPITAL EXPENDITURE PROGRAMME	2017/18 Projecte d £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Waste Management & Recycling Improvements	78.9	10.0	10.0	10.0	20.0	20.0
Environment	161.6	114.0	114.0	174.0	110.5	110.5
Capital Grants	791.1	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0
Regeneration	6,977.5	6,846.0	0.0	0.0	0.0	0.0
Leisure & Culture	435.0	520.0	397.0	356.0	360.0	360.0
Strategic Property - Reserves	18,642.6	50.0	0.0	0.0	0.0	0.0
Strategic Property - Borrowing	0.0	30,000.0	10,000.0	0.0	0.0	0.0
Potential Future Investments - Reserves	0.0	70.0	0.0	0.0	0.0	0.0
Potential Future Investments - Borrowing	0.0	10,000.0	30,000.0	0.0	0.0	0.0
Rolling Programmes	867.0	1,086.0	1,036.0	1,821.0	1,363.0	1,313.0
Total Expenditure	27,953.7	49,881.0	42,742.0	3,546.0	3,038.5	2,988.5

7. The following approved projects which are already underway will necessitate borrowing of approximately £40m. We have also agreed loans to council companies, and headroom of at least £10m is required to allow for possible cash flow borrowing.

Table 2: Borrowing Requirement

Borrowing Requirement	2017/18 Projected £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Loans/Transfers to Companies		2,000	10,000			
Cashflow			10,000			
Other Investments		8,000	7,000			
Contingency			3,000			
Marketfield Way		30,000	10,000			
Total Borrowing Requirement	0	40,000	40,000	0	0	0

The funding for the programme is outlined in the table below.

Table 3: Capital Expenditure Programme Financing

CAPITAL EXPENDITURE FINANCING	2017/18 Projected £000	2018/19 Projected £000	2019/20 Projected £000	2020/21 Projected £000	2021/22 Projected £000	2022/23 Projected £000
Capital Reserves	17,030.7	1,273.4				
Capital Grants & Contributions	10,423.0	8,107.6	2,193.8	1,409.8	1,323.7	778.7
Revenue	500.0	500.0	500.0	500.0	500.0	500.0
Total Financing	27,953.7	49,881.0	42,742.0	3,546.0	3,038.5	2,988.5
Net Financing Need	0.0	40,000.0	40,000.0	0.0	0.0	0.0

*The Council's borrowing need (the change in capital financing requirement excluding sums set aside for redemption of debt).

Capital Financing Requirement

- The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total capital expenditure which has not been paid for from Council resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR.

Table 4: Projected Capital Financing Requirement

Capital Expenditure	2017/18 Projected £000	2018/19 Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000
Capital Financing Requirement	-	-	39,700	79,303	78,910	78,521
Borrowing Requirement	-	40,000	40,000	-	-	-
Minimum Revenue Provision (MRP)	-	300	397	393	389	385
Capital Financing Requirement	-	39,700	79,303	78,910	78,521	78,136

9. The Council is asked to approve the CFR projections in table 4.
10. The Council has no PFI or finance lease liabilities; if it were to enter into any of these schemes the accounting treatment would require the long term liability to be included in the CFR calculations.
11. The Council is required to pay off an element of the accumulated CFR each year through a revenue charge (the 'Minimum Revenue Provision' or MRP) although it is allowed to undertake additional, voluntary payments.
12. DCLG Regulations require the Council to approve an MRP Statement each year. The Council is recommended to approve the following.

MRP Statement

13. Regulation 28 of the 2003 regulations (as amended by regulation 4 of the 2008 regulations) requires a local authority to calculate for the current financial year an amount of minimum revenue provision which it considers to be prudent.
14. The Secretary of State recommends that, for the purposes of the regulations, the prudent amount of provision should be determined with the broad aim of ensuring that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits.
15. In order to achieve this aim, the Council will determine the MRP for the year by what is termed an Asset Life Method, which is summarised below.

16. Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be made in equal annual instalments over the life of the asset, in accordance with the following formula:

$$\frac{A - B}{C}$$

Where:

A – is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements

B – is the total provision made before the current financial year in respect of that expenditure

C – is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

17. The only exceptions to the approach above will be:
- For investment properties held for income-generation purposes, MRP of 1% will be made.
 - For investment properties held solely for capital-appreciation purposes with an intention to sell, no MRP will be charged.
 - For loans taken to provide debt finance for capital projects undertaken for the Council by other parties (e.g. the property company), no MRP will be charged.

Affordability Prudential Indicators

18. In order to consider the affordability of its capital plans, all resources currently available and estimated in the future should be considered. Set out below are the key indicators for affordability.
19. **Actual and estimates of the ratio of financing costs to net revenue stream** – this indicator identifies the trend in the cost of capital (borrowing and other long term liability costs net of investment income) against the net revenue stream. For 2018/19 investment income is expected to exceed borrowing costs so this indicator is not relevant.
20. **Estimates of the incremental impact of capital investment decisions on the council tax** – this indicator identified the revenue costs associated with proposed changes to the capital programme recommended in this budget report.

Borrowing limit indicators

21. Within the Prudential Code there are a number of key indicators to ensure the Council operates within well-defined borrowing limits.
22. For the first of these the Council needs to ensure that its total gross borrowing 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 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
23. The Council has complied with this Prudential Indicator during 2017/18 and there are no difficulties anticipated for the following financial year. This view takes into account current commitments, existing plans, and the proposals in this report.
24. A further two Prudential Indicators control the overall level of borrowing. These are:

The authorised limit: this represents the limit beyond which borrowing is prohibited. It reflects a level of borrowing that could be afforded in the short term, but that is neither sustainable nor desirable. It is the expected maximum borrowing need with some headroom for unexpected events.

Table 5: Authorised Limit for Borrowing

	2017/18 Projected £000	2018/19 Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000
Authorised Limit for External Debt	80,000	80,000	80,000	80,000	80,000	80,000

The operational boundary: this indicator is based upon the probable external debt during the course of the year. It is not a limit and actual borrowing could exceed this boundary for short times during the year. It should, however, act as an indicator to ensure the authorised limit is not breached.

Table 6: Operational Boundaries for Borrowing

	2017/18 Projected £000	2018/19 Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000
Operational Boundary for External Debt	70,000	70,000	70,000	70,000	70,000	70,000

25. The last Prudential Indicator relating to borrowing provides upper limits for fixed and variable interest rate exposure. Since the Council only intends to undertake borrowing at fixed interest rates these will be set at 100% fixed and 0% variable.
26. In addition to the prudential controls above, the Head of Finance (as the Council's s151 officer) is also required to ensure that the Council, as part of its day-to-day treasury operations, does not "on lend" (ie borrow money to invest elsewhere).

**REIGATE & BANSTEAD BOROUGH
COUNCIL**

CASH MANAGEMENT STRATEGY

2018 /19

OBJECTIVES

1. The purpose of the Council's cash management strategy is to optimise the flow of cash through the organisation in order to maximise the potential for using it to earn income for the Council.
2. To optimise cash flow, the Council manages both its outflows and inflows:
 - Outflows (expenditure): payment to suppliers, employees and other creditors.
 - Inflows (income): the identification and collection of money owed to the Council.
3. Effective management of the processes handling the inflows and outflows is a key element of this strategy. The financial policies of the Council are set out in the Financial Procedural Rules within the Constitution. These describe the key control requirements.
4. In addition to sound and well controlled processes it is important that these processes are as efficient as possible. This is achieved through standardised best practice processes.
5. In essence the aim is to keep transactional costs low and quality high by automating and embedding standardised best practice processes in all financial activity across the Council.
6. This involves:
 - Identifying and establishing the one standard process to be used across the Council to deliver best practice
 - Automating, where possible and cost-effective to do so, thereby increasing productivity and embedding controls, reducing risk of error and the resultant cost of putting it right
 - Minimising cash transactions thereby reducing both risk and handling costs
 - Maintaining good customer care, treating all customers fairly, consistently and with respect; and dealing with all queries promptly
 - Continuous improvement of the efficiency and effectiveness of the systems and processes.

7. Objectives specific to the function are as follows:

Payment to Suppliers

- Timely payment of suppliers. This means ensuring payment is made in accordance with the contractual terms of business, taking full advantage of available 'credit' periods but avoiding late payments and potential interest cost under the *Late Payment of Commercial Debts (Interest) Act 1998*.

Collection of Debts

- To ensure that all money owed to the Council is properly and promptly recorded within the Council's debtor systems.
- To take all effective actions to ensure that the money owed is actually received by the Council and as quickly as possible.

Receipts Handling & Banking

- To ensure cash and cheques received are deposited in the Council's bank accounts as promptly as possible.
- To maximise electronic payments.

PERFORMANCE MEASURES / SUCCESS MEASURES

Payment to Suppliers

8. Currently 95.9% of payments are made to suppliers within the contractual timescales against a target of 98%.
9. Electronic payment is efficient, benefiting the Council, and prompt, benefiting the supplier. The Council currently pays 99.2% of the volume of supplier invoices it receives electronically against a target for 2017/18 of 98%.

Collection of Debts

10. The Council already has an excellent record for the recovery of debt; performance is reported to the Executive to help ensure this is maintained.
11. The current economic situation is likely to have an ever increasing effect on debt recovery as more organisations and individuals encounter difficulties. Maintaining the high recovery and low write off rates will be a challenge.

Receipt Handling & Banking

12. Currently, over 99% of income received by the central income office team is processed and/or banked within 2 working days.
13. The target for 2018/19 is to at least maintain these performance levels.

**REIGATE & BANSTEAD BOROUGH
COUNCIL**

**TREASURY MANAGEMENT STRATEGY
RISK MANAGEMENT ASSESSMENT**

2018/2019

PURPOSE

1. The Council's Treasury Management Policy Statement requires that risk issues are fully considered in the development of the Council's Treasury Management Strategy.
2. The Code of Practice on Treasury Management identifies eight key areas of risks that all Public Sector organisations should consider when developing their strategies. These are:
 - Credit & counterparty risk management
 - Liquidity risk
 - Interest rate risk
 - Exchange rate risk
 - Refinancing risk
 - Legal & regulatory risk
 - Fraud, error, corruption & contingency management
 - Market risk
3. The purpose of this statement is to set out the Council's current position regarding the potential impact that the above risks will have on its Treasury Management activity during 2018/19.

RISK ASSESSMENT

Credit & Counterparty Risk

4. This is the risk of failure by a Counterparty to meet its contractual obligations to the Council under an investment, borrowing or other financing agreement; particularly as a result of the counterparty's diminished creditworthiness.
5. This is the main risk faced by all public sector organisations. Therefore the Council needs to ensure that it has appropriate controls in place to both avoid entering agreements with Counterparties that are showing the signs of financial problems and to minimise any impact on the Council should the risk materialise by limiting the value of any potential exposure.
6. Given continuing concerns over the need to maintain security and guarantee assurance about the safety of the capital investment, this creates a risk that the "credit quality" requirements will limit the number of potential counterparties to an extent that the Council is forced to invest in organisations and institutions (such as the Debt Management Office) where investment returns would be very low.
7. Another example of this is the negative impact on UK banks and building societies associated with the UK's decision to leave the European Union (EU). Lower economic growth, and increased uncertainty over the UK's trade relationship with the EU is likely to lead to reduced demand for credit and higher credit losses which may impact the "credit quality" of counterparties.

Liquidity Risk

8. This is the risk that cash will not be available when it is actually needed to make payments.
9. The Council maintains monthly, annual and 5-year cash flow models which help to identify when cash will be required.
10. The authorised borrowing limit provides cover for any short-term cash flow issues that arise.

Interest Rate Risk

11. This is the risk that movements in interest rates will adversely affect the financial position of the authority. As all the Council's investments are fixed rate or structured/stepped this avoids immediate exposure to fluctuations in interest rates. The maturity profile on investments and the use of investment managers also reduces the impact when the investment matures and requires placement back into the market.
12. The table below highlights the estimated impact of a full percentage point increase/decrease in all interest rates to treasury management costs/income for next year. The figures are based on all the investments that are due to come to maturity within the next twelve months.

Table 1: Impact of Changes in Interest Rates

	2017/18 Estimated + 1% Point	2017/18 Estimated - 1% Point
Revenue Budgets		
Interest on (long-term) borrowing	0	0
Investment income	£430,000	-£430,000

Exchange Rate Risk

13. This risk relates to the potential loss of money from fluctuations in foreign exchange rates where money has been traded in other national currencies. This is not applicable as the Council's current policy is to only invest or borrow money in Sterling.

Refinancing Risk

14. This relates to borrowing money, and reflects the risk that maturing borrowing arrangements cannot be refinanced on terms that reflect the provision made for refinancing and that the terms may not be consistent with prevailing market conditions at the time.
15. This is an emerging risk for this Council, which will be managed through indicators associated with the authorities exposure to refinancing risk.

Legal & Regulatory Risk

16. This is the risk that the Council or an organisation that it is dealing with, fails to act in accordance with its legal powers or regulatory requirements and that the Council suffers losses accordingly.
17. The Council's Constitution, through its Financial Procedure Rules together with the Council's Treasury Management Policy Statement provides the governance framework to ensure that the Council acts at all time in a legal manner.
18. The 'credit quality' checks undertaken on all potential counterparties include a check that they are legally able to transact financial arrangements with public sector organisations. This is also mitigated by limiting the Council's counterparty list.

Fraud, Error, Corruption & Contingency Management Risk

19. This risk relates to the failure of the Council to identify the circumstances in which it may be exposed to the risk of loss through fraud, error or corruption or other eventualities in its treasury management dealings - and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. This is commonly referred to as 'operational' risk.
20. It is difficult for any public sector organisation to fully protect itself against these risks. The most effective way is to ensure that it has fully robust and fully documented procedures that ensure that more than one person is involved in any treasury management transaction.
21. The Council's procedures are set out in its Treasury Management Practice statements which are reviewed regularly by Senior Management.
22. In addition, Internal Audit undertakes an annual review to ensure that all transactions comply with documented procedures and the Council's Treasury Management Policy Statement. The Overview and Scrutiny Committee receive Internal Audit reports.

Market Risk

23. Market risk is defined as the possibility that the value of an instrument (investment) will fluctuate because of changes in market conditions. As the Council only deals in fixed term arrangements where the interest rate liability is fixed (or fixed periodically within a range for stepped investments), then this risk is not applicable.

CONCLUSION

24. . To further understand the impact of these risks, and the control measures in place to mitigate them, a risk assessment schedule is set out at the end of the Investment Strategy (Appendix 1).
25. Overall this shows that the Council has a clear understanding of the potential risks and has fully considered ways of addressing them.

**REIGATE & BANSTEAD BOROUGH
COUNCIL**

**TREASURY MANAGEMENT STRATEGY
EXTRACT FROM OVERVIEW AND
SCRUTINY COMMITTEE MINUTE
15 FEBRUARY 2018**

BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Extract of the minutes of a meeting of the Overview and Scrutiny Committee held at the Town Hall, Reigate on Thursday, 15 February 2018 at 7.30 p.m.

Present: Councillors Mr B. Stead (Chairman), Mrs R. Absalom, Mr R. Ashford, Mr M. Blacker, Mrs J. Bray, Mr M. Brunt, Mr R. Coad, Mr G. Curry, Mr J. Essex, Mr R. Mantle, Mr S. Parnall, Mr J. Stephenson and Mrs R. Turner.

Also present: Councillor Mr T. Schofield.

54. DRAFT TREASURY MANAGEMENT STRATEGY 2018/19

The chairman welcomed Cllr Schofield, Executive Member for Finance and Jocelyn Convey, the council's Head of Finance, to the meeting.

There were two advance questions received in relation to this item, responses to which had been circulated to the members of the committee and were tabled at the meeting.

At the chairman's invitation, Cllr Schofield introduced the Draft Treasury Management Strategy 2018/19 report and thanked the Treasury Management Panel and their advisors for their contributions to the process. The committee was advised that there had been recent updates to the guidance surrounding treasury management and that, whilst the strategy reflected these where practical to do so, the late publication of the changes meant that not all aspects of the changes would be reflected in current strategy. The strategy was therefore noted to be in accordance with the 2011 guidelines, with a forthcoming comprehensive reassessment to be incorporated into the 2019/20 strategy.

There were noted to be three annexes to the report, detailing the Investment Strategy, Borrowing Strategy and Cash Management Strategy components of the overall strategy respectively. Following the Treasury Management Panel, there was noted to be a minor amendment to the Investment Strategy, updating the minimum ratings for investments with UK banks for 3-5 years Fitch minimum rating to AA- on page 29, in line with the same criteria in appendix 1 on page 22. The Borrowing Strategy and Cash Management Strategy were noted to be unchanged.

The committee was advised that the Treasury Management Panel was satisfied with the draft report, subject to the minor amendment noted above.

The committee thanked the Executive Member, the Treasury Management Panel and their advisors for their work. There were a number of questions and comments on the report, relating to the following topics:

- **The significance and implications of the guidance changes to the strategy.** The committee was advised that the guidance changes were intended to reflect the increasing appetite for investment among local government organisations, in response to the reduction in available funding from traditional sources. The committee was advised that each

organisation faced a unique set of financial circumstances, and that future treasury management strategies and investment decisions would seek to identify the actions that would best support the work and financial sustainability of the council, and then ensure that that the identified actions were in line with the requirements of the guidance.

- **Investments outside of the borough.** The committee was advised that the guidance updates were understood to recommend that investments by local government organisations took place within the organisations' areas of economic influence, unless a compelling reason was identified for making investments further afield. It was therefore anticipated that future investments would be likely to be either within the borough or surrounding local areas, except where particular opportunities were identified.
- **The capital expenditure programme and labelling of projected future expenditure.** A query was raised regarding the projected capital expenditure identified under the heading of organisational change in Table 1 of the Borrowing Strategy. This projected expenditure was clarified to represent expenditure on investment opportunities to support the financial sustainability of the council which were yet to be identified, which was therefore recorded under a general heading. It was suggested that more informative titling and identification of the components of the table would be beneficial, and it was agreed that this would be reflected in the final strategy.
- **The borrowing requirement and labelling of projected future borrowing.** A query was raised regarding the projected borrowing requirements identified in Table 2 of the Borrowing Strategy and the labelling of the categories within the table. The projected borrowing requirement identified under cashflow was clarified to be a standing component of the strategy to ensure organisational cashflow availability around the collection and receipt of council tax income. The other projected borrowing requirements were clarified to represent the potential use of borrowing as part of a balanced approach to investments and cash management in order to best support the financial sustainability of the council.

The committee was advised that the council's future investment strategy would consider the best balance between the council's current low yield, low risk cash investments and potential alternatives, and that the Borrowing Strategy therefore made accommodation for potential future actions resulting from this evaluation. It was identified that the council had no current borrowing commitments, and that none were anticipated in the next several months.

The committee was advised that any significant decisions regarding borrowing and investment would continue to go through the usual consideration, decision making and scrutiny process. It was again suggested that more informative titling and identification of the components of the table would be beneficial and it was again agreed that this would be reflected in the final strategy.

- **Guidance regarding investment vehicles used by local government organisations.** A query was raised regarding if there were anticipated to be any prohibitions placed upon the investments vehicles used by local government organisations, potentially due to an assessment that such organisations lacked the requisite expertise for

properly utilising such vehicles. The committee was advised that there were not expected to be any forthcoming prohibitions which would significantly restrict the investment options available to the council. This was assessed based on the necessity for local councils to be able to engage in a wide range of projects which benefited their local area, and on the significant skill based possessed by many local government officers. It was therefore not expected that the guidance would seek to prevent investments by local government organisations which were proportionate to the requirements and resources of the organisation.

It was therefore anticipated that the council would be able to pursue those investments which were identified to best support the work and financial sustainability of the council. It was noted that the guidance appeared to be primarily concerned with those local government organisations which had committed heavily to a single investment and were therefore faced with a substantial risk to their financial sustainability in the event of the loss of that investment.

- **How dependent the council was upon individual officers for key areas of its organisational skill set.** The committee was advised that whilst the council was fortunate to have a number of officers with significant expertise in key areas, there were also a range of other officers and advisors with related skill sets who contributed to all areas of the council's activities, and that the council was therefore not considered to be dependent upon any given officer for the maintenance of its organisational skill set.
- **Changes to guidance regarding Minimum Revenue Provisions (MRP).** A query was raised regarding changes to guidance regarding MRP, particularly with regard to estimated life of financial assets. The committee was advised that this was an aspect of the guidance which would be considered as part of the ongoing financial management process, but which had not yet been fully reflected in the Treasury Management Strategy due to the late release of the updates to the guidance. It was identified that as the council did not currently have any borrowing commitments, it therefore also had no current MRP requirements, but that any borrowing policy developed would reflect the guidance requirements.

RESOLVED:

- i) That the Draft Treasury Management Strategy 2017/18, including the identified amendment to the Investment Strategy, be noted; and
- ii) That the comments of the Overview and Scrutiny Committee be noted for consideration by the Executive.

Agenda Item 6

Executive
29 March 2018

Agenda Item: 6
Appointments to the Board of the Banstead
Commons Conservators



REPORT OF:	HEAD OF HEALTH AND WELLBEING
AUTHOR:	Kamal Mehmood
TELEPHONE:	01737 276228
E-MAIL:	kamal.mehmood@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	29 MARCH 2018
EXECUTIVE MEMBER:	COUNCILLOR R. MILL

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

SUBJECT:	APPOINTMENTS TO THE BOARD OF THE BANSTEAD COMMONS CONSERVATORS
RECOMMENDATIONS: (i) To consider each of the nominations to the Banstead Commons Conservators and appoint three representatives to fill positions that have come to the end of their term.	
REASONS FOR RECOMMENDATIONS: To ensure that positions on the Board of the Banstead Commons Conservators are suitably filled.	
EXECUTIVE SUMMARY: This report covers the annual appointment of representatives to serve on the Banstead Commons Conservators. Officers have delegated authority to accept those nominations (paragraph 1.12 of Officer Scheme of Delegation). In the event that the number of nominations received exceed the number of vacancies, or where nominations come from non-members the matter is passed to the Executive for determination.	

Executive has authority to approve the above recommendations

STATUTORY POWERS

1. Representation on outside bodies is made in accordance with Local Government Acts 1972 and 2000.
2. The appointment of Banstead Commons Conservators is laid down by the Scheme set out in the Schedule to the Metropolitan Commons (Banstead) Supplemental Act 1893.

BACKGROUND

3. The Council works with several bodies to ensure high standards of care and ensuring effective access to public open space owned by the Council. The Banstead Commons Conservators (BCC) carries out an important role in one of the largest areas being 1350 acres of Metropolitan Common land in the Borough (Banstead Heath, Banstead Downs and Park Downs).
4. The board consists of eight conservators appointed on a rolling basis and each serving a three year term of office. Historically two have been elected representatives (councillors); one nominated by the London Borough of Sutton, which adjoins the Commons along its northern boundary, and the remainder nominated representatives from the local community. The posts are voluntary and unpaid.
5. Whilst the bodies nominating conservators has changed over the 125 years since the Commons areas were defined, the position has now settled so that all appointments are made by the Council. The provisions of the Act make it clear that the Council may appoint such persons as it sees fit. There is no stipulation restricting who may be appointed except that someone who is bankrupt or has compounded with his creditors is not eligible.
6. In January 2015 the Council reviewed the process by which it makes appointments to all outside bodies and the Executive agreed responsibility for the determination of appointments should fall to the Head of Health and Wellbeing in consultation with the relevant Executive Member and respective Group Leaders.
7. In 2016 in view of the fact that appointments to Banstead Commons Conservators include the nomination of non-members the Executive agreed that the Council should return to the previous approach with regard this particular body, where by, in the event that the number of nominations received exceed the number of vacancies, or where nominations come from non-members, the matter of appointments should be determined by the Executive.
8. The Conservators receive core grant funding, subject to a Service Level Agreement, to help them achieve their objectives.

KEY INFORMATION

Nominations

9. Three of the Conservators terms are due to conclude at the end of March 2018. These include two positions filled by elected representatives. The Executive are asked to determine the three appointments.
10. The current representatives and the nominations received are set out below. Additional information, including biographical details for each nominee, is set out in the Exempt part 2 section of the Executive's agenda.

Current Conservators and dates their terms expire	Representatives coming to the end of their term in 2018	Nominations	Term
Cllr V.W. Broad (31.03.2018) Cllr - Vacant (31.03.2018) Mr J.C. Mill (31.03.2018) Dr J.H. Peacock (31.03.2019) Mr J. McCrea (31.03.2019) Mr N. Cull (London Borough Sutton) (31.03.2020) Cllr R.S. Mantle (31.03.2020) Mr D. Atkins (31.03.2020)	Cllr V.W. Broad Elected representative (vacancy) Mr J. Mill	Cllr V.W. Broad Cllr G. Curry Mr J.C. Mill Mr S. Guy	Three Years

OPTIONS

11. The Executive have the discretion to decide which nominees to appoint. Alternatively the Executive may ask officers to seek new nominations.

LEGAL IMPLICATIONS

12. The legal requirements involved in the appointment or election of Conservators have been followed.

FINANCIAL IMPLICATIONS

13. There are no financial implications relating to the appointments.

EQUALITIES IMPLICATIONS

14. It is important that appointments to outside bodies are made by the Council in a fair and representative way best suiting the interests and diversity of Borough residents.

COMMUNICATION IMPLICATIONS

17. The positions have been notified to all Members through Group Leaders. In addition, a public notice inviting applications was posted on notice boards across the Commons.
18. The appointments will be publicised on noticeboards across the Banstead Commons and nominees notified of the outcome of the Executive decision.

RISK MANAGEMENT CONSIDERATIONS

19. None

OTHER IMPLICATIONS

20. None

CONSULTATION

21. Details of nominees and accompanying biographical details have been made available in the Members Room. This information is set out in the Exempt part 2 section of the Executive's agenda.

POLICY FRAMEWORK

22. There are no policy implications.

Background Papers:

None.

Agenda Item 7

EXECUTIVE
29 March 2018

Agenda Item: 7
Overview and Scrutiny Committee Work Programme 2018/19



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	HEAD OF CORPORATE POLICY, PERFORMANCE AND PARKING
AUTHOR:	Tom Borer
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E-MAIL:	tom.borer@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	29 MARCH 2017
EXECUTIVE MEMBER:	LEADER OF THE COUNCIL

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

SUBJECT:	OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME 2018/19
RECOMMENDATION:	That the Overview and Scrutiny Committee work programme for 2018/19 be adopted.
REASONS FOR RECOMMENDATION:	To agree a work programme for the Overview and Scrutiny Committee for the 2018/19 Municipal Year.
EXECUTIVE SUMMARY:	This report provides the Executive with the Overview and Scrutiny Committee's proposed work programme for 2018/19. The comments of the Overview and Scrutiny Committee and the Management Team are incorporated into the report and the Executive is requested to make any comment to Full Council on the proposed programme.

This Recommendation is subject to approval by Full Council.

STATUTORY POWERS

1. The *Local Government Act 2000* (as amended) established Overview and Scrutiny Committees within the Leader with Cabinet model of governance. Subsequently other legislation such as the *Police and Justice Act 2006*, the *Local Government Public Involvement in Health Act 2007* and the *Local Democracy, Economic Development and Construction Act 2009*, the *Localism Act 2011* and the *Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2012* has provided additional responsibilities on the Committee.
2. In accordance with the Council's Constitution, the Committee's future work programme should be agreed at the beginning of the Municipal Year and, following consultation with the Executive, be referred to Council for approval.

Overview and Scrutiny Committee Work Programme

3. The Leader of the Council, the Chief Executive and the Chairman of the Committee met to consider the proposed work programme in January, as required by the Constitution. The Committee gave consideration to the comments of the Management Team on the draft work programme at its meeting on 15 February 2018 and agreed the proposals set out at Annex 1 for consideration by the Executive, who are asked to recommend the work programme to Council.
4. The Committee wishes its work programme to continue to assist the Council in delivering its core priorities, as identified in its 5 Year Corporate Plan. In drawing up the programme it has sought to continue to reflect the streamlined approach that the Council has adopted to managing its organisational processes, whilst maintaining its role as an effective critical friend to the Executive.
5. The Committee proposes in 2018/19 to continue its established practices, including external scrutiny of key partner organisations, briefings from Portfolio Holders on how the Council's priorities are being supported, and scrutiny of the Council's commercial agenda, as well as continuing to review the key decision making processes of the Council.
6. The Committee requests that its comments from the 15 February meeting of the Committee be noted by the Executive, including the following points:
 - That the Committee be appraised of and consider any proposed changes to scrutiny arrangements identified by the governance review currently being conducted, and that these be incorporated into the work of the committee as they are identified during the 2018/19 municipal year;
 - That any significant emergent matters regarding the Local Development Framework identified during 2018/19 be considered by the Local Development Framework Scrutiny Review Panel; and
 - That the Committee and all Members of the Council continue to receive updates on matters identified to be key areas of the Council's work when any significant changes occur.

Resource Implications

7. The work programme is supportive of the Council's overall priorities and is well balanced between the support for this Committee's work and the delivery of core business and the priorities in the 5 Year Corporate Plan. Management Team is therefore pleased to support the programme, which is in line with the need to continue to consider the impact of scrutiny activities on the Council's operational capacity.
8. The Committee has 8 meetings scheduled for 2018/19 and careful consideration will be given to managing the programme given the support available and the other priorities of senior officers involved in Overview and Scrutiny activities. The Committee's work programme allows flexibility for additional priority work that may emerge during the course of the year, and the prioritisation of the programme may be adjusted by the Chairman to achieve the greatest efficiency.

Legal and Equalities Implications

9. There are no specific legal or equalities implications that need to be drawn to the Executive's attention as part of this report.

Consultation

10. The Executive is being consulted on the proposed Overview and Scrutiny Committee work programme for 2018/19 so that the necessary resources can be attributed to the Committee's work.

Options

11. The Executive has the option to approve, add to or remove items from the proposed work programme as set out in the report. If the Executive was minded to significantly alter the Work Programme in a way which would increase the support required for the Committee's activities, a further report would be needed.

Conclusions

12. The Overview and Scrutiny Committee has put forward its work programme for the 2018/19 Municipal Year. The Executive is requested to indicate comments and to recommend the proposed work programme to Council.

Background Papers: Overview and Scrutiny Committee: 15 February 2018 Report and Minutes

Overview and Scrutiny Committee: Draft Work Programme 2018/19

No.	Subject	Proposals	Management Team comments
(i)	Policy Framework Consultations	To consider Policy Framework consultation documents.	Supported
(ii)	Work Rolled Forward	No proposals.	-
(iii)	Executive Member Objectives	To receive presentations from Executive Members.	Supported
(iv)	Audit Activities	To consider the following audit activities: <ul style="list-style-type: none"> • The annual Internal Audit report for 2017/18; • The annual External Audit report for 2017/18; • Quarterly reports relating to individual audit reports; • The Internal Audit Plan for 2019/20. 	Supported
(v)	Performance Management Monitoring	To consider performance by reporting on the following as appropriate: <ul style="list-style-type: none"> • Revenue, Capital and Service Performance Management Monitoring (quarterly); • Risk management performance (six monthly). • Five Year Plan performance (six monthly) 	Supported
(vi)	Scrutiny Panels	That the following Panels be reappointed in 2018/19: <ul style="list-style-type: none"> • Budget Scrutiny Panel • Local Development Framework Scrutiny Panel, if required. 	Supported
(vii)	Joint Scrutiny	No countywide joint scrutiny is programmed.	Supported
(viii)	Externally focussed work	To consider a range of external challenges and partners to provide input to the review of the 5 year corporate plan. Consultation on the plan is expected to take place between July and September 2018.	Supported
(ix)	Call Ins; Councillor Calls for Action	To consider Call-Ins and Councillor Calls for Action.	Supported

No.	Subject	Proposals	Management Team comments
(x)	Crime and Disorder Scrutiny	To continue to undertake 'Crime and Disorder' scrutiny activity once every 12 months.	Supported
(xi)	Council Corporate Scrutiny	<p>To consider updates on the performance of Council companies on a 6 monthly basis.</p> <p>To consider and undertake any additional or updated scrutiny requirements as identified in the governance review process.</p>	Supported
(xii)	Public Sector Board	No proposals at this time	-

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Agenda Item 8

Executive
29 March 2018

Agenda Item: 8
Quarterly Performance Report (Q3 2017/18)



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	MANAGEMENT TEAM
AUTHORS:	Gavin Handford
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TO:	EXECUTIVE
DATE:	29 March 2018
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	QUARTERLY PERFORMANCE REPORT (Q3 2017-18)
RECOMMENDATION:	
<p>To note the performance outlined in the attached report, to approve the revised Key Performance Indicators for 2018/19 and to approve the 2018-19 Strategic Risks.</p>	
REASONS FOR RECOMMENDATIONS:	
<ul style="list-style-type: none"> (i) To consider the performance for the third quarter of the financial year 2017-18; (ii) To ensure that the Council has appropriate arrangements in place for performance monitoring in 2018/19; (iii) To ensure that the Council has appropriate arrangements in place for risk management in 2018-19 	
EXECUTIVE SUMMARY:	
<p>The attached report provides the headline issues in relation to the Council's overall performance for Quarter 3.</p> <p>The Key Performance indicators have been revised and include changes required as a result of the Homelessness Reduction Act and the inclusion of a new indicator, they are attached (Section 6 of Annex 1) for approval.</p> <p>The Strategic Risk Register is reviewed annually and a new set of risks have been identified for 2018-19. The updated Strategic Risks for 2018-19 are attached (Section 7 of Annex 1) for approval.</p> <p>The attached report (Annex1) was considered by the Overview and Scrutiny Committee on the 15 March 2018.</p> <p>The Committee's observations will be reported to the Executive.</p>	

Executive has authority to approve the above recommendation.

Subject:	Quarterly Performance Report (Q3 – October to December 2017)
Officer:	Gavin Handford / Jocelyn Convey
To:	Overview and Scrutiny Committee, 15 March 2018
Purpose:	To consider the key service performance for the third quarter of the year 2017-18.

Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 3.

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 sections:

Key Performance Indicators – Q3 2017-18	Section 1
Revenue Budget Monitoring	Section 2
Capital Budget Monitoring	Section 3
Risk Management	Section 4
Internal audit	Section 5
Update to Key Performance Indicators to take effect from Q1 2018-19	Section 6
Risk Management – New Strategic Risks for 2018/19	Section 7

Recommendation

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

The Committee is also requested to consider the revised Key Performance Indicators to take effect from Q1 2018-19 and make any observations to the Executive.

In addition, the Committee is requested to consider the identified Strategic Risks for 2018-19 and make any observations to the Executive.

Section 1

KEY PERFORMANCE INDICATORS

Headline Information

Ten of the eleven Key Performance Indicators (KPIs) that are reported on in this quarter are on target.

KPI 4 is a contextual indicator and therefore has no target set.

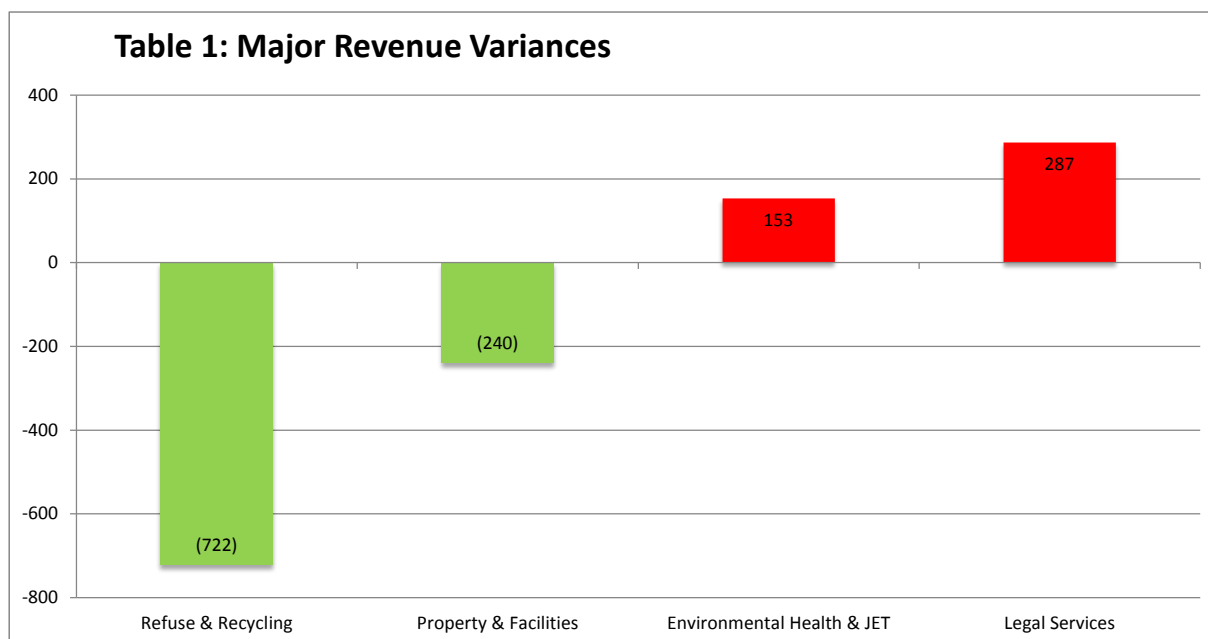
eMembers room information

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

REVENUE BUDGET MONITORING

Reconciliation of Original Budget to Management Budget for 2017-18		Period 8: Revenue Budget	
	£'000	£'000	
Original Budget		14,894.0	
Transfers from Reserves:			
Corporate Plan Delivery Fund	1,495.6		
Total Transfers from Reserves		<u>1,495.6</u>	
Management Budget		<u><u>16,389.6</u></u>	

Headline Revenue Budget information 2017-18	£'000
Management Budget	16,389.6
Forecast Year End Outturn	15,395.0
Projected underspend	-994.6 (or 6% of the budget)



Major Variances

Refuse & Recycling:

Market fluctuations make forecasting income from Mixed Waste recycling difficult. Q1, Q2 and Q3 saw an over-recovery of this income due to the current buoyancy of the market. In addition, we have seen an increase in Garden Waste membership numbers which, along with the subscription price increase, has generated additional income.

Property & Facilities:

The large over-recovery is mainly due to the rent receivable and is attributable to Forum House, purchased in July and Beech House purchased in August 2017. This has been revised downwards for recent tenancy turnover in other assets.

Environmental Health:

An unbudgeted £78k for urgent health and safety work (which will be recovered in the long term via a charge on the property in question) was reported in Q1, as was £30k for declining Pest Control income. Q2 has seen a requirement for an unbudgeted £38k to maintain and operate Air Quality monitoring stations and an unbudgeted £24k for statutory case reviews. Both declining Pest Control receipts and Air Quality monitoring costs are being addressed through 2018/19 service and financial planning.

Legal Services:

Overspend in Legal Services continues, as reported in Q1 and Q2. Additional staff, including locums, have been brought on board to deliver an improved service, to support Five Year plan delivery and undertake a service improvement project. Additionally, as reported in Q1 and Q2, income from Land Charges has fallen for several years, with a forecast shortfall of £100k this year. 2018/19 service and financial planning proposes growth to address this loss of income and increase the Legal service salary costs.

e-Members Room Information

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

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

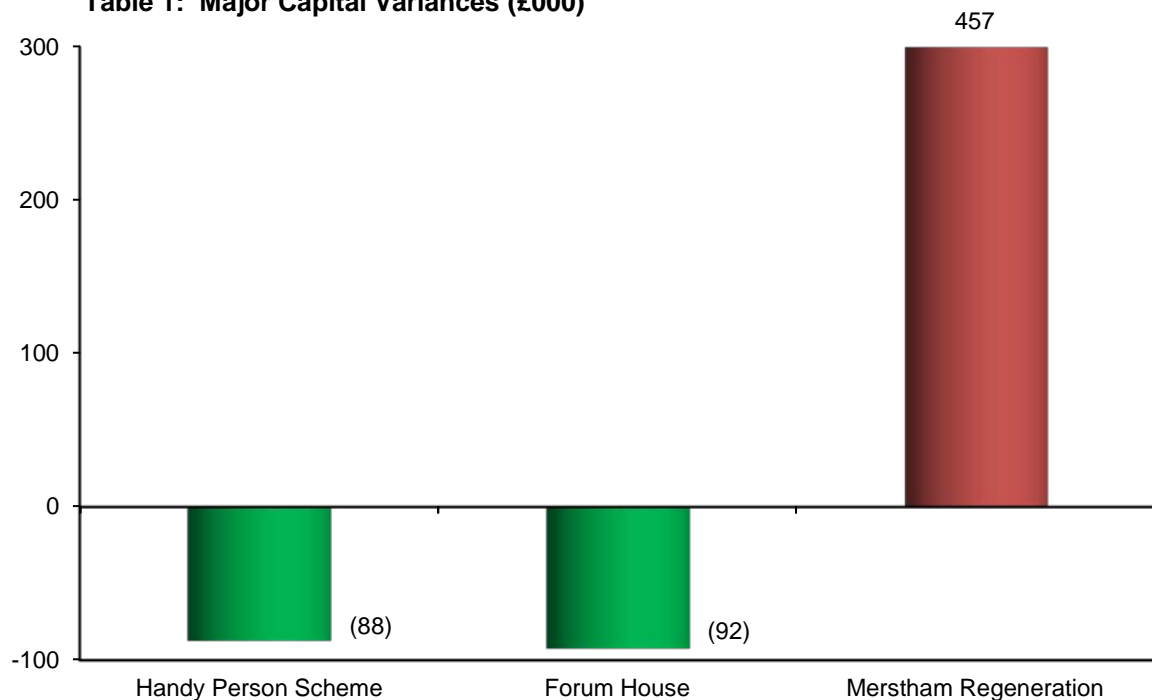
Section 3

CAPITAL BUDGET MONITORING

Headline Capital Budget Information, Quarter 3 2017/18

Current Budget:	£23,209,400	
Forecast Expenditure:	£23,085,400	
Projected Underspend:	£124,000	(or 0.53% of budget)

Table 1: Major Capital Variances (£000)



Major Variances

Handy Person Scheme: This is currently reported as an underspend. It is intended that this underspend will be used to replace the expenditure usually covered by the Home Improvement Agency Grant from Surrey County Council, which has paid in full by SCC in 17/18.

Forum House: Acquisition fees for Forum House was £92.3k less than expected therefore is a genuine underspend.

Merstham Regeneration: The forecast overspend at Merstham will be covered by reimbursements from Surrey County Council being their proportion of the construction costs. The final instalment due by August 2018.

NB: The variances for Forum House and Merstham Regeneration shown are a snapshot of the situation in period 9 of the current year. As we change our reporting on major projects in 18/19, variances such as Merstham and Forum House will be reflected in context of the full project lifecycle, giving more informative output on variances such as these.

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

Section 4

RISK MANAGEMENT

An update on risk management does not form part of the Q3 performance report.

No new strategic risks were identified during Q3 2017-18.

Section 5

INTERNAL AUDIT

Background

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

SCORING

RED	<p>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.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ RED	<p>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).</p>
AMBER/ GREEN	<p>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.</p> <p>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).</p>
GREEN	<p>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.</p>

Headline Information

During the last quarter 6 internal audits have been completed:

Name of Audit	score
Revenues	Green
Benefits	Amber / Green
Car Parking Account	Green
Civil Contingencies	Green
Service & Financial Planning	Green
Creditors	Amber/ Green

Recommendations with a high priority – there are none

Management action

N/A

eMembers room information

Copies of the individual audit reports are available on eMembers.

Section 6

UPDATED KEY PERFORMANCE INDICATORS 2018-19

The organisation's Key Performance Indicators (KPIs) have been reviewed updated where appropriate.

The below KPIs will be reported on from Q1 2018-19.

Ref	KPI description
KPI 1	Maintain levels of self-service transactions
KPI 2	Total number of residential completions
KPI 3	Number of affordable homes included in KPI 2
KPI 4	Number of new housing prevention cases*
KPI 5	Number of new housing relief cases*
KPI 6	Number of positive prevention and relief outcomes*
KPI 7	Number of homeless applications
KPI 8	Number of homeless acceptances
KPI 9	Average number of households in B&B accommodation
KPI 10	Business income as a percentage of gross budget
KPI 11	Percentage of Council Tax collected by the Council in the year

Ref	KPI description
KPI 12	Percentage of Business Rates (NNDR) collected by the Council in the year**
KPI 13	Trade waste - number of customers
KPI 14	Green waste – number of active bins
KPI 15	Total percentage of household waste that is recycled and composted.

**Indicators revised to reflect the changes required by the Homelessness Reduction Act.*

*** A new indicator*

Section 7

RISK MANAGEMENT

New strategic risks for 2018-19

The table below details the strategic risks that have been identified for 2018-19.

Risk Description 2018-19
<p>Long-term financial sustainability</p> <p>The Council receives no Revenue Support Grant from government, and although piloting local retention, we anticipate business rate income to reduce significantly.</p> <p>The Council is therefore reliant on other income including council tax, fees & charges. Increasingly these are impacted by wider economic factors.</p> <p>The Council also has long term Capital requirements and will need to address replenishment of capital.</p> <p>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.</p> <p>The Council is therefore seeking a diverse range of investment and 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.</p>
<p>Housing, homelessness and welfare</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

Risk Description 2018-19
<p>periods.</p>
<p>Development Management Plan</p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan has been prepared, and further consultation (Regulation 19) will be undertaken prior to submission to the Secretary of State for Examination.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Property Development</p> <p>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.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks.</p> <p>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</p> <p>These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>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.</p>
<p>Cyber security</p> <p>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.</p>

Risk Description 2018-19
<p>Economic prosperity</p> <p>Economic prosperity is essential for the wellbeing of the borough, creating employment and wealth that benefits local people.</p> <p>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).</p> <p>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.</p>
<p>Partner decisions</p> <p>Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may 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 result.</p>
<p>Recycling credits</p> <p>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.</p>
<p>Data Protection and General Data Protection Regulations (GDPR) – Now the Data Protection Bill passing through Parliament</p> <p>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 28 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.</p>

Operational Risks

New operational risks for 2018-19 will be identified and managed by the Business Managers Group and Management Team.

Agenda Item 13

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

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Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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