Tewkesbury Borough Council

29 May 2018

Committee	Executive
Date	Wednesday, 6 June 2018
Time of Meeting	2:00 pm
Venue	Committee Room 1

ALL MEMBERS OF THE COMMITTEE ARE REQUESTED TO ATTEND

for Sara J Freckleton
Borough Solicitor

Agenda

1. ANNOUNCEMENTS

When the continuous alarm sounds you must evacuate the building by the nearest available fire exit. Members and visitors should proceed to the visitors' car park at the front of the building and await further instructions (during office hours staff should proceed to their usual assembly point; outside of office hours proceed to the visitors' car park). Please do not re-enter the building unless instructed to do so.

In the event of a fire any person with a disability should be assisted in leaving the building.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive apologies for absence and advise of any substitutions.

	Item	Page(s)
3.	**DECLARATIONS OF INTEREST**	
	Pursuant to the adoption by the Council on 26 June 2012 of the Tewkesbury Borough Council Code of Conduct, effective from 1 July 2012, as set out in Minute No. CL.34, Members are invited to declare any interest they may have in the business set out on the Agenda to which the approved Code applies.	
4.	**MINUTES**	1 - 9
	To approve the Minutes of the meeting held on 25 April 2018.	
5.	**ITEMS FROM MEMBERS OF THE PUBLIC**	
	To receive any questions, deputations or petitions submitted under Rule of Procedure 12. *(The deadline for public participation submissions for this meeting is 31 May 2018).*	
6.	**EXECUTIVE COMMITTEE FORWARD PLAN**	10 - 17
	To consider the Committee's Forward Plan.	
7.	**APPOINTMENT OF PORTFOLIO HOLDERS AND SUPPORT MEMBERS**	18
	To approve the Portfolio Holders and Support Members for the forthcoming Municipal Year.	
8.	**FINANCIAL OUTTURN REPORT**	19 - 41
	To consider the Council's financial outturn.	
9.	**GRASS CUTTING**	To Follow
	To consider the recent issues around grass cutting in the Borough.	
10.	**SEPARATE BUSINESS**	
	The Chairman will move the adoption of the following resolution: That under Section 100(A)(4) Local Government Act 1972, the public be excluded for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.	
11.	**DISPOSAL OF LAND ADJACENT TO KAYTE LANE CEMETERY, BISHOP'S CLEEVE**	42 - 47
	(Exempt –Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 –Information relating to the financial or business affairs of any particular person (including the authority holding that information)) To consider the disposal of land adjacent to Kayte Lane cemetery, Bishop's Cleeve and agree a way forward.	

DATE OF NEXT MEETING

WEDNESDAY, 11 JULY 2018

COUNCILLORS CONSTITUTING COMMITTEE

Councillors: K J Berry, R A Bird (Chair), G F Blackwell, M Dean, R Furolo, M A Gore, J Greening, E J MacTiernan and J R Mason (Vice-Chair)

Substitution Arrangements

The Council has a substitution procedure and any substitutions will be announced at the beginning of the meeting.

Recording of Meetings

Please be aware that the proceedings of this meeting may be recorded and this may include recording of persons seated in the public gallery or speaking at the meeting. Please notify the Democratic Services Officer if you have any objections to this practice and the Chairman will take reasonable steps to ensure that any request not to be recorded is complied with.

Any recording must take place in such a way as to ensure that the view of Councillors, Officers, the public and press is not obstructed. The use of flash photography and/or additional lighting will not be allowed unless this has been discussed and agreed in advance of the meeting.

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Executive Committee held at the Council Offices, Gloucester Road, Tewkesbury on Wednesday, 25 April 2018 commencing at 2:00 pm

Present:

Vice Chair in the Chair Councillor R A Bird

and Councillors:

K J Berry, G F Blackwell, M Dean, R Furolo, J Greening, E J MacTiernan and J R Mason

also present:

Councillors R E Allen and P W Awford

EX.107 ANNOUNCEMENTS

107.1 The evacuation procedure, as noted on the Agenda, was taken as read.

107.2 The Chair welcomed Councillors Allen and Awford to the meeting. Councillor Allen was in attendance as an observer and Councillor Awford was attending as Chair of the Overview and Scrutiny Committee for Agenda Item 7 – Performance Management Report – Quarter Three 2017/18.

EX.108 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

108.1 An apology for absence was received from Councillor D J Waters (Chair). There were no substitutions on this occasion.

EX.109 DECLARATIONS OF INTEREST

109.1 The Committee's attention was drawn to the Tewkesbury Borough Council Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

109.2 There were no declarations of interest made on this occasion.

EX.110 MINUTES

110.1 The Minutes of the meeting held on 14 March 2018, copies of which had been circulated, were approved as a correct record and signed by the Chair.

EX.111 ITEMS FROM MEMBERS OF THE PUBLIC

111.1 There were no items from members of the public on this occasion.

EX.112 EXECUTIVE COMMITTEE FORWARD PLAN

112.1 Attention was drawn to the Committee's Forward Plan, circulated at Pages No. 8-14. Members were asked to consider the Plan.

112.2 Accordingly, it was

RESOLVED: That the Committee's Forward Plan be **NOTED**.

EX.113 PERFORMANCE MANAGEMENT REPORT - QUARTER THREE 2017/18

113.1 The report of the Chair of the Overview and Scrutiny Committee, circulated at Pages No. 15-57, asked Members to review and, if appropriate, take action on the observations of the Overview and Scrutiny Committee following its review of the 2017/18 quarter three performance management information.

113.2 Attention was drawn to the observations made by the Overview and Scrutiny Committee, attached at Appendix 1 to the report, and to the Council Plan Performance Tracker, attached to the report at Appendix 2.

113.3 The Chair of the Overview and Scrutiny Committee advised that Members had noted the key actions achieved since the last update, the majority of which the Executive Committee had been central to. Those included the preparation and approval of the annual budget and Medium Term Financial Strategy – although 'routine' business this was a significant piece of work undertaken during the course of the year; the success of commercial property investment had been built upon with Council having approved a further £12 million; the main phase of the public services centre refurbishment had commenced and, in December, one third of the top floor had been let; the Joint Core Strategy had been adopted; the new garden waste project had entered its final stages with the renewal of 15,000 customers to date; and Council had approved the adoption of Public Space Protection Orders. The Committee had also noted that, due to the complex nature of some of the actions, there had to be recognition some would not progress as smoothly or quickly as envisaged. These were transparently reported through the performance tracker and included the regeneration of Spring Gardens; the production of a vision for Junction 9; working with partners to progress the Healings Mill site; and working with partners to increase the heritage offer at the Battlefield site – the revised dates for the project milestones had been noted. In terms of Key Performance Indicators (KPIs), the Committee had noted the improved performance across all planning processing indicators compared to the previous year; the reduced number of reported enviro crimes; and that the Council's recycling rate remained strong. Following its continued scrutiny, a short workshop had been held for Overview and Scrutiny Members on how sickness absence was managed which Members had found helpful. A number of questions had been raised, for information purposes, around the financial information which had been provided. This had included questioning around business rates retention; funding of, and associated risk in relation to, improvements to the Longford roundabout; planning income not meeting target; and a general query around the amount of income from the leisure centre contract. Overall, the scrutiny of the report had been fairly high level as the previous quarter the Committee had gone through it page by page.

113.4 In addition, the Overview and Scrutiny Committee Chair indicated that the previous evening a special meeting of the Committee had been held to enable questioning of partners as part of the Scrutiny review in respect of the water supply outages which had occurred during 2017. He offered his thanks to the Members and Officers involved with the review which, to date, had been extremely successful. The initial questions asked by Members had been scripted but he felt the supplementary questions asked had been of an extremely high quality. The

Executive Committee Chair thanked the Overview and Scrutiny Committee and Officers for the work that had gone into the review – he felt it showed how well the scrutiny process could work. He did, however, express concern that there had been no media attendance at the meeting. In response, the Chief Executive indicated that the Committee still had work to do on its report so there was still time for press involvement. He agreed that the review to date had been an excellent piece of work with a challenging but fair style of questioning. He felt the partners involved had welcomed the opportunity to have their say in the public arena which had helped the way the review had run.

113.5 Referring to sickness absence targets, a Member questioned how many staff were currently absent due to long term ill health. In response, the Head of Corporate Services confirmed that there were approximately six people affected at the moment; some with significant illnesses. He reminded Members that, as a small authority, the Council was affected by long term absences quite badly. The Vice-Chair of the Overview and Scrutiny Committee explained that he had recently attended the Overview and Scrutiny workshop to review the absence management policy and he felt the Members involved had been pleased with the steps being taken to address the issues and the procedures which were in place.

113.6 Referring to KPI 14 – Percentage of 'minor' applications determined – a Member questioned whether a target of 90% was actually realistic. The Head of Development Services responded by advising that this was a "stretch" target which was significantly higher than the national target of 65% but she felt that an aspirational target was a good thing to aim for. There were improvements that would be implemented following the review of the Development Management service so she felt the 90% target would be achievable in future. The Member also questioned what the start date would be for the improvements at Longford roundabout. The Head of Development Services advised that she was currently looking at the programme and Members would be updated as the project progressed; it was envisaged that the work would commence during the 2020/21 period.

113.7 Accordingly, it was

RESOLVED: That the Overview and Scrutiny Committee's comments on the Performance Management Report for Quarter Three of 2017/18 be **NOTED**.

EX.114 COUNCIL PLAN UPDATE 2016/17 - YEAR THREE

114.1 The report of the Head of Corporate Services, circulated at Pages No. 58-75, attached the revised Council Plan for 2016/20. The report asked Members to recommend the Plan to Council for adoption, subject to any amendments the Committee felt necessary.

114.2 The Head of Corporate Services explained that Members were well versed on the process of refreshing the Council Plan to ensure the document remained relevant. The Council Plan was a key strategic document which established an overarching vision for the Borough and set out, in broad terms, the priorities, objectives and actions required to work towards that vision. The Plan was attached to the report at Appendix 1 and Members were advised that it reaffirmed the four priority themes but two had been slightly reworded to reflect a broader remit and relevance, the themes were: Finances and Resources; Promoting and Supporting Economic Growth (this had replaced Economic Development); Growing and Supporting Communities (this had replaced Housing); and Customer-Focussed Services. The priorities were supported by key objectives and actions and a small number of those objectives had also been reworded so they adequately supported the wider remit of the renamed themes; the Plan also reflected feedback from Lead Members at a recent Corporate Leadership Team/Executive Committee away day that the Council needed to retain its ambition to be an authority that 'punches above its weight' and is the economic engine for Gloucestershire's growth

114.3 The Chief Executive indicated that, unfortunately, there had not been time to circulate the draft Plan to Members prior to it being published with the Agenda for the meeting so he had agreed with the Leader and Deputy Leader of the Council that the Committee would use this opportunity to go through the document thoroughly and make any amendments prior to it being considered by the Council. During the discussion which ensued, a Member drew attention to Page No. 67 and questioned why 'Develop our customer service ethos to ensure that we deliver to the needs of residents' was no longer included under the heading "Customer-Focused Services". The Head of Corporate Services explained that it was felt this was covered within the priority itself; the ethos would always remain embedded in the culture of the organisation so it was not felt it would be detrimental to remove it. Referring to the same page, another Member asked that the last bullet point under the second heading be amended to read 'Promote the Borough as a visitor attraction' to make it consistent with the way the other bullet points on the page were written. She also felt it was not accurate to say the Council would 'Achieve a five year supply of land' and that it should be changed to 'Maintain a five year supply of land' – this would also need to be changed on Page No. 70 of the Plan.

114.4 In relation to Page No. 68, a Member noted that the old Plan set out that the Council would 'Produce a balanced budget in light of elimination of the revenue support grant' and she queried why there was no mention of delivering a balanced budget in the amended version. In response, the Chief Executive explained that the Council had to produce a balanced budget by law which was why it had been omitted; however, he undertook to add some wording to point a) under the heading "Seek to be financially independent of the government's core grants" to read 'Deliver the Council's transformation programme to deliver a balanced budget'. Drawing attention to Page No. 70, the Member expressed the view that the title should read 'Growing and supporting homes and communities' rather than just communities. In response, the Chief Executive explained that 'growing communities' was intended to reflect housing too. In addition, the Chair indicated that Members had discussed the point at a previous meeting and had agreed not to include housing in the title because it was referenced throughout the text on the page. Referring to the same page, the Member also suggested that a target for the provision of affordable homes ought to be included. In response, the Head of Corporate Services indicated that there were KPIs that supported the Plan and those were monitored so it was felt that was where the target should be referenced. In addition, the target may change in-year so it was sensible not to include it in the actual Council Plan. Other Members agreed that they would not like to see a target for affordable homes specified within the Council Plan as they felt the Council should aim to build as many affordable homes as possible. Referring to the same page, another Member expressed concern about point d) under the heading "Deliver affordable homes to meet local need". She felt it implied the Council preferred to work with Severn Vale Housing Society over other housing providers. In response, the Chief Executive indicated that the point had been included as it was a fact that Severn Vale Housing Society was looking to merge with Bromford and Merlin and this was significant to the Borough Council as it would result in quite a lot of work for Officers in terms of legal agreements etc. It was also anticipated that the new organisation would have the ability to deliver significantly more affordable homes in the Borough than Severn Vale Housing Society would have – the Council had already agreed to support the merger so it had been felt appropriate to include it in the Plan. The Council did work with other social housing providers but this was a specific piece of work regarding Severn Vale Housing Society. The Member felt the point only provided half of the story regarding the merger as there was no mention of the other two housing providers involved. The Chief Executive indicated that this was because the Council had a contractual agreement with Severn Vale; however, it could be amended to refer to Bromford and Merlin specifically. He also suggested the wording could be changed from 'work to support the merger' to 'work to facilitate the merger'. Another Member indicated that the Plan was structured such that there were four priorities, underneath those there were specific objectives and then the actions to meet those objectives. He felt, therefore, that to remove a significant piece of work would defeat the purpose of having the actions and would make it harder to hold Officers to account. The Chief Executive explained that the action aimed to increase and improve the number of affordable homes that could be delivered in the Borough. The action was dependent upon the decision of the Severn Vale Housing Society Board but it was a Council action to take; he suggested that the bullet point could be amended to 'work with Severn Vale Housing Society, Bromford Housing Group and Merlin Housing Society in respect of their merger in accordance with the programme' and that point b) could be amended to 'Achieve the Council's affordable homes target by working with local housing providers'.

114.5 Attention was drawn to Page No. 71, and a Member noted that the previous Council Plan had included a statement that the Council would 'Deliver the enviro-crimes action plan, with a particular focus on fly-tipping and dog fouling' and she questioned why this important issue was not included in the current version. In response, the Head of Corporate Services understood this was a subject which Members felt exceptionally strongly about but the Overview and Scrutiny Committee had undertaken a lot of work on the subject and received six-monthly updates on the enviro-crimes action plan so the Council was now very proactive in that regard; as such, it was considered to be an operational priority but not necessarily something to be included in the Council's overall priorities as part of the Council Plan. A number of Members felt it was important that this was included in the Plan as it was one of the main issues raised by residents in their communities and it was suggested the point read 'To continue to proactively enforce against enviro-crimes, including fly-tipping and dog fouling, in accordance with the action plan. The Head of Corporate Services confirmed that, when the document was published on the website, links would be provided to the various action plans and other documents referred to throughout. Referring to the same page, it was agreed that the final point would be changed to 'Investigate digital methods to improve customer engagement' rather than 'Look at digital methods to improve customer engagement'.

114.6 Accordingly, it was

RESOLVED: That it be **RECOMMENDED TO COUNCIL** that the Council Plan be **ADOPTED**, subject to the following amendments:

- 'Our priorities and objectives 2016-20' – second bullet point entitled 'Promoting and supporting economic growth' amend fifth point to read '~~Promoting~~ ***Promote*** the borough as a ~~visiting~~ ***visitor*** attraction";
- 'Our priorities and objectives 2016-20' – third bullet point entitled 'Growing and supporting communities' amend second point to read '~~Achieve~~ ***Maintain*** a five year supply of land';

- 'Why this is a priority – Finance and resources' – first bullet point entitled 'Seek to be financially independent of the government's core grants' amend point a) to read 'Deliver the Council's transformation programme ***to deliver a balanced budget'.***;
- 'Why this is a priority – Growing and supporting communities' – amend second bullet point heading to read '~~Achieve~~ ***Maintain*** a five year supply of land';
- 'Why this is a priority – Growing and supporting communities' – amend point b) under the fourth bullet point to read 'Achieve the council's affordable homes target ***by working with local housing providers***';
- 'Why this is a priority – Growing and supporting communities' – amend point d) in the fourth bullet point to read '~~Work to support the Severn Vale Housing Merger with its partners in accordance with the programme'~~ ***'Work with Severn Vale Housing Society, Bromford Housing Group and Merlin Housing Society in respect of their merger'***;
- 'Why this is a priority – Customer focussed services' – amend first bullet point to add '***To continue to proactively enforce against enviro-crimes including flytipping and dog fouling in accordance with the action plan';***
- 'Why this is a priority – Customer focussed services' – amend point d) under the third bullet point – to read '~~Look at~~ ***Investigate*** digital methods to improve customer engagement'.

EX.115 2018/19 SERVICE PLANS

115.1 The report of the Head of Corporate Services, circulated at Pages No. 76-113, attached the 2018/19 service plan for each service group. Members were asked to consider and endorse the plans as circulated.

115.2 The Head of Corporate Services explained that the service plan template was as simple as possible; it gave a brief overview of the purpose of the service, an update on the actions from the previous year and the actions for the year ahead. Each service produced a plan and it was expected that Lead Members would receive updates at their portfolio briefings.

115.3 During the brief discussion which ensued, a Member referred to Page No. 104 and questioned why there was currently no data sharing agreement in place with the Department for Work and Pensions (DWP) and why the General Data Protection Regulation (GDPR) would make it impossible to put one in place. In response, the Head of Community Services explained that the Council was looking to share data better with other government organisations and, whilst he did not think it would be impossible, there were other data sharing agreements that would need to be implemented as a priority, such as for tackling crime and fraud, so those would need to be put into place first. The Chief Executive indicated that the Council could share data for certain reasons, for example, if there was imminent harm i.e. for safeguarding. Another Member referred to Page No. 101 and the fact that, whilst relationships between the Council and the Joint Waste Team and the Joint Waste Committee were good, work was ongoing in terms of the Council's relationship with Ubico. In response, the Chief Executive explained that there was generally a good relationship with Ubico but there were still performance issues that needed to be resolved. In terms of car park signage, as noted on Page No. 112, the Member questioned which signs needed to be replaced. In response, the Head of Corporate Service confirmed it was referring to the signage for the Council's off-street car parks as it was not as customer focussed as it could be; this was something that had come out of the Car Parking Strategy action plan. Another Member agreed that this was an issue as often visitors did not know where the car parks were – he felt it may be helpful for the Borough Council to work with Town and Parish Councils to agree where the most suitable places for the signage would be.

115.4 Accordingly, it was

RESOLVED: That the 2018/19 service plans be **ENDORSED**.

EX.116 DRAFT REVISED NATIONAL PLANNING POLICY FRAMEWORK CONSULTATION

116.1 The report of the Head of Development Services, circulated at Pages No. 114-193, informed Members of the government's consultation on a draft revised National Planning Policy Framework (NPPF) and set out Tewkesbury Borough Council's proposed response to the consultation. Members were asked to approve the response for submission on behalf of the Council and to delegate authority to the Head of Development Services, in consultation with the Lead Member for Built Environment, to add further comments to the response prior to its submission.

116.2 The Head of Development Services advised that, since its publication, the National Planning Policy Framework had been a material consideration in decisions and planning policy making. The consultation on the revised Framework sought to bring it up-to-date and in line with a number of other documents published by the government in respect of housing, along with other previous government announcements/proposals and new policy changes. A summary of the key changes was set out at Paragraph 2.0 of the report and indicated that the main areas included: presumption in favour of sustainable development; plan-making (including neighbourhood plans); housing requirements; affordable housing; housing supply; housing mix and density; and Green Belt. A proposed response to the consultation was attached to the report at Appendix 2 and covered the issues that Officers felt were pertinent to Tewkesbury Borough Council. It was intended that the response would form part of a joint response with the other Joint Core Strategy authorities.

116.3 During the discussion which ensued, a Member expressed concern about the Green Belt and the exceptional circumstances required for housing development. In response, the Head of Development Services explained that the National Planning Policy Framework review suggested that any new local development plans, as adopted, would have to adhere to a change of emphasis whereby, before concluding that exceptional circumstances existed, the authority should have examined fully all reasonable options for meeting its identified need for development, including whether the strategy optimised the density of development, and that it had been informed by discussions with neighbouring authorities about whether they could accommodate some of the identified need for development. It also detailed that amendments to Green Belt boundaries may be in neighbourhood plans as well as local plans where the need for changes had been demonstrated through a strategic plan. There was also particular provision for limited infilling in respect of affordable housing where it was under policies in the development plan but also on previously developed land where it would either not have a greater impact on the openness of the Green Belt than the existing development or it contributed to an identified local affordable housing need and would not cause substantial harm to the openness of the Green Belt. In respect of how any changes to the Framework would affect the Joint Core Strategy, the Head of Development Services explained that the Strategy had been adopted and, as such, the new Framework would not apply; however, if sites were not built out before the Joint Core Strategy review, the new Framework would need to be considered.

116.4 Accordingly, it was

RESOLVED:

1. That the response to the draft National Planning Policy Framework consultation, as attached to the report at Appendix 2, be submitted on behalf of Tewkesbury Borough Council.
2. That authority be delegated to the Head of Development Services, in consultation with the Lead Member for Built Environment, to add further comments to the response prior to its submission on behalf of Tewkesbury Borough Council.

EX.117 ALDERTON NEIGHBOURHOOD PLAN REFERENDUM

117.1 The report of Planning Policy Manager, circulated at Pages No. 194-325, set out the Alderton Neighbourhood Plan, along with the modifications proposed by the examiner and the Committee was asked to consider whether the Plan, as modified according to the examiner's recommended amendments, should progress to a community referendum in accordance with Regulation 18 of the Neighbourhood Planning (General) Regulations 2012 as amended.

117.2 The Head of Development Services explained that the examiner had recommended that the Alderton Neighbourhood Plan, if modified according to their recommendations, would meet the basic conditions required and should therefore proceed to a referendum. The Borough Council had a duty to consider each of the examiner's recommendations and publish a decision statement on whether the amended plan met the basic conditions and whether it should proceed to a referendum. Following the Council's decision to go to a community referendum it had 56 days to organise it. As required, consultation had been undertaken and the qualifying body, Alderton Parish Council, had confirmed that it accepted the proposed amendments.

117.3 Accordingly, it was

RESOLVED: That, in accordance with Regulation 18 of the Neighbourhood Planning (General) Regulations 2012, as amended, the Alderton Neighbourhood Plan, as modified according to the Examiner's recommended amendments, be **APPROVED** to progress to Community Referendum.

EX.118 SEPARATE BUSINESS

118.1 The Chair proposed, and it was

RESOLVED That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely discussion of exempt information as defined in Part 1 of Schedule 12(A) of the Act.

EX.119 SEPARATE MINUTES

119.1 The separate Minutes of the meeting held on 14 March 2018, copies of which had been circulated, were approved as a correct record and signed by the Chair.

The meeting closed at 3:35 pm

EXECUTIVE COMMITTEE FORWARD PLAN 2018/19

REGULAR ITEM:

- **Forward Plan – To note the forthcoming items.**

Addition to 6 June 2018

- Grass Cutting.

Committee Date: 11 July 2018			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Performance Management Report – Quarter Four 2017/18.	To receive and respond to the findings of the Overview and Scrutiny Committee's review of the quarter four performance management information.	Graeme Simpson, Head of Corporate Services.	No.
Planning Enforcement Protocol.	**To approve the Planning Enforcement Protocol following consultation.**	**Annette Roberts, Head of Development Services.**	**No.**

Committee Date: 29 August 2018

Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Financial Update – Quarter One 2018/19.	To consider the quarterly budget position.	Simon Dix, Head of Finance and Asset Management.	No.
Risk Management Strategy.	**To approve the Risk Management Strategy.**	**Graeme Simpson, Head of Corporate Services.**	**Yes – from 6 June to allow consideration by the Audit Committee first,**
Data Protection Policy.	**To approve the Council's Data Protection Policy.**	**Shirin Wotherspoon, Principal Solicitor.**	**Yes – from 6 June to allow consideration by the Audit Committee first,**
Confidential Item: Irrecoverable Debts Write-Off Report (Quarterly).	To consider the write-off of irrecoverable debts.	Graeme Simpson, Head of Corporate Services.	No.

(To be considered in private because of the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

Committee Date: 10 October 2018			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Performance Management Report – Quarter One 2018/19.	To receive and respond to the findings of the Overview and Scrutiny Committee‘s review of the quarter one performance management information.	Graeme Simpson, Head of Corporate Services.	No.

Committee Date: 21 November 2018

Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Financial Update – Quarter Two 2018/19.	To consider the quarterly budget position.	Simon Dix, Head of Finance and Asset Management.	No.
Medium Term Financial Strategy (Annual).	To recommend to Council the adoption of the five year MTFS which describes the financial environment the Council is operating in and the pressures it will face in delivering its services and a balanced budget over the period.	Simon Dix, Head of Finance and Asset Management.	No.
Housing Strategy Monitoring Report (Year 3) (Annual).	To approve the Housing Strategy Monitoring Report for Year Three.	Paula Baker, Housing Services Manager.	No.
Confidential Item: Irrecoverable Debts Write-Off Report (Quarterly).	To consider the write-off of irrecoverable debts.	Graeme Simpson, Head of Corporate Services.	No.
(To be considered in private because of the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)).			

Committee Date: 2 January 2019			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Performance Management Report – Quarter Two 2018/19.	To receive and respond to the findings of the Overview and Scrutiny Committee's review of the quarter two performance management information.	Graeme Simpson, Head of Corporate Services.	No.
ICT Strategy.	**To approve the ICT Strategy,**	**Graeme Simpson, Head pf Corporate Services.**	**Yes – from 6 June 2018 to align with the action within the Corporate Services action plan.**

Changes from previously published Plan shown in bold

Committee Date: 6 February 2019			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Budget 2019/20 (Annual).	To recommend a budget for 2019/20 to the Council.	Simon Dix, Head of Finance and Asset Management.	No.
Financial Update - Quarter Three 2018/19.	To consider the quarterly budget position.	Simon Dix, Head of Finance and Asset Management.	No.
Confidential Item: Irrecoverable Debts Write-Off Report (Quarterly).	To consider the write-off of irrecoverable debts.	Graeme Simpson, Head of Corporate Services.	No.
(To be considered in private because of the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)).			

Committee Date: 6 March 2019			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**

Committee Date: 3 April 2019			
Agenda Item	**Overview of Agenda Item**	**Lead Officer**	**Has agenda item previously been deferred? Details and date of deferment required**
Performance Management Report – Quarter Three 2018/19.	To receive and respond to the findings of the Overview and Scrutiny Committee's review of the quarter three performance management information.	Graeme Simpson, Head of Corporate Services.	No.
Council Plan 2016/20 Refresh (Annual).	To consider the Council Plan and make a recommendation to Council.	Graeme Simpson, Head of Corporate Services.	No.
High Level Service Plan Summaries (Annual).	To consider the key activities of each service grouping during 2017/18.	Graeme Simpson, Head of Corporate Services.	No.

PENDING ITEMS

Agenda Item	Overview of Agenda Item
Confidential Item: Spring Gardens/Oldbury Road Regeneration.	To consider the information provided and agree a way forward.
Confidential Item: MAFF Site.	To consider the way forward for the site.
Workforce Development Strategy.	To approve the Council’s Workforce Development Strategy.

Lead Member Portfolios 2018/19

Rob Bird (Leader)	Ron Furolo	Elaine MacTiernan	Mike Dean	Gill Blackwell	Mel Gore	Jim Mason (Deputy Leader)	Kay Berry	Julie Greening
Economic Development/ Promotion	**Finance and Asset Management**	**Corporate Governance**	**Customer Focus**	**Organisational Development**	**Built Environment**	**Clean and Green Environment**	**Community**	**Health and Wellbeing**
• Council Plan • External Relations and Communi-cation • Community Leader for Emergencies • Economic Development and Promotion • LEP and Economic Partnerships • Tourism • Markets and Festivals • Car Parking Strategy and Transport	• Financial Strategy • VFM and Efficiency • Procurement • Revenues • Investments • Property/Asset Management including Car Park Asset Management • Facilities Management • Housing Benefit Administration	• Corporate Governance • Audit • Risk Management • Democratic Service • One Legal • Business Continuity • Member Development	• Customer Services Strategy • Customer Services • ICT • Service Commissioning • Customer Engagement and Access • Equalities	• Business Transformation • Performance Management • Organisational Development • Workforce Development Plan • Human Resources • Joint Staff • Overview and Scrutiny Process • Corporate Health and Safety	• Strategic Planning • Development Management • Conservation • Building Control • Strategic Housing • Affordable Housing • Gypsy and Traveller Site Provision • Land Charges	• Waste Collection • Recycling • Street Cleansing • Grounds Maintenance • Environmental Health and Licensing • Land Drainage and Flooding Response • Climate Change	• Community Development • Community Safety • Community Partnerships • Town and Parish Council Community Support • Emergency Planning • Safeguarding Children and Adults	• Public Health • Leisure and Culture • Families First • Public Service Centre – Strategic Outcomes • Military Covenant • Operational Housing/ Homelessness
Support Member - Philip Surman	Support Member – Andrew Reece	Support Member – Ron Allen	Support Member - Heather McLain	Support Member – Pauline Godwin	Support Member – Ruth Hatton	Support Member - Mark Williams	Support Member - Pearl Stokes	Support Member – Janet Day
• Leadership Glos • LGA • South West Councils • District Councils Network Glos Economic Growth Joint Committee						• Joint Waste Committee	• Community Safety Partnership	• Health and Wellbeing Partnerships

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	6 June 2018
Subject:	Financial Outturn 2017/18
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The report highlights the Council's financial performance for the previous year, setting out the General Fund and capital outturn positions. To support this, a detailed statement on both positive and negative variances against budget is included.

The formation of the Council's reserves for the forthcoming year requires the approval of Executive Committee.

The performance of the Treasury Management function is also included within the report as required by the Council's Treasury Management Policy.

Recommendation:

That the Executive Committee:

1. **notes the General Fund outturn for 2017/18, the financing of the capital programme and the annual treasury management report and performance; and**
2. **approves the transfers to and from earmarked reserves.**

Reasons for Recommendation:

In line with the requirement to provide Members with regular information on the Council's finances and financial performance, a report on progress against budget is produced on a quarterly basis. This report on the outturn position for the Council offers more detail on the final financial position and compliments the existing reporting framework. Members are also required to approve the transfers to and from earmarked reserves and the carry forward of budgets.

The Council's Treasury Management Policy requires the Section 151 Officer to report to Members annually, by 30 September, on the treasury management activities and prudential indicators for the previous financial year.

Resource Implications:

As detailed within the report.

Legal Implications: None specific arising from the report recommendations.
Risk Management Implications: A number of reserves have been set aside to deal directly with specific service risk or general financial risk to the Council.
Performance Management Follow-up: The performance of services against their set budget is monitored on an ongoing basis. In addition, performance is reported to Members on a quarterly basis.
Environmental Implications: None associated with this report.

1.0 INTRODUCTION/BACKGROUND

1.1 This report sets out the final outturn position for the 2017/18 financial year. The main purpose of this report is to provide Members with an overview of the performance against the General Fund revenue budget for 2017/18 and explain significant variances.

1.2 The report also addresses the movement on reserves and requests Member approval for the creation of newly requested reserves or additions to existing reserves that fall outside of a previously approved sum.

1.3 In addition to the revenue budget outturn, this report also seeks to confirm the full year progress against the capital programme and the sources of finance used in delivering that programme and also to report the performance in 2017/18 of the treasury management function in line with the requirements of the code of practice.

1.4 All of the information within this report will be contained within the Council's Statement of Accounts which will be approved by the Audit Committee in July 2018 following the audit conducted by Grant Thornton.

2.0 GENERAL FUND REVENUE OUTTURN 2017/18

2.1 In February 2018, the quarter three outturn position was reported to Executive Committee. The report confirmed a surplus of £590,640 for this period which represented a positive variance of 8% on budget.

2.2 The final General Fund revenue outturn position for the full year can now be reported as a £1.5m surplus. This is a significant increase against the quarter three position and can be primarily attributed to strong performance in treasury and commercial activities, additional business rates retention and substantial external grant funding being received. The following paragraphs highlight this position.

2.3 The table below summarises the service performance which has generated the reported deficit. In addition, the table highlights the non-service related activity and other aspects of the overall budget to provide a whole view of the Council's general fund. The table concludes with the budgeted transfer to reserves of £57,383 and the actual transfer totalling £1,555,899.

Table 1 – General Fund outturn summary

	Full Year Budget £	Outturn Position £	Savings /(deficit) £	Budget Variance %
Employees	8,644,124	8,510,111	134,013	-1.55
Premises	521,412	486,991	34,421	-6.60
Transport	169,250	136,240	33,010	-19.50
Supplies & Services	1,820,664	1,796,943	23,721	-1.30
Payments to Third Parties	4,971,332	4,971,102	230	0.00
Transfer Payments	47,963	87,439	-39,476	82.30
Income	-6,326,381	-7,220,742	894,361	14.14
Service Total	**9,848,364**	**8,768,083**	**1,080,281**	**-10.97**
Treasury activity	57,085	-133,274	190,359	-333.47
Commercial activity	-1,197,421	-1,392,464	195,043	16.29
Corporate Savings Targets	-60,000	0	-60,000	-100.00
New Homes Bonus	47,300	0	47,300	-100.00
Business Rates Income	-1,724,138	-2,360,653	636,515	36.92
Other adjustments	-7,028,573	-6,437,591	-590,982	-8.41
Council Total	**-57,383**	**-1,555,899**	**1,498,516**	**2,611.43**

2.4 The outturn position for direct service expenditure shows a positive variance of £1,080,281 and is mainly attributable to the major items outlined below:

- The employees full year budget is underspent largely as a result of staff turnover and vacancies in most service groupings;
- Premises is underspent as a result of savings on utilities, particularly electricity, plus savings on business rates paid;
- Savings on transport have been generated across all service areas and result from reduced car allowance scheme costs plus reduced business mileage;
- Council income is showing additional income levels of £894,361 over the budgeted provision. The majority of fees and charges budgets, with the exception of planning fees, have been delivered on budget during the year. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received a number of new burdens grants from the government but has also attracted significant service specific grants particularly in relation to the delivery of the requirements for infrastructure and the Joint Core Strategy. In addition, the Council has taken on accountable body status for the Gloucestershire wide Places of Safety funding and has therefore received a transfer of funding totalling £449,000.

2.5 A full explanation of all variances exceeding £40,000 at a group subjective level is contained at Appendix A. The appendix also contains an explanation of the variance on the corporate codes with a more detailed explanation within the paragraphs below.

2.6 Treasury performance has been strong in 2017-18 with both investment and borrowing decisions contributing towards an overall surplus of £190,359. Of the surplus, circa £165,000 has been generated from investments. Whilst an increase in the portfolio balance and a slight increase in market rates has benefited the portfolio, the main reason for the surplus is the investment in the CCLA pooled property fund in May 2017 which is currently generating income returns of 4.67%. Short term borrowing rates have remained low and as a result of maintaining all borrowing requirements on a short term structure the Council has delivered a saving of £24,000 on this particular aspect of treasury activity.

2.7 The Council acquired a further three commercial investment properties in the second half of the year which has resulted in increased rental generation against budget of £195,043. The three properties have a combined yield in excess of the targeted yield and were purchased sooner than envisaged. The three new properties, combined with the existing units, will make a significant contribution to the Council's core budget in the coming years.

2.8 For the first time in four years, the Council is able to report a positive position on the retained business rates scheme. The Council has seen little impact on its position as a result of successful appeals in year partly as a result of a number of unsuccessful appeals but also because of the provisions it has made against successful appeals. Against this backdrop, additional income has been generated as a result of:

- Underlying growth.
- The identification of renewable energy installations where the business rates are retained locally.
- Payment of additional grant from the Government in respect of amendments to the business rate multiplier cap.

2.9 The final row in the table picks up all of the remaining items within the base budget to reconcile back to the budgeted transfer to reserves. This row mainly contains the precepts on the tax payer for both the Borough Council and Parish Councils but also contains other items such as the Minimum Revenue Provision. A reduced cost of £278,000 has been posted against the MRP requirement as a result of a change to historic accounting treatments. In addition, the row also contains the required payment of business rates to the Government in relation to adjustments for the 2016-17 year. These payments are made in the 2017-18 financial year and are covered by a cash backed reserve.

2.10 Overall, the Council is able, largely as a result of external funding, to transfer to reserves a gross total of £1,555,899.

3.0 COUNCIL RESERVES

3.1 A breakdown of the reserves of the Council as at 31 March 2018 is shown at Appendix B. The reserves are grouped under strategic headings so as to provide Members with a better understanding of the actual intended use of the monies set aside. Also included is a breakdown of the previous year's reserves, under the same strategic headings, so as to inform Members about the movement on those reserves in the last two years.

3.2 Total revenue reserves of the Council stand at £10.61m as at the end of March 2018 and include earmarked reserves, planning obligations and the general fund working balance. The increase in overall revenue reserves totals £2.56m and is as a result of a number of factors:

- In year surplus within the general fund including external grant funding as highlighted in section 2.
- Developer contributions, expenditure against contributions already received and expenditure on existing reserves of £1.01m.

3.3 Where significant movements have occurred during the year, a note in Appendix B has been included, to explain the reason for the movement. Members are asked to approve the balances on the reserves for the new financial year.

4.0 CAPITAL PROGRAMME

4.1 The Council has committed to a substantial capital programme in the last few years and this is highlighted in the level of capital expenditure incurred in 2017/18, totalling £15.93m. The bulk of the expenditure has been on the purchase of further investment properties and the refurbishment of the Public Service Centre (£1.09m).

4.2 The capital programme saw over the purchase of three investment property in 2017 totalling £13.64m. This was less than the budgeted amount of £16.78m, hence a reported slippage on the land and buildings programme, but the balance of £3.14m has been added to a further allocation from Council of £12m giving a total of £15.14m to be invested during 2018.

4.3 An underspend of £170,113 (86%) is reported against the remaining capital balances from the community grants programme. The variance is outside of the Council's control as the draw down of awarded capital grants is subject to applicant progressing the agreed scheme.

4.4 The summarised capital programme is shown at Appendix C together with the sources of finance used. In summary, the Council expended £15.93m on capital projects in 2017/18 utilising £1.70m of capital reserves, £0.51m of capital grants, £0.09m of revenue contributions and £13.64 from borrowing. Following the allocation of capital receipts, primarily from right-to-buy receipts but also including some small asset sales, the balance on capital reserves, both receipts and grants, has reduced to £1.98m as at 31 March 2018 with commitments totalling £23.28m over the next three years. The commercial property investment programme and the regeneration of Tewkesbury Town will require the Council to borrow monies from external sources with the cost of borrowing being financed from new income streams associated with the capital investments. Capital grants are expected to continue to cover the annual cost of the disabled facility grant programme.

5.0 TREASURY MANAGEMENT

5.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the code and complies with its requirements, one of which is the receipt by Members of an annual review report after the financial year end.

5.2 The detailed treasury report is attached at Appendix D. The report details the economic environment, a number of changes introduced into the sector, local performance and a number of prudential indicators.

5.3 The prudential indicators have been monitored regularly and there were only minor departures from the indicators arising during the year on investments as a result of timings on property investment. The in-year performance of treasury investments resulted in an average return of 0.98% and total income of £192,000. This is £165,000 above the budget for the year and reflects the range of investments made, particularly the investment in the CCLA pooled property fund.

5.4 In order to part fund the investment in commercial property, the Council has undertaken significant borrowing with year-end figures totalling £21million. Given the borrowing rates available in the market and the timing of expenditure, the Council has kept its borrowing requirement short-term and borrowed from a range of local authorities. This has resulted in the total borrowing cost being kept within £60,000 for the year, £24,000 below budget. The year-end borrowing requirement has been secured at an average rate of 0.42%.

6.0 PERFORMANCE INDICATORS

6.1 The Financial Services section reports on two performance indicators during the year relating to the speed of paying invoices and the level of sundry debt over 12 months old. The summary performance of the indicators are shown in the table below.

Table 2 – Performance Indicators

KPI description	Outturn 2016-17	Outturn Q1 17-18	Outturn Q2 17-18	Outturn Q3 17-18	Outturn Q4 17-18
Percentage of creditor payments paid within 30 days of receipt	94.74%	95.18%	94.70%	94.55%	94.56%
Outstanding sundry debt in excess of 12 months old	£33,566	£38,317	£43,351	£47,956	£27,659

6.2 It is pleasing to report a continued high performance in the speed of paying invoices. The outturn performance of 94.56% has again exceeded target and has benefited from the roll out of a new purchase ordering system in 2017. The sundry debt position has fallen by circa £6,000 across the financial year taking the amount outstanding to £27,659, the lowest year end position for a number of years.

7.0 CONSULTATION

7.1 Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.

8.0 RELEVANT COUNCIL POLICIES/STRATEGIES

8.1 Treasury Management Strategy approved at Council on 21 February 2017 and the Medium Term Financial Strategy approved at Council on 6 December 2016.

9.0 RELEVANT GOVERNMENT POLICIES

9.1 None.

10.0 RESOURCE IMPLICATIONS (Human/Property)

10.1 As detailed within the report and appendices.

11.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

11.1 None.

12.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

12.1 None.

13.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

13.1 Approval of Treasury Management Strategy 2017/18 – Council 21 February 2017.

Approval of Budget 2017/18 – Council 21 February 2017.

Background Papers: Approval of Treasury Management Strategy 2017/18 – Council 21 February 2017.
Approval of Budget 2017/18 – Council 21 February 2017.

Contact Officer: Simon Dix, Head of Finance and Asset Management
Tel: 01684 272005 Email: simon.dix@tewkesbury.gov.uk

Appendices: Appendix A – Revenue Outturn by Group.
Appendix B – Earmarked Reserves and Carry Forwards.
Appendix C – Capital Outturn 2017/18.
Appendix D – Annual Treasury Management Report.

General Fund Outturn by Group 2017/2018

	Budget	Actual	Savings / (Deficit)	Variance	Notes
Chief Executive					
Employees	£241,157	£241,156	£1	0.00%	
Premises	£0	£0	£0	-	
Transport	£2,898	£2,356	£542	-18.70%	
Supplies & Services	£4,132	£4,066	£66	-1.59%	
Payments to Third Parties	£2,000	£0	£2,000	-100.00%	
Income	£0	£0	£0	-	
TOTAL	**£250,187**	**£247,579**	**£2,608**	**-1.04%**	

Community	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£1,013,123	£1,004,252	£8,871	-0.88%	
Premises	£2,500	£663	£1,837	-73.48%	
Transport	£35,284	£30,944	£4,340	-12.30%	
Supplies & Services	£155,744	£129,389	£26,355	-16.92%	
Payments to Third Parties	£4,197,547	£4,312,787	-£115,240	2.75%	1
Income	-£1,824,800	-£2,350,247	£525,447	28.79%	2
TOTAL	**£3,579,398**	**£3,127,788**	**£451,610**	**-12.62%**	

1. Provision made in respect of on-going court proceedings
2. External grants for homelessness prevention in addition to the Places of Safety funding for Gloucestershire for which Tewkesbury is the accountable body

Corporate Services	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£1,665,669	£1,740,290	-£74,621	4.48%	3
Premises	£0	£0	£0	-	
Transport	£16,951	£14,727	£2,224	-13.12%	
Supplies & Services	£479,695	£461,700	£17,995	-3.75%	
Payments to Third Parties	£111,720	£79,467	£32,253	-28.87%	
Transfer Payments - Benefits Service	£47,963	£87,439	-£39,476	82.30%	
Income	-£489,268	-£541,838	£52,570	10.74%	4
TOTAL	**£1,832,730**	**£1,841,783**	**-£9,053**	**0.49%**	

3. Overspend is in relation to requirement to backfill individuals on sick leave plus reduced savings associated with the Revenues and Benefits review as a result of limited impact of the transfer to Universal Credit
4. New Burdens grant received in year

Democratic Services	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£247,331	£190,440	£56,891	-23.00%	5
Premises	£0	£0	£0	-	
Transport	£17,888	£15,012	£2,876	-16.08%	
Supplies & Services	£449,510	£408,418	£41,092	-9.14%	6
Payments to Third Parties	£36,700	£34,329	£2,371	-6.46%	
Income	-£500	-£16,954	£16,454	3290.80%	
TOTAL	**£750,929**	**£631,244**	**£119,685**	**-15.94%**	

5. Savings associated with vacant post
6. Savings on a variety of items such as computer licences

Deputy Chief Executive	Budget	Actual	Savings / (Deficit)	Variance

Employees	£106,036	£105,937	£99	-0.09%	
Premises	£0	£0	£0	-	
Transport	£3,440	£1,840	£1,600	-46.50%	
Supplies & Services	£4,350	£4,479	-£129	2.96%	
Payments to Third Parties	£0	£0	£0	-	
Income	£0	£0	£0	-	
TOTAL	**£113,826**	**£112,256**	**£1,570**	**-1.38%**	

Development Services	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£1,637,208	£1,586,129	£51,079	-3.12%	7
Premises	£43,230	£41,800	£1,430	-3.31%	
Transport	£56,072	£44,606	£11,466	-20.45%	
Supplies & Services	£169,530	£193,011	-£23,481	13.85%	
Payments to Third Parties	£213,325	£147,027	£66,298	-31.08%	8
Income	-£1,472,081	-£1,675,572	£203,491	13.82%	9
TOTAL	**£647,284**	**£337,000**	**£310,284**	**-47.94%**	

7. Savings from a variety of posts, particularly within Development Services.
8. Savings made on estimated planning appeals cost plus a surplus gained on the Building Control shared service

9. Substantial external grant funding received but reduced by significant deficit, £369,000, on planning income

Finance and Asset Management	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£2,382,270	£2,333,166	£49,104	-2.06%	10
Premises	£475,682	£444,528	£31,154	-6.55%	
Transport	£15,142	£11,621	£3,521	-23.25%	
Supplies & Services	£474,561	£523,840	-£49,279	10.38%	11
Payments to Third Parties	£244,580	£220,974	£23,606	-9.65%	
Income	-£1,280,395	-£1,321,247	£40,852	3.19%	12
TOTAL	**£2,311,840**	**£2,212,882**	**£98,958**	**-4.28%**	

10. Savings accrued from a variety of vacant posts during the year
11. Increased expenditure against a variety of cost headings including electronic payment charges as a result of chanel shift, increased cost of insurance premiums and cost of capital financing for replacement financial systems
12. Additional income generated in a variety of areas including burials, service charge and rentals

One Legal	**Budget**	**Actual**	**Savings / (Deficit)**	**Variance**	
Employees	£1,351,330	£1,308,742	£42,588	-3.15%	13
Premises	£0	£0	£0	-	
Transport	£21,575	£15,134	£6,441	-29.86%	
Supplies & Services	£83,142	£72,041	£11,101	-13.35%	
Payments to Third Parties	£165,460	£176,518	-£11,058	6.68%	
Income	-£1,259,337	-£1,314,883	£55,546	4.41%	14
TOTAL	**£362,170**	**£257,551**	**£104,619**	**-28.89%**	

13. Savings generated through the year from internal vacancies
14. Increased third party income generated

Service Summary	Budget	Actual	Savings / (Deficit)	Variance	
Employees	£8,644,124	£8,510,111	£134,013	-1.55%	
Premises	£521,412	£486,991	£34,421	-6.60%	
Transport	£169,250	£136,240	£33,010	-19.50%	
Supplies & Services	£1,820,664	£1,796,943	£23,721	-1.30%	
Payments to Third Parties	£4,971,332	£4,971,102	£230	0.00%	
Transfer Payments - Benefits Service	£47,963	£87,439	-£39,476	82.30%	
Income	-£6,326,381	-£7,220,742	£894,361	14.14%	
	£9,848,364	**£8,768,083**	**£1,080,281**	**-10.97%**	
Corporate Codes					
Treasury activity	£57,085	-£133,274	£190,359	-333.47%	15
Commercial activity	-£1,197,421	-£1,392,464	£195,043	16.29%	16
Corporate Savings Targets	-£60,000	£0	-£60,000	-100.00%	17
New Homes Bonus	£47,300	£0	£47,300	-100.00%	18
Business Rates Income	-£1,724,138	-£2,360,653	£636,515	36.92%	19
Other adjustments	-£7,028,573	-£6,437,591	-£590,982	-8.41%	20
	-£9,905,747	**-£10,323,981**	**£418,234**	**4.22%**	

15. Additional income (£165k) from treasury investments plus savings on borrowing requirement
16. Additional income generated from securing new properties earlier than anticipated and at a higher yield
17. Actual savings on procurement and salaries will be shown in service expenditure
18. Monies held for business transformation activiites in 2018-19
19. Income generated during the year from growth and renewable energy instalations plus additional government grant in respect of business rates multiplier cap assessment
20. £278k savings on Minimum Revenue Provision in year, offset by the cost of 2016-17 business rate payments to the Government paid in 2017-18. This cost is covered within the accounts.

Net total	**-£57,383**	**-£1,555,899**	**£1,498,516**	**2611.43%**

Council Revenue Reserves for 18/19

Reserve	Balance 31st March 2016	*Net Movement 2016/17*	Balance 31st March 2017	*Net Movement 2017/18*	Balance 31st March 2018	Note
Asset Management Reserve	335,459.21	*186,432.69*	521,891.90	*437,390.08*	959,281.98	1
Borough Regeneration Reserve	10,588.02	*-3,654.37*	6,933.65	*197,520.40*	204,454.05	2
Business Rates Reserve	4,097,967.26	*-2,606,666.69*	1,491,300.57	*-853,929.66*	637,370.91	3
Business Support Reserve	107,031.21	*125,267.89*	232,299.10	*-22,159.59*	210,139.51	
Business Transformation Reserve	231,201.77	*90,868.01*	322,069.78	*33,812.69*	355,882.47	
Community Safety Reserve	0.00	*0.00*	0.00	*10,885.96*	10,885.96	
Community Support Reserve	117,843.69	*9,518.31*	127,362.00	*-13,970.41*	113,391.59	
Development Management Reserve	466,595.87	*-362,795.87*	103,800.00	*134,201.55*	238,001.55	4
Development Policy Reserve	317,391.36	*-20,507.12*	296,884.24	*228,543.66*	525,427.90	5
Elections Reserve	64,160.23	*-1,160.23*	63,000.00	*5,500.00*	68,500.00	
Flood Support and Protection Reserve	255,329.95	*-211,598.87*	43,731.08	*-30,049.22*	13,681.86	
Health & Leisure Development Reserve	33,802.35	*-5,756.32*	28,046.03	*-26,057.00*	1,989.03	
Housing & Homeless Reserve	40,026.15	*-21,865.89*	18,160.26	*412,574.24*	430,734.50	6
Information Technology Reserve	0.00	*14,726.00*	14,726.00	*3,505.00*	18,231.00	
Interest Equalisation Reserve	0.00	*0.00*	0.00	*0.00*	0.00	
MTFS Equalisation Reserve	746,496.02	*421,120.98*	1,167,617.00	*-301,613.00*	866,004.00	7
Organisational Development Reserve	27,259.00	*-12,800.80*	14,458.20	*116,913.80*	131,372.00	
Risk Management Reserve	26,309.90	*-18,606.48*	7,703.42	*-2,703.42*	5,000.00	
Transport Initiatives Reserves	0.00	*342,046.00*	342,046.00	*178,345.46*	520,391.46	8
Waste & Recycling development Reserve	21,450.70	*7,299.30*	28,750.00	*506,891.00*	535,641.00	9
Uncommitted contingency reserve	0.00	*0.00*	0.00	*46,769.39*	46,769.39	10
Horsford Reserve	38,973.57	*8,777.03*	47,750.60	*4,848.00*	52,598.60	
Mayors Charity Reserve	6,913.79	*738.93*	7,652.72	*-1,396.28*	6,256.44	
Planning Obligations Reserve	2,441,100.55	*266,920.84*	2,708,021.39	*1,399,499.30*	4,107,520.69	11
General Fund Working Balance	450,000.00	*0.00*	450,000.00	*100,000.00*	550,000.00	
Totals	**9,835,900.60**	***-1,791,696.66***	**8,044,203.94**	***2,565,321.95***	**10,609,525.89**	

Notes to Reserves

1	Reserve now includes monies set aside for future management of commercial portfolio
2	Spring Gardens regeneration project monies reallocated from the asset management reserve
3	Reduction in amount required to be paid to the Government, relating to 2017/18, through the new financial year
4	Additional monies set aside for business improvement and appeals
5	Further external funding received for the delivery of the JCS
6	External funding received for homelessness and refuge activities
7	2017/18 set aside released
8	Additional external funding received for J9 plus allocation of monies for the development of the A40 business case
9	First year accumulation of vehicle replacement fund
10	Monies set aside for future business and community needs
11	Substantial new funds received in year from developers

Appendix C

Capital Outturn 2017/18

	Budget profile for 2017/18	Capital Outturn 2017/18	(Over)/ Under spend	% Slippage	Financed from Capital Reserves	Financed from Capital Grants	Financed from Borrowing	Financed from Revenue
Council Land & Buildings	£19,758,825.00	£14,749,903.97	£5,008,921.03	25.35%	£1,111,910.60	£0.00	£13,637,993.37	£0.00
Vehicles & Equipment	£727,299.48	£650,773.03	£76,526.45	10.52%	£560,040.94	£0.00	£0.00	£90,732.09
Community Grants	£197,760.06	£27,646.85	£170,113.21	86.02%	£27,646.85	£0.00	£0.00	£0.00
Housing & Business Grants	£700,000.00	£505,450.77	£194,549.23	27.79%	£0.00	£505,450.77	£0.00	£0.00
Total	**£21,383,884.54**	**£15,933,774.62**	**£5,450,109.92**	**25.49%**	**£1,699,598.39**	**£505,450.77**	**£13,637,993.37**	**£90,732.09**

Treasury Management Outturn Report 2017/18

Introduction

In February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority's treasury management strategy for 2017/18 was approved at a meeting on 21st February 2017. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic commentary

2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

<u>Credit Metrics</u>

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would will be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

Local Authority Regulatory Changes

Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into Treasury Management Strategies and monitoring reports.

The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

<u>MHCLG Investment Guidance and Minimum Revenue Provision (MRP):</u> In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called “loans” (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

The definition of prudent MRP has been changed to “put aside revenue over time to cover the CFR”; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

<u>MiFID II:</u> As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

<u>Local Context</u>

On 31st March 2018, the Authority had net borrowing of £5.95m arising from its revenue and capital income and expenditure, an increase on 2017 of £7.85m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

<u>Table 1: Balance Sheet Summary</u>

	31.3.17 Actual £m	**2017/18 Movement £m**	**31.3.18 Actual £m**
General Fund CFR	14.919	13.653	28.572
Total CFR	**14.919**	**13.653**	**28.572**
Less: Other debt liabilities *	0.0	0.0	0.0
Borrowing CFR	**14.919**	**13.653**	**28.572**
Less: Usable reserves	-11.322	-1.267	-12.589
Less: Working capital	-5.496	-4.536	-10.032
Net Investments/Borrowing	**1.899**	**-7.85**	**-5.951**

* finance leases, PFI liabilities and transferred debt that form part of the Authority’s total debt

Net borrowing has increased due to a rise in the CFR as new capital expenditure was higher than the financing applied including minimum revenue provision.

The Authority's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. *(Change if this is not the case for your authority)* The treasury management position as at 31st March 2018 and the year-on-year change in show in table 2 below.

Table 2: Treasury Management Summary

	31.3.17 Balance £m	**2017/18 Movement £m**	**31.3.18 Balance £m**	**31.03.18 Rate of Return %**
Long-term borrowing	0.0	0.0	0.0	0.0
Short-term borrowing	15.0	6.0	21.0	0.42%
Total borrowing	15.0	6.0	21.0	**0.42%**
Long-term investments	0.0	2.0	2.0	1.55%
Short-term investments	6.0	0.0	6.0	1.96%
Cash and cash equivalents	10.9	(3.854)	7.046	0.49%
Total investments	**16.9**	**(1.854)**	**15.046**	**1.75%**
Net borrowing / investments	**1.9**	**(7.854)**	**(5.954)**	

Note: the figures in the table are from the balance sheet in the Authority's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments

The increase in net borrowing in table 1 has translated into a fall in investment balances due to the Authority's internal borrowing policy.

Borrowing Activity

At 31st March 2018, the Authority held £21m of loans, an increase of £6m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate %
Public Works Loan Board	0.0	0.0	0.0	N/A
Banks (LOBO)	0.0	0.0	0.0	N/A
Banks (fixed-term)	0.0	0.0	0.0	N/A
Local authorities (long-term)	0.0	0.0	0.0	N/A
Local authorities (short-term)	15.0	6.0	21.0	0.42
Total borrowing	**15.0**	**6.0**	**21.0**	**0.42**

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

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it has proved to be more cost effective in the past year to borrow short-term loans instead.

The Authority has kept net borrowing costs to a minimum (despite foregone investment income) and reduced overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

For the majority of the year the "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18, the Authority's investment balance ranged between £11.985 and £21.918 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position (Treasury Investments)

	31.3.17 Balance £m	2017/18 Movement £m	31.3.18 Balance £m	31.3.18 Rate of Return (Income only) %
Banks & building societies (unsecured)	6.02	(3.29)	2.73	0.79
Covered bonds (secured)	0.00	0.0	0.0	N/A
Government (incl. local authorities)	0.00	5.0	5.0	0.70
Corporate bonds and loans	2.00	1.0	3.0	1.43
Money Market Funds	4.88	(3.97)	0.91	0.51
Other Pooled Funds	4.00	(0.60)	3.40	4.67
Total investments	**16.90**	**(1.86)**	**15.04**	**1.75**

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Authority further diversified into more secure and higher yielding asset classes during 2017/18. £3.4m that is available for longer-term investment was moved from bank and building society deposits into property funds. As a result, investment risk was lowered, while the average rate of return has increased by 0.23% to 0.98%. The progression of credit risk and return metrics for the Authority's investments managed in-house are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2017	5.25	A+	84%	77	0.75%
30.06.2017	5.62	A	77%	72	0.48%
30.09.2017	5.41	A+	93%	68	0.46%
31.12.2017	5.15	A+	74%	70	0.76%
31.03.2018	4.67	A+	31%	193	0.98%
Similar LAs	**4.22**	**AA-**	**53%**	**109**	**1.32%**
All LAs	**4.24**	**AA-**	**55%**	**35**	**1.08%**

*Weighted average maturity

The £3.4m portfolio (only £2m until 31.12.17) of externally managed property funds generated an income return of £94,000 (4.67%) used to support services in year. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. In light of their strong income generation performance and the Authority's latest cash flow forecasts, investment in these funds has been increased for the 2018/19 financial year.

Financial Implications

The outturn for debt interest paid in 2017/18 was £0.060 million on an average debt portfolio of £13.83 million against a budgeted £0.084 million.

The outturn for investment income received in 2017/18 was £0.192 million on an average investment portfolio of £16.958 million against a budgeted £0.027 million.

Other Non-Treasury Holdings and Activity

Although not classed as treasury management activities, the 2017 CIPFA Code now requires the Authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. The Authority also holds £32.489m of investments in directly owned property. This represents an increase of £12.937m on the previous year due to new investment in three properties; The Chase, SPL House, and Wickes in Trowbridge.

These non-treasury investments generated £1.374m of investment income for the Authority after taking account of direct costs, representing a rate of return of 6.25%. This is higher than the return earned on treasury investments but reflects the additional risks to the Authority of holding such investments.

Performance Report

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £m	Budget £m	Over/ Under £m
Treasury Investments	0.192	0.027	0.165
Property Investments	1.374	1.199	0.175
Total investments	**1.566**	**1.226**	**0.340**
Borrowing	0.060	0.084	0.024
Total debt	0.060	0.084	0.024
GRAND TOTAL	**1.56**	**1.186**	**0.364**

Compliance Report

The Head of Finance & Asset Management is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy with the exception of the limits detailed below. Compliance with specific investment limits is demonstrated in table 7 and 8 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	2017/18 Maximum £m	31.3.18 Actual £m	2017/18 Operational Boundary £m	2017/18 Authorised Limit £m	Complied
Borrowing	21.0	21.0	33.0	51.0	✓
Total debt	**21.0**	**21.0**	**33.0**	**51.0**	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt was above the operational boundary for 0 days during 2017/18.

Table 8: Investment Limits

	2017/18 Maximum	31.3.18 Actual	2017/18 Limit	Complied
Any single organisation, except the UK Central Government	£2.0m	£2.0m	£2m each	✓
Any group of organisations under the same ownership	£2.0m	£2.0m	£2m per group	✓
Any group of pooled funds under the same management	£3.4m	£3.4m	£2m per manager	x
Negotiable instruments held in a broker's nominee account	£0m	£0m	£4m per broker	✓
Foreign countries	£0m	£0m	£2m per country	✓
Registered Providers	£3m	£3m	£4m in total	✓
Unsecured investments with Building Societies	£2m	£1m	£2m in total	✓
Loans to unrated corporates	£0m	£0m	£1m in total	✓
Money Market Funds	£7.3m	£0.91m	£6m in total	x

The pooled fund limit was breached in December 2017 following an investment opportunity to purchase units in the CCLA Property Fund at a discounted rate. This decision was undertaken under the statutory powers designated to the Section 151 Officer in consultation with lead members and senior management.

The Money Market Fund limit was breached as money was borrowed in advance of an Investment Property purchase. It was prudent to place the funds with the various Money Market Funds at the Council's disposal as opposed to leaving one lump sum in the current account. Arlingclose recommend a maximum of 50% of the total portfolio invested at any one time in Money Market Funds, and £7.3m invested at the end of November represented approximately 33%.

Treasury Management Indicators

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

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

	31.3.18 Actual	2017/18 Target	Complied
Portfolio average credit rating	A+	A	✓

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

	31.3.18 Actual	2017/18 Limit	Complied
Upper limit on fixed interest rate exposure	£21.0m	£51.0m	✓
Upper limit on variable interest rate exposure	£0m	£0m	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

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

	31.3.18 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	100%	100%	0%	✓
12 months and within 24 months	0%	100%	0%	✓
24 months and within 5 years	0%	100%	0%	✓
5 years and within 10 years	0%	100%	0%	✓
10 years and above	0%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2017/18	2018/19	2019/20
Actual principal invested beyond year end	£2m	£2m	£1m
Limit on principal invested beyond year end	£2m	£2m	£0m
Complied	✓	✓	✓

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